

Wealth, Social Enterprise and the FairShares Model

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Wealth, Social Enterprise and the FairShares Model

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Abstract

This conceptual and empirical paper explores how the fields of social enterprise (SE) and sustainable development (SD) problematise the concept of wealth and reframes it to include non-financial outcomes. Using discussion documents published by the International Integrated Reporting Council (IIRC) and FairShares Association, we articulate an argument that wealth can be conceptualised as access to six forms of capital (natural, human, intellectual, social, manufactured and financial). We deploy this framework to investigate the wealth creating capabilities of different types of SE, then apply it to a case study of Resonate Co-operative Ltd. Resonate was chosen on the basis that it applied the FairShares Model (FSM) to music streaming services to alter distributions of power and wealth to benefit music makers (labour) and music fans (consumers). Its co-operative model of inclusive SE development aligns SE with SD through structures and systems that recognise and reward each form of wealth contribution. We conclude that it offers a coherent framework for aligning SE and SD.

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

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Introduction

In this paper, we explore how the theory and practice of social enterprise (SE) can challenge pre-conceptions about the nature of ‘wealth’ and improve its contribution to sustainable development (SD). We seek an answer to the research question ‘How can the field of social enterprise change the way we understand and recognise wealth creation?’ Our starting point is the conceptualisation of ‘six capitals’ by the International Integrated Reporting Council (IIRC, 2013) and a response by members of the FairShares Association (Ridley-Duff, McCulloch and Gilligan, 2018). The response informed an update to the FairShares Model (FSM) that became embedded in materials and tools for developing FairShares Labs.¹ We deploy both the framework and tools in this paper to assess their potential for aligning SE with SD.

Bebbington and Larrinaga (2014) call for inter-disciplinary efforts to develop knowledge that progresses SD. Under capitalism, financial ideas dominate and divide organisations into those that do and do not generate financial capital for their investors. Scholars of both SE and SD have argued that the focus on (financial) capital accumulation obscures the wealth-generating capacities and activities of SEs, and understates their relevance to SD (Elkington, 2004; Birchall, 2009; Coulson et al., 2015; Ridley-Duff and Bull, 2019). Our aim, therefore, is to test a framework for investigating and reporting on the economic, social and environmental relevance of SEs to SD.

The paper is divided into six sections. Firstly, we set out arguments regarding ‘capital’ as a term for describing wealth and limitations arising from its connection to capitalist economics. By presenting the IIRC’s ‘six capitals’ (IIRC, 2013) and critiquing them using the FairShares Association’s ‘six forms of wealth’ (Ridley-Duff, McCulloch and Gilligan, 2018) we argue that wealth can be reframed as (legal) access to natural, human, social, intellectual, manufactured and

¹ *FairShares Labs for Social and Blue Economy* – Erasmus+ Project Number 2016-1-DE02-KA204-003397 took place between November 2016 – October 2019. FairShares Labs are SE incubators piloted in Hungary, Germany, Croatia, Netherlands and the UK that apply the FSM.

financial capital. In the second section, we apply the ‘six forms of wealth’ framework to a leading theory of SE (Defourny and Nyssens, 2017) and a case study developed for an Erasmus+ project to pilot FairShares Labs (Ridley-Duff, Schmidtchen et al., 2020). This not only illustrates the diversity of approaches to SE but also how different approaches to SE (re)generate different forms of wealth. The third section describes our methodology for re-evaluating the case study using a series of deconstructions of Resonate Co-operative Ltd. We proceed in section four to present how the organisational arrangements in Resonate affect its use and production of wealth. In the fifth section, we draw out the theoretical and practical relevance of the FSM’s ‘six forms of wealth’ then move to our conclusion that the framework bridges the fields of SE and SD.

1. Social Economy, Capital and Wealth

In the EU Erasmus+ project to develop FairShares Labs, the social economy is described:

“...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, downloaded 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 members’ needs (Arthur, Scott-Cato, Keenoy and Smith, 2003). On the other hand, it is purpose-driven action by philanthropists who create foundations, charities and quasi-public bodies that deliver services to 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; Teasdale, 2012) and surfaces frequently in European debates about the definition SE (Defourny and Nyssens, 2017; Ridley-Duff and Bull, 2016, 2019a).

Consistent across the divide, however, is the pursuit of an economy that meets social, cultural, economic and environmental needs rather than those 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 (Birchall, 2009, 2011).

Nevertheless, it is only recently that scholars and practitioners on different sides of the social economy have started to explicitly integrate SD into their strategic plans and thinking (Bruntland, 1987; Mills and Davies, 2013; Novkovic and Webb, 2014). The mutual model of ownership and governance – in which individual and collective benefits are rebalanced to favour community development - has been actively promoted by governments (Myers, 2017), co-operative bodies (Mills and Davies, 2013; Weishaupt, 2018) and private sector institutions (Brakman Reiser, 2012).

Co-operative and mutual enterprises (CMEs) depart from capitalist economics by promoting forms of member-ownership that reverse the balance of power between financial capital and people (Birchall, 2009). This reversal requires that we broaden discussions of ‘capital’ beyond the concept of a financial investment. Becker (1964, 1994) extended the discussions to human capital, particularly the value of education and training. Bourdieu (1986) examined how social capital (networks) and cultural capital (qualifications and esteem) are pre-cursors to economic activity. His work sparked sustained interest in the nature of social capital in Italian and US civil society (Putnam, 1993, 2001), commercial enterprises (Fukuyama, 1999) and the outputs of SEs (Laville and Nyssens, 2001). For scholars of green economics, ‘natural capital’ has become an active concept for representing the wealth of the natural environment. Read and Scott-Cato (2014), however, criticise this development as it can be used to further arguments for markets (e.g. carbon credits).

Sullivan quotes Akerman’s argument (2005:37, 39) that:

‘natural capital’ is a polysemic metaphor that is analytically weak whilst metaphorically strong and heuristically powerful. This enables its use to perform different work for different groups of

people in diverse contexts, permitting its disparate mobilisation so as to act in the world with varying effects. (Sullivan, 2014, p. 13)

This financialisation of natural capital can be a powerful tool for re-forestation and replenishing natural ecosystems. New financial instruments can, at least in part, talk to powerful concerns about issues that would otherwise be ignored. But Sullivan is also wary that the use of financial capital metaphors can move the debate away from reality into abstractions, with an attendant danger that abstractions overlook key differences in the capitals described.

As a result of all these debates, we argue that:

- 1) the term ‘capital’ need not be limited to, or framed in terms of, financial capital;
- 2) investments are necessarily diverse, to be made in different and distinctive ways.

