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Social enterprise, Sustainable development and the FairShares model

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Social Enterprise, Sustainable Development and the FairShares Model

By Rory Ridley-Duff and David Wren

Abstract

This paper explores how the fields of social enterprise and sustainable development can be aligned by applying the FairShares Model to co-operative development. The adoption of public policies on sustainable development goals (SDGs) challenges our current conceptions of wealth. Using materials published by the FairShares Association and International Integrated Reporting Council (IIRC), we advance a theoretical framework based on six forms of wealth creation (natural, human, intellectual, social, manufactured and financial). We deploy this to explore inter-relationships between social enterprise and sustainable development then use a FairShares case study to show how applying the FairShares Model enfranchises stakeholders, alters the distribution of wealth and power, and helps to realise SDGs. Recognising and rewarding each form of wealth makes the connections between them more visible. The FairShares Model offers a coherent philosophy for co-operative development that acts as a bridge between the fields of social enterprise and sustainable development.

Keywords: social enterprise, sustainable development, co-operatives, fairshares, solidarity

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Social Enterprise and the Social Economy

In this chapter, we further develop your knowledge of social enterprise (SE) by examining the contribution of the FairShares Model (FSM) to the social solidarity economy (SSE) and sustainable development goals (SDGs). To make this argument, we have structured the chapter in five parts. Firstly, we reframe the concept of wealth and use it to critique four approaches to SE creation (Defourny and Nyssens, 2017). Secondly, we introduce the SDGs through which the United Nations seeks to achieve sustainable development. To illustrate the connection between approaches to SE and SDGs, the third section introduces the FairShares Model (FSM) and explores how it is applied to practice at Resonate Beyond Streaming Ltd, a FairShares Cooperative registered in Ireland. In the fourth section we link the FSM's principles to SDGs before concluding with a summary of the way that reframing wealth can contribute to a paradigm shift in the development of enterprise education.

Six Forms of Wealth as a Theoretical Lens

We are both currently contributing to an EU project ('European FairShares Labs for Social and Blue Innovation') in which we describe SE as:

> "…not only as a general term for economic activity guided by a social purpose but also as a technical term for that part of the economy in which firms are controlled by employees, producers, consumers and volunteers (rather than private and professional investors). Its primary focus is on worker cooperatives, employee-owned firms, consumer and mutual societies, but can extend to the economic activity of non-profit organisations, NGOs, credit unions, voluntary and self-help groups working with trade unions to distribute wealth more fairly."
>
> European FairShares Labs – English Brochure, Erasmus+ Project 2016-1-DE02-KA204-00397, downloadable from http://www.fairshares.coop/fairshareslabs/

This definition reflects the contested nature of the social economy. On the one hand, it is something that arises out of democratic action in civil society to create associations, mutuals and co-operatives that meet the needs of their members (Arthur, Scott-Cato, Keenoy and Smith, 2003). On the other hand, it is purpose-driven action by philanthropists to create foundations, charities and quasi-public bodies that deliver services to specific beneficiary groups (Haugh and Kitson, 2007).

This blurring of boundaries is deeply embedded in the history of social economy development (Westall, 2001; Monzon and Chaves, 2008).

Consistent across the divide, however, is the pursuit of an economy that meets social, cultural, economic and environmental needs rather than the needs of financial capital. For example, the globally accepted definition of a co-operative is "an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise" (ICA, 2018). The inclusion of social and cultural needs (and aspirations) reflects a holistic and people-centred approach to enterprise development. Nevertheless, it is only recently that scholars of social economy have explicitly acknowledged their responsibility to manage the planet's physical environment (Novkovic and Webb, 2014). This has been prompted by government, co-operative and private sector institutional support for sustainable development (Brakman Reiser, 2012; Mills and Davies, 2013). This recognition of personal, societal and environmental responsibility requires new thinking on the nature of wealth.

Table 1 – Six Forms of Wealth

Category	Description
Natural	access to land, air, water and minerals and natural processes (chemical reactions).
Human	workers' health, skills and abilities
Social	networks of people in high trust relationships
Intellectual	the number, quality and availability of workers' ideas and designs
Manufactured	the quality and accessibilities of manufactured goods (tools, machinery, premises, services)
Financial	the money used and/or generated by an enterprise/project

Source: Ridley-Duff, McCulloch and Gilligan (2018) *Six Forms of Wealth*
Downloaded from http://www.fairshares.coop/fairshares-model/, 14th March 2018.

Table 1 reflects a critique of ideas advanced by the International Integrated Reporting Council (IIRC) on 'six capitals' (see: http://integratedreporting.org). The IIRC positions itself as a "global coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs" that seeks to change accounting standards to align them with SDGs. The framework is a useful pedagogic tool for students to explore how enterprises build and destroy different forms of wealth.

We all share an interest in some things. Everyone would like to access clean drinking water, to breathe clean air, to eat food that is healthy and tasty (natural wealth) and to live in dwellings that provide shelter and security (manufactured wealth). Enterprises that seek to offer a desired product or service to everyone (on a universal access basis), or which seek to produce better health outcomes for everyone, produce public goods. In the last 30 years, many governments have switched from producing to commissioning these goods through public service social enterprises (PSSEs) – enterprises that are part-owned by, or indirectly funded and heavily regulated by, the state (Hood, 1995; Sepulveda, 2014).

Sometimes, a group of people have a mutual interest. Perhaps they want to play or watch a sport (baseball or football). Perhaps they co-operate to make a particular thing (such as music or food). In this case, there is no general public interest. There is a combination of mutual and private interests to produce and consume specific goods and services. Co-operative and mutual enterprises (CMEs) create social wealth because they bring people together to create something that satisfies their mutual interests. CMEs also create human and intellectual wealth because members work together to enhance their ideas, skills and abilities.

Over the last 170 years, there has been a steady increase in the creation of CMEs that build human, intellectual and social wealth. They have proved more resilient than private enterprises that focus narrowly on financial wealth, particularly after the 2008 financial crisis (Birchall and Ketilson, 2009; Restakis, 2010; Laville, 2015; Ridley-Duff and Bull, 2018). CMEs shift thinking towards more ethical markets (which adapt to intellectual rather than financial stimuli) by producing and selling products (manufactured wealth) that maximise satisfaction of needs (social and natural wealth).

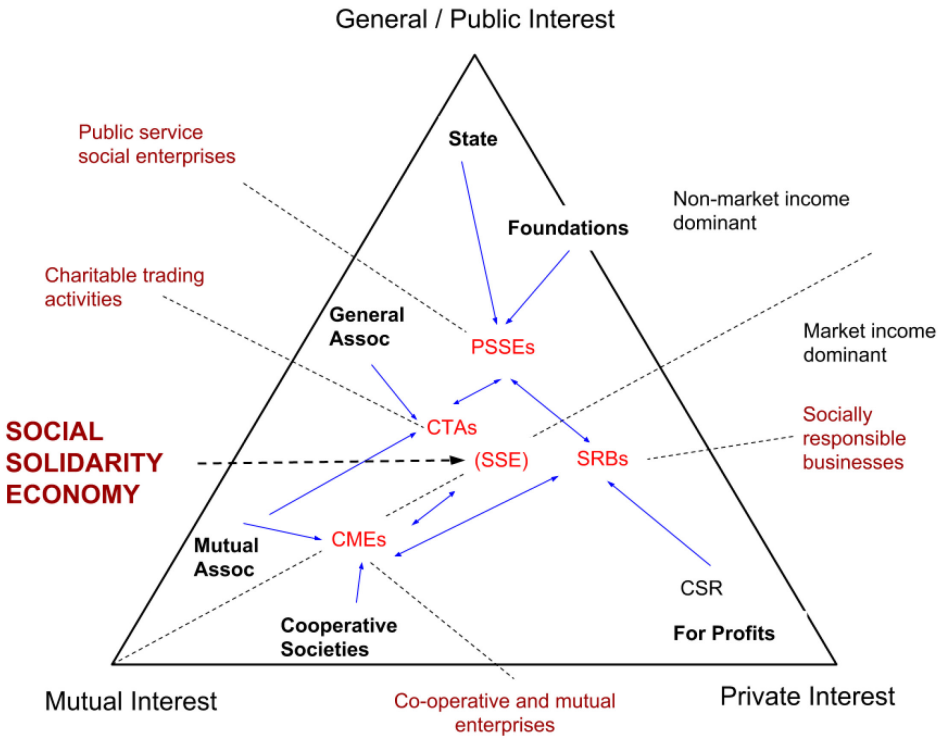
Lastly, there are individuals who pursue socially responsible business projects (SRBs) and charitable trading activities (CTAs). For the last 20 years, these have been studied through the discipline of social entrepreneurship (Nicholls, 2006; Yunus, 2007). For motivated individuals, pursuing a private interest by creating a public good contributes to a more satisfying working life (human, intellectual and social wealth). The private interests of social entrepreneurs are different to those of commercial entrepreneurs because they derive (more) satisfaction from increasing human,

social, intellectual and manufactured wealth than growing profit levels (Chell, 2007). Early writings in this field alerted both academic institutions and governments to a new movement of entrepreneurs who pursued CTAs and SRBs to bring about community and public benefits (Leadbeater, 1997). These 'blended-value' approaches to the creation of natural, human, social and financial wealth combine social goals with commercial skills acquired in the private sector (Emerson, 2000). Industries such as waste management, recycling and upcycling, clean energy production, financial services for poor communities and low-cost housing are all industries in which SRBs and CTAs are able to thrive (Ridley-Duff and Bull, 2016).

Four Approaches to Social Enterprise

Between 2013 and 2017, over 200 researchers participated in a global study of social enterprise models (see https://www.iap-socent.be/icsem-project). To help them, the project co-ordinators (members of the EMES International Research Network) developed a theory that social enterprises combines two or more types of economic exchange leading to a variety of social enterprise models (Defourny and Nyssens, 2017). Their typology is consistent with our framing of PSSEs, CMEs, SRBs and CTAs based on work undertaken in the UK to distinguish the influence of state, voluntary, cooperative and private sector actors (see Westall, 2001; Teasdale, 2012; Ridley-Duff and Bull, 2016). In Figure 1, we adapt the EMES theory of SE to show both the interests and evolutionary paths behind each approach to SE.

Figure 1 – Combined interests in models of social enterprise



Interpreted from works by Defourny and Nyssens (2017) and Ridley-Duff and Bull (2016)
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PSSEs evolve from the desire of people in the public sector and charitable institutions to rethink how public services and 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 who assume that enterprising individuals can create PSSEs that increase human, social and intellectual wealth in more creative ways than state-run industries and monopolies. PSSEs are dominated by a public or general interest, and redirect tax revenues (financial wealth) to incubate new approaches to wealth creation or are supported by other resources drawn from state and charitable sources.

A good example is the Grameen Bank in Bangladesh which started with state funding and the backing of the Grameen Foundation. In 2007, The Grameen Foundation and its founder Muhammed Yunus both won Nobel Prizes for the way they provided financial services and insurance products to millions of people in rural communities. However, PSSEs do not necessarily stay that way. The Grameen Bank built its membership (mainly female customers of the bank) until it was transformed

into a CME owned by is users (Jain, 1996). Grameen expanded further to create SRBs offering telecommunications (through Grameenphone) and renewable energy (through Grameen Shakti).

Foundations and associations can also promote SE through 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). BRAC, an NGO supporting rural development in Bangladesh, is a good example. It switched from 90% donor funding to 80% trading income between 1990 and 2000 (Jonker, 2009). CTAs involving dairy farmers and artisans generate income for public health projects (PSSEs).

Lastly, CMEs build on the history and values of the co-operative movement. These are all explicit in their commitment to creating human and social wealth through collaborative and collective decision-making. A particularly good example is the social co-operative movement in Italy. Carers, medical professionals and patients have formed a national network of CMEs to improve patients' health and employment skills.[1] For example, patients – as co-op members - learn technical and social skills over a 3-year period whilst also receiving medical care. More than half (65%) find another job before their training ends; this is over double the percentage reported by equivalent for-profit or charitable organisations in other countries (Borzaga and Depedri, 2014; Ridley-Duff, 2016).

Lastly, there are private individuals committed to advancing public benefit through SRBs. These go well beyond the limited aspirations of corporate social responsibility. A good example of this is Toms Shoes[2] which makes a pair of shoes (manufactured wealth) for a poor child in South America each time one is purchased in a developed country. Similarly, Tim Smit's Eden Project (Cornwall, UK) generates additional income (financial wealth) by exporting its expertise in green technology and zero-waste management (intellectual and natural wealth). The first example turns financial wealth of western consumers into manufactured wealth for children in South America. By having shoes, the

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

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

children can participate in school and community activities (generating human and social wealth). The Eden Project shares intellectual wealth to create financial wealth for the people of Cornwall. In doing so, it protects natural wealth by helping to install zero-waste management systems.

By combining private, mutual and public interests, four distinct approaches to social enterprise development can be identified, each of which prioritises different forms of wealth creation. When taken together, they provide four starting points for building a social solidarity economy (SSE). Table 2 describes the four SE approaches, related legal models (and associated FairShares Model Rules), organisational and wealth creation characteristics.

Table 2 - Summary of approaches to social enterprise development

Approach	Acronym	Legal forms / FairShares Model	Characteristics	Wealth Creation
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 service provision **Model Rules for a FairShares Partnership**	Public servants work with community leaders Create partnerships with other social enterprises Public investment Favours production for use	Protection of natural, human, social and financial wealth through improved access to and/or higher quality **public services**.
Co-operative and Mutual Enterprises (includes social cooperatives and solidarity enterprises)	CMEs (Or SCs) Primary approach to the SSE	Co-operative Societies / Banks Mutual Societies Credit Unions Building Societies Social and Solidarity Co-operatives **Model Rules for a FairShares Cooperative**	Led by member-owners Elected governors Democratic participation Production for use and market	Human, social, intellectual and financial wealth sharing via: · Co-ownership · Participation · Equitable profit sharing · Improved working and living conditions

Approach	Acronym	Legal forms / FairShares Model	Characteristics	Wealth Creation
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 **Model Rules for a FairShares Non-Profit Association**	More entrepreneurial than traditional non-profits Protect assets for community / public benefit They mix grant/donor income with trading. Production for use and/or market	Use of intellectual, manufactured and financial wealth to produce a **public benefit –** typically a social investment that protects / enhances natural, human or social wealth.
Socially Responsible Businesses (also called 'social businesses')	SRBs Or SBs	Company / Corporation with social objects Benefit Corporations Community Enterprises **Model Rules for a FairShares Company**	Use of private / commercial finance Corporate partnerships Ethical / impact investment Favours production for market	Investments of human and financial capital in market activities to achieve SDGs (i.e. protect and enhance natural, human, social wealth).

Given the summary in Table 2, it should not come as a surprise that there is - and will continue to be - considerable variation in the design, development, ethics and outcomes achieved by different approaches to SE (Ridley-Duff and Bull, 2018). Not every law to regulate SE, and not every trade mark and strategy developed to promote it, is cognisant of the different (combinations of) SE thinking.

In the next section, we introduce sustainable development and the FairShares Model (FSM) to see how SE and SDGs are converging. We start by outlining sustainable development. We build on this by exploring how the FSM can be applied to the development of multi-stakeholders SEs.

Sustainable Development

The book *Principles of Responsible Management* (Laasch and Conway, 2015) supports the UN's initiative on Principles of Responsible Management Education (PRME). This textbook is a global academic product: a wide range of researchers, lecturers, practitioners and policy-makers have contributed chapters, case studies, thought pieces and teaching materials to transform teaching in

business schools (Doherty, Meehan and Richards, 2015). The field of sustainable development shares a commitment to creating and supporting 'triple bottom-line enterprises' that create the six forms of wealth. To do so, public, civil society and market institutions need to be persuaded to meet social needs without breaching the limitations created by environmental and social conditions. In this respect, the fields of sustainable development, responsible management and social enterprise share a theoretical perspective. In 1987, Bruntland penned a much-quoted statement that:

> Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs. It contains within it two key concepts:
>
> - the concept of needs, in particular the essential needs of the world's poor, to which overriding priority should be given; and
> - the idea of limitations imposed by the state of technology and social organisation on the environment's ability to meet present and future needs.
>
> (Bruntland, 1987: 43)

Sustainable development, therefore, depends on not using resources more quickly than they can be re-created, substituted or replenished. While this is conceptually straightforward in relation to the physical environment, it is more challenging when applied to economic and social questions.

From an economics perspective, sustainable development depends on firms spreading financial and manufactured wealth equitably without harming any firm's ability to access the wealth it needs for production activities. This process necessarily requires that each stakeholder has the capacity to pass on (or place in a commons) human, intellectual, social and manufactured wealth needed by the next generation. From a sociological perspective, sustainable development depends on enterprises that improve interpersonal trust among the members of a community (i.e. spread human and social wealth). Enterprises need to both create (and avoid disrupting) the social wealth that stakeholders depend on to meet their needs and maintain natural wealth. From an environmental perspective, sustainable development translates more straightforwardly into actions that ensure natural wealth is not used more quickly than nature can replenish it, or for which safe substitutes can be invented when natural wealth will not last indefinitely (Barbier, 1987; Giddings et al., 2002).

UN Sustainable Development Goals (SDGs)

In 2016, the UN announced a framework for achieving sustainable development (the SDGs, shown in Figure 2). These significantly expanded the range of activities that are recognised as necessary to achieve sustainable development and placed a new emphasis on organisations in both the private and social economy to achieve them. As there are so many, it is helpful to group SDGs into related themes.

Figure 2 – United Nations 2030 Sustainable Development Goals

Source: https://www.un.org/sustainabledevelopment/

Each SDG has related targets that can be used to justify grouping them together to show logical relationships between them. Firstly, a specific set of goals can be tied to the creation and maintenance of human, social and intellectual wealth. Goals 1 (No Poverty), 2 (Zero Hunger), 5 (Gender Equality) and 10 (Reduced Inequalities) deal mainly with inequality issues while goals 3 (Good Health and Well-being), 4 (Quality Education), 8 (Decent Work and Economic Growth), 16 (Peace, Justice and Strong Institutions) and 17 (Partnerships for the Goals) focus on wider welfare and work-related issues. Secondly, goals 6 (Clean Water and Sanitation), 7 (Affordable and Clean Energy), 13 (Climate Action), 14 (Life Below Water) and 15 (Life on Land) all contribute to better management of natural wealth. Lastly, goals 9 (Industry, Innovation and Infrastructure), 11 (Sustainable Cities and

Communities), 12 (Responsible Production and Consumption) are primarily focussed on manufactured and financial wealth.[3]

Sustainable Development and the FairShares Model

The FairShares Model (FSM) emerged from a programme of action research to advance democratic governance in associations, co-operatives and social businesses (SHU, 2014). With each successive version, SDGs have been more deeply embedded. A core proposition of the FSM (Version 3.0a) is that natural, human, social, intellectual, manufactured and financial wealth can be managed more equitably if primary stakeholders (founders, labour, users and investors) apply a set of principles (see Table 3).

Table 3 – FairShares and Sustainable Development

Principle	Link to Sustainable Development
Principle 1 Wealth and power sharing amongst primary stakeholders	Restructuring organisations is the best way to tackle poverty and inequality. By giving greater social and economic power to people who are marginalised by private sector business models, wealth contributions can be rewarded appropriately.
Principle 2 Specification of social purpose(s) and auditing of social impact(s)	Legitimising the pursuit of social goals will increase the number of businesses that actively pursue SDGs.
Principle 3 Ethical review of the choice of goods/services offered	Enfranchising labour and user groups in discussions about what to produce will increase the availability of goods/services that are good for people, society and the environment.
Principle 4 Ethical review of production and retailing processes	Enfranchising labour and user groups in governance and management will lead to production and consumption practices that are healthier for people, society and environment.
Principle 5 Social democratic ownership, governance and management (in enterprises)	Enfranchising all four stakeholders will encourage direct democratic control over how different forms of wealth are invested in economic activities.

Interpretation of http://www.fairshares.coop/brand-principles/, retrieved 6th May 2018.

[3] This grouping of SDGs is a product of work by the PRME Group at Sheffield Hallam University who started work on groupings for a PRME conference in 2016. This developed further during the organisation of the EMES International Research conference during 2018.

The FSM articulates an assumption that four different contributions are combined in successful enterprises (Ridley-Duff, 2015; 2018). These four contributions could all be made by one person, but are usually made by a number of people. In teaching materials for FairShares Labs, the relationship between the contributions is described using a short story:

> Imagine that you have an idea for a recipe which uses organic produce. To test it, you cook and eat it several times until you judge that the recipe is perfect. Creating the recipe, purchasing the ingredients, cooking the meal and eating it is your enterprise. As the author of the recipe you are the person who has initiated the enterprise. You are – in FairShares terms – the founder. It is your initiative in creating a new recipe that makes you the founder. However, in this case you also supplied labour. You also consumed what you cooked – you were the user of the meal you created. Lastly, by purchasing the ingredients, you also invested financially in your project. In short, as the creator, provider of labour, user of the food and investor of money, you expressed four different interests in your project (these are the four interests recognised in the FSM).
>
> So, let us now consider what might happen when you share your (tasty) recipe with your friends. They are enthusiastic and want to try it at a party. You write down the recipe (which includes information on the ingredients as well as how to cook them). When you do this you acquire (in law) intellectual property rights in the recipe. To hold the party, there are now new choices to make. You could take the initiative again, buy the ingredients, act as host for the meal, cook the food and clear up afterwards. If you do, you are – once again – the founder, provider of labour, user of what you produce and financier (of the party). Your friends become users (along with yourself).
>
> But it might unfold another way. You might give the recipe to one of your friends who arranges a party. They purchase the ingredients, cook the food and invite their friends to eat it. You – as creator of the recipe – provided the know-how, but you let someone else use your intellectual property so they can make the recipe and eat the results. Another friend bears the cost of buying the ingredients (i.e. becomes the financial contributor). Clearly, you and your friends can each take on more than one role. Moreover, it is efficient to do this. Giving recognition to each contribution (to the people with skills, ingredients and money) is another aspect of the FSM – all who contribute are treated as joint members of an enterprise.
>
> Lastly, let us now consider that your friends are so enthused that they wish to form a co-operative association to spread knowledge of the recipe, organise (paying) events for people to try the food and go to food festivals to sell it to the public. The founder members argue that organic food enthusiasts should be able to invest in this new (cooperative) enterprise. Now, everyone interested in the network faces several choices. Who will be the founders of the association? Who will provide the labour (and will it be paid)? Who will be invited to events organised by the association and how will they pay for the food (will it be through a subscription or a retail price)? Who can make financial investments in the association and what terms will apply?
>
> In an association, many people can have many interests. Several people may be founders, provide labour and eat (or use) the food produced by their labour. Operating as an association, members can organise according to FairShares values and principles by enfranchising everyone according to their interests and rewarding them for their contributions to buying, producing, eating and investing in the production of food.
>
> But if you wanted to put a stop to this, you could exercise your intellectual property rights in the recipe. You could publish it and claim the copyright. Others would then have to pay you for a copy of it and observe your terms and conditions to use it. Instead of an association, you create a private company, abandon FairShares principles, become the sole legal owner of all the capital (shares) in the company. You are willing to employ your friends (but not make them company members). You keep the profits (after paying them wages). You take out bank loans (so you do not have to offer anyone else shares). You advertise to find customers, but do not offer them a chance to become members.

You keep customers legally separate from employees, and your employees separate from your financial investors.

As this example shows, all four interests are always represented in new ventures (founder, labour, user and investor). They may be expressed in a several ways by a variety of people. Private companies separate and isolate the interests from each other, then bind them together again through contracts that give the founder as much control as possible. In doing so, they create inequalities, differentiate rights and obligations, produce different outcomes for each of the interests represented. Employment contracts cover the rights of employers and employees (usually written by the employer). Contracts for the supply of goods cover the rights of suppliers and customers (usually written by the supplier). Contracts cover the terms of lending and borrowing (written by the lender).

FairShares enterprises, as far as it is possible to do so, integrate these different interests through membership and set terms for working, supplying, using, lending and borrowing through a constitution that is democratically controlled by all interest groups. In this case, your recipe would be yours, but you would licence it to other members under a Creative Commons Licence (so they can copy, adapt and 'perform' your recipe without asking your permission). Moreover, a person can be a member of more than one group (depending on the contributions they make). They are rewarded equitably for each contribution (sharing benefits created or financial surpluses generated). Their membership (and dividends) reflect the nature and extent of their activities. Their vote is no longer based on a property right but on their active participation in the enterprise. This is how a FairShares enterprise differs from a private, state or voluntary enterprise. It argues for the enfranchisement of all people who have a meaningful relationship with the enterprise and seeks to reward them equitably for each of their contributions.

Source: https://fairshares.moodlecloud.com - Course 'Introduction to the FairShares Model'
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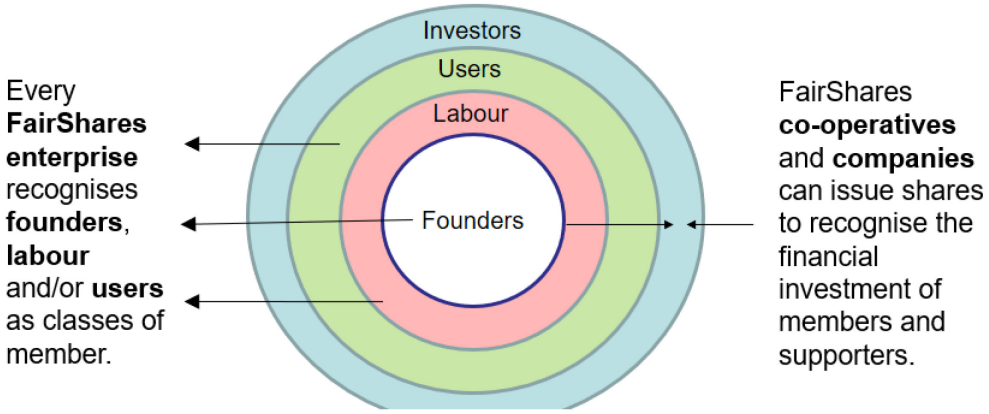
The multi-stakeholder approach in the FSM (Figure 3) is one of many attempts to stimulate social solidarity enterprises (see also Lund, 2011, 2012; Conaty, 2014; Conaty and Bollier, 2015). In single-stakeholder social enterprises, decision-making power is entrusted to an individual philanthropist, social entrepreneur or to a board of directors/trustees that acts as a sovereign power. Solidarity enterprises operate on a different logic, drawing primarily on the democratic traditions of the co-operative movement, but updating the concept to involve both producers and users (Vieta, 2010). A commonly cited argument against solidarity principles is that conflicts of interest between stakeholders will lead to less efficient resource use and cumbersome governance (Sternberg, 1998; Mason, Kirkbride and Bryde, 2007). Nevertheless, the success of CMEs that involve both savers and borrowers, both producers and consumers, and both individual and organisational members, provides a counter narrative (see Whyte and Whyte, 1991; Gates, 1999; Moreau and Mertens, 2013).

Figure 3 – Interests and Bodies of Law Applied to the FairShares Model



*FairShares values and principles can be operationalised through **company**, **co-operative, partnership and association** law.*

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The FSM departs from other multi-stakeholder models by emphasising interests as well as people. Whereas other multi-stakeholder models focus on which membership group a person belongs to, under the FSM a person can belong to several groups. Figure 3 shows how the FSM advocates membership for (and co-operative networking between) four primary groups based on the idea that common bonds can form when stakeholders use shared intellectual property to promote equitable voice rights and wealth sharing. Capital contributions are framed as intellectual, human, social and financial investments and each entitles the contributor to membership, with voice rights and a share of the wealth they create (McCulloch and Ridley-Duff, 2016).

Table 4 – Applying FairShares: stakeholder groups enfranchised

Founders: the people/organisations who start the enterprise.	Founder members qualify for membership by virtue of being a founder of the enterprise (i.e. are signatories to the documents that bring the organisation into existence). In a FairShares Company or Cooperative, Founder members are allocated Founder Shares.
Labour: people/organisations who make the goods/services offered by the enterprise.	Labour members qualify for membership by virtue of a qualifying labour contribution. In a FairShares Company or Cooperative, Labour members are allocated Labour Shares and can qualify for Investor Shares when a surplus is generated.

Users: people/organisations who use or buy goods and services from the enterprise.	User members qualify for membership by virtue of a qualifying user contribution. In a FairShares Company or Cooperative, User members are allocated User Shares and can qualify for Investor Shares when a surplus is generated.
Investors: people/organisations who create or contribute financial capital.	Investor members qualify for membership by virtue of creating or contributing financial capital. In a FairShares Company or Cooperative, Investor members are allocated Investor Shares.

Source: European FairShares Labs for Social and Blue Innovation, Erasmus+ Project 2016-1-DE02-KA204-00397, http://www.fairshares.coop/fairshareslabs/

Arguments regarding the viability of multi-stakeholder enterprises that recognise 'qualifying contributions' highlighted in Table 4 have been strengthened through Nobel Prize winning work that explicates design principles for producers and consumers to follow (Oström, 1990). Oström's findings suggest that mutual benefits and sustainable development goals can be achieved through crafting rules that guide collective action. Lund (2011) goes even further: solidarity can itself be the basis of a business model. This idea is gaining ground at a time when the internet makes it easier to co-produce, co-finance and co-purchase goods through co-operatively managed enterprises and platforms (Lehner, 2013; Laville, 2015; Scholz and Schneider, 2016). In the next section, we describe an early adopter of FairShares (Resonate Beyond Streaming Ltd - an Irish music streaming co-operative) to illustrate the application of the FSM to SE.

Applying FairShares values and principles: a case study

Resonate Beyond Streaming Ltd [4] is an early adopter of the FSM that incorporated in 2017 as a FairShares co-operative under Ireland's Industrial and Provident Society Act. Resonate is a music streaming service organised as a platform co-operative (Scholtz and Schneider, 2016). Their landing page articulates their mission in terms of 'remaking streaming' by championing artists and serving passionate music fans. Clause 5 states their purpose as: (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

[4] For more information see https://resonate.is. This case is one of 21 'relevant practice' cases documented by the partners in the FairShares Lab Erasmus+ project.

organisations established to provide support and assistance to those wishing to found Platform Cooperatives."

Musicians are underpaid by music companies. With the switch from music sale royalties to streaming services, musicians often receive only fractions of a cent after music labels and distributors have taken their cut. Within Resonate, musicians receive a higher proportion of income from streaming as well as 45% of the distributable profits of the co-operative. Fans also receive a patronage refund of 35% of distributable profits. Resonate's SE trading model is operationalised through a 'stream to own' system; fans pay an increasing amount with each stream of a music track until the 9th stream. After this, they own the track and can play it as much as they like. Fans not only pay less than half the cost of a monthly subscription compared to Apple Music or Spotify (for about 2 hours streaming per day), they pay the equivalent of an iTunes download to the musician(s) after 9 streams of a single track; it would take 150 streams on Spotify for musicians to receive the same amount. The 'stream to own' system reinvents streaming to benefit artists and fans, rather than the private owners of music companies. Resonate describe this strategy on their website as 'pay for every play'[5], with tiny amounts for the first stream 0.002, doubling each time up to the ninth stream. They promote the site by developing relationships with music blogs and press outlets.

Resonate's governance is based on Model Rules for the FairShares Co-operative. It registered a multi-stakeholder co-operative with five member groups (Founders, Collaborators, Music Makers, Fans and Supporters). The source code for their site will be made Open Source as soon as feasible. The rule book provides for General Meetings that can use 'off-line' video conferencing as well as online collaborative decision-making. 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 qualification rules. An executive team / CEO can negotiate contracts and confirm them with board approval. Resonate summarise their FairShares ownership and governance arrangements in a graphic (Figure 4).

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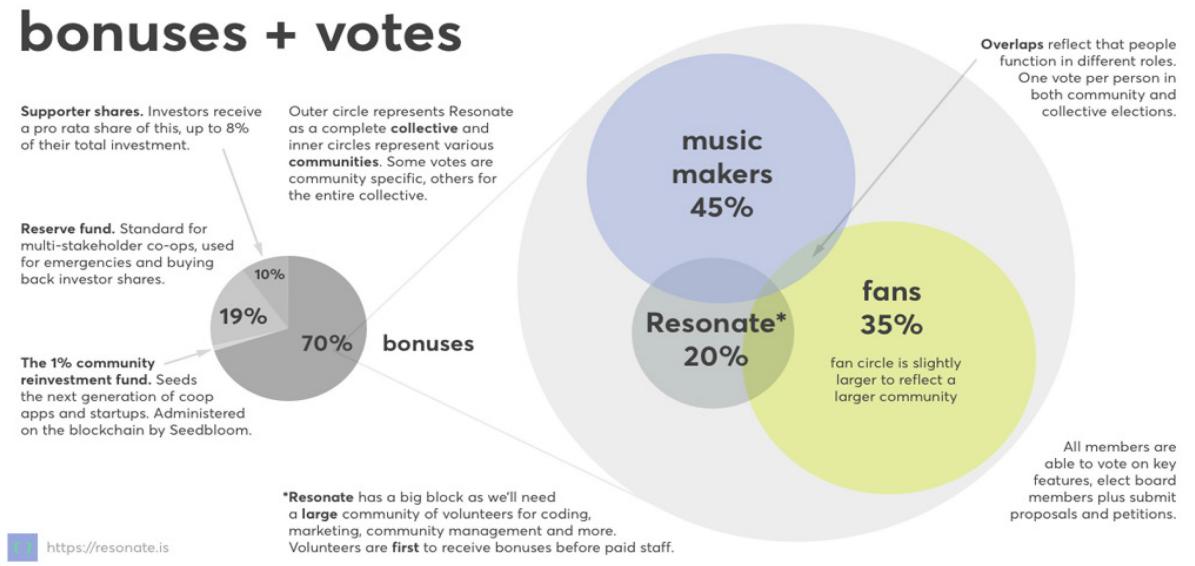
[5] See more details at: https://resonate.is/strategies/

Figure 4 – Ownership and Surplus Distribution at Resonate



Source: https://resonate.is/exploring-why-were-a-cooperative/, as at February 2018.

Resonate clearly structure their co-operative to address FairShares Principle 1 by enfranchising and distributing surplus revenue to music-makers, fans, volunteer collaborators and supporters. The 'stream to own' approach represents Resonate's social mission (Principle 2) to reform the way social media are streamed. Their goal is to increase revenues to the creators of social media (in this case musicians) who are not able to share in the wealth they create for others. The commitment to open source Resonate's software, and the sharing of revenues with volunteer coders, shows the co-operative's system for responsible production (Principle 4) and the enfranchisement of fans is a commitment to responsible consumption (Principle 3). The co-operative structure enables members to control the future direction of the enterprise and subject it to democratic member control (Principle 5).

Theoretical integration

The application of the FSM develops a common bond based on solidarity between primary stakeholders in the production and consumption of specific products and/or services (Utting, 2015). This differs from past co-operative theory based on a common bond linked to the economic role of producer or consumer, or a demographic characteristic such as location or residential status. This new type of solidarity (between labour, users and citizen investors) connects the SSE to SDGs (Laville,

2015; Utting, 2015; Ridley-Duff, 2015). This being the case, it worth exploring how FairShares Principles are linked to each set of SDGs.

Table 5 – SDGs for managing human, social and intellectual Wealth

Goal	Description	FairShares relationship	UN targets	Indirect
1	No poverty	Principle 1 enables wealth to be spread amongst a wider population of stakeholders; this would have a direct impact by reducing poverty.	1.1, 1.2, 1.4	
2	Zero hunger	"Secure and equal access to land" – The FSM is aligned with the work of Oström et al. (1999) on commons-based property to improve land (and property) management.	2.3	
3	Good health and well-being	Sharing power and wealth reduces inequalities and provides resources for access to health care. Brave.coop[6] (FairShares Coop in Canada) will contribute directly to well-being.		3.9
4	Quality education	Commitment to ICA Principle 5 and social auditing is written into FSM model rules. Winn (2018) advocates the FSM for co-operative university governance, and FairShares Labs provide adult education opportunities.	4.3, 4.7, 4.A	
5	Gender equality	FairShares spreads democratic power across all members of the organisation irrespective of gender, thereby facilitating the economic empowerment of women.	5.5, 5.a	
8	Decent work and economic growth	FairShares encourages "decent" work by providing employees with a voice to counteract managerial abuse, slavery, contributing to a safe working environment.	8b3, 8.4, 8.5, 8.6, 8.7, 8.8	8.a
10	Reduced inequalities	FairShares Principles 1 and 5 support wealth and power sharing. Decision-making powers and economic surpluses are shared amongst four primary stakeholders.	10.2, 10.4	
16	Peace, justice and strong institutions	By ensuring both workers and consumers have a voice in governance and social auditing, the FSM contributes to transparent and accountable institutions.	16.6, 16.7	
17	Partnerships for the goal	FairShares supports multi-stakeholder partnerships following the model of the Mondragon coop network.		17.16

Weak Support Medium Support Strong Support

Poverty and inequality are directly addressed by FairShares Principle 1 ("Wealth and power sharing amongst primary stakeholders"). By enfranchising entrepreneurial leaders (founders), music makers (labour), listeners (users) and supporters (investors), Resonate can guarantee that primary stakeholders have more equitable relationships than would be possible in a private company. By applying Principle 5 ("Social democratic ownership, governance and management"), control rights are

[6] https://www.brave.coop/ was in the process of registering as a FairShares Coop in British Columbia, Canada, at the time of writing.

changed within the enterprise so that citizens (listeners and supporters) have a direct interest. Overall, Principles 1 and 5 enhance members' capacity to manage their human, social and intellectual wealth. This type of sharing system improves welfare and quality of life (Rothschild and Allen-Whitt, 1986; Erdal, 2000; Borzaga and Depredi, 2014).

Table 6 – SDGs for managing natural, manufactured and financial wealth

Goal	Description	FairShares relationship	UN targets
6	Clean water and sanitation	FairShares Principles 3 and 4 consider ethical production and consumption of goods (including waste disposal).	6.3
7	Affordable and clean energy	No direct relationship.	
9	Industry, innovation and infrastructure	FairShares promotes "inclusive and sustainable industrialisation" by undertaking social audits (Principle 2) to review the ethics of production and consumption choices and activities.	9.2, 9.3
11	Sustainable cities and communities	The multi-stakeholder design principles and social auditing of the FSM contributes to building sustainable communities.	11.4
12	Responsible consumption and production	This relates specifically to FairShares Principle 4, through which there is ethical review of the production and retailing of goods.	12.1, 12.2, 12.4, 12.5, 12.6, 12.7, 12.8
13	Climate action	Responsible production and consumption (Principle 4) directly contributes to climate action through responsible management of land and marine eco-systems.	13.1, 13.3
14	Life below water		
15	Life on land		

Weak Support Medium Support Strong Support

FairShares Principle 2 ("Specification of social purposes and social auditing of impact(s)") contributes to the management of natural wealth. At Resonate, this is achieved through participation mechanisms for music-makers (labour) and fans (users) in governing bodies and through social auditing that enables members to manage their contribution to SDGs by assessing their impact on the environment (see Table 6). The social auditing (Clause 47 in FairShares Model Rules) obliges members to monitor sustainable management of the economy by checking the impact of the enterprise's work, products and services on members, society and the environment.

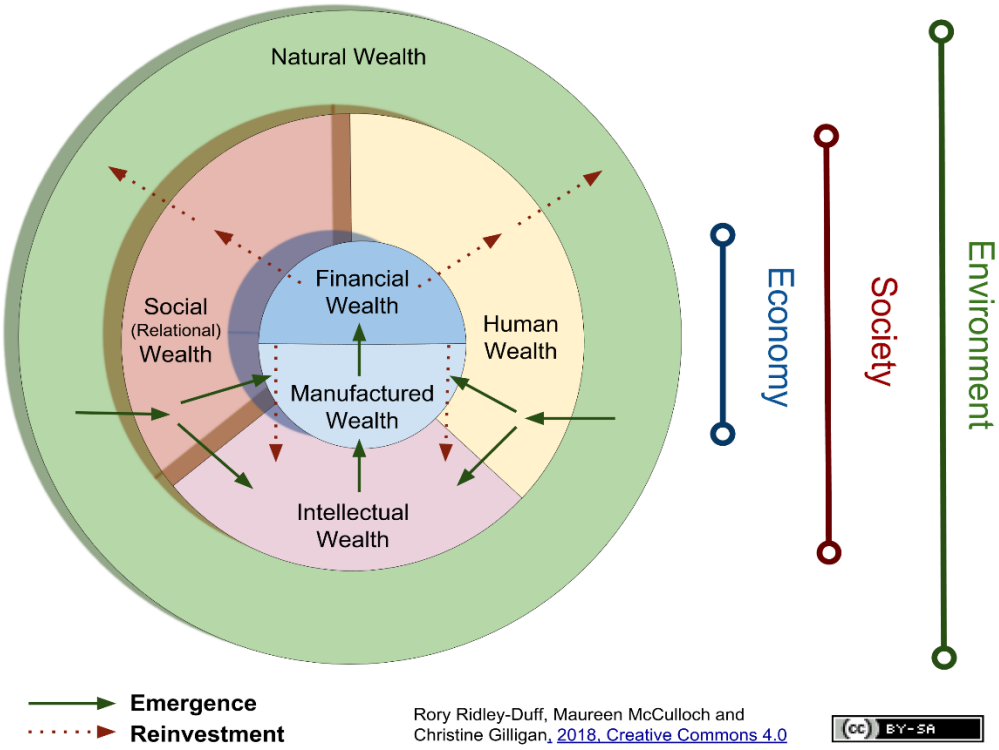
Principles 3 and 4, however, are more directly related to scrutiny of the impacts of production and consumption choices. SDGs on innovation, industry and the infrastructure of cities and communities, are shaped by the interpretation of FairShares Principle 3 ("Ethical review of the choice of

goods/services offered") whilst the SDG on responsible production and consumption is directly related to FairShares Principle 4 ("Ethical review of production and retailing processes"). Principles 3 and 4 are two sides of the same coin (*what* is produced for consumption, and *how* it is produced/consumed).

Conclusions

Reframing the concept of wealth reveals the full contribution of SEs to the well-being of people, society and environment. It clarifies how SEs support SDGs and the paradigm shift in thinking required to achieve sustainable development. By replacing conceptualisations of wealth based on manufactured and financial capital with one that recognises natural, human, social and intellectual wealth makes it possible to see the interconnections needed to secure widespread well-being (Figure 5).

Figure 5 – Combining Wealth in through SEs using the FSM



We deployed the above conceptualisation of wealth to investigate SE both generally (four approaches) and specifically (in the form of the FSM). To better understand each approach, we evaluated how each SE approach and the FSM contributes to the six forms of wealth. As FairShares documentation accompanying Figure 5 states:

> Manufactured and financial wealth are situated as something that emerges from (and which are embedded within) human, social and intellectual wealth. Products and services emerge from ideas (intellectual wealth) incubated and refined by networks of people (social wealth) who then organise production (using human wealth). It is this that enables tangible goods to be created (manufactured wealth) and sold in marketplaces (to generate financial wealth). […] **The view set out here is that wealth is generated by stewarding nature to enhance human skills and capabilities, and is built through relationships between people who share their ideas and stimulate the production of goods and services that meet human, societal and environmental needs.** [Emphasis in original]

Source: Ridley-Duff, McCulloch and Gilligan (2018) *Six Forms of Wealth*
Source: http://www.fairshares.coop/fairshares-model/, 14th March 2018.

We have constructed an argument as follows: 1) sustainable development is advanced through the pursuit of SDGs; 2) social enterprises contribute directly to SDGs; 3) the FSM is an effective way to integrate SDGs into its SE development; 4) Resonate (a music streaming cooperative from Ireland) serves as a good example of the FSM applied to practice. To summarise, the FSM advances sustainable development by enfranchising primary stakeholders through legal frameworks that reorganise the distribution of power and wealth. Welfare can be improved, inequalities can be mitigated, responsible production and consumptions processes can be organised, leading to more effective climate action. However, the FSM is just one of many initiatives within the SSE that seeks to bring producers and consumers together to shape the enterprises of the future (Vieta, 2010; Laville, 2015). Each of these initiatives focuses on new ways to share wealth and power so that producers and consumers have more equitable relationships with (social) entrepreneurs and (citizen) investors.

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Further Information:

An increasing number of articles and book chapters on the FSM are becoming available. These can be accessed through the website of the FairShares Association (www.fairshares.coop/publications). Further resources are being created by the partners in the European FairShares Labs for Social and Blue Innovation project. These can be accessed through their project website (www.fairshareslab.org).

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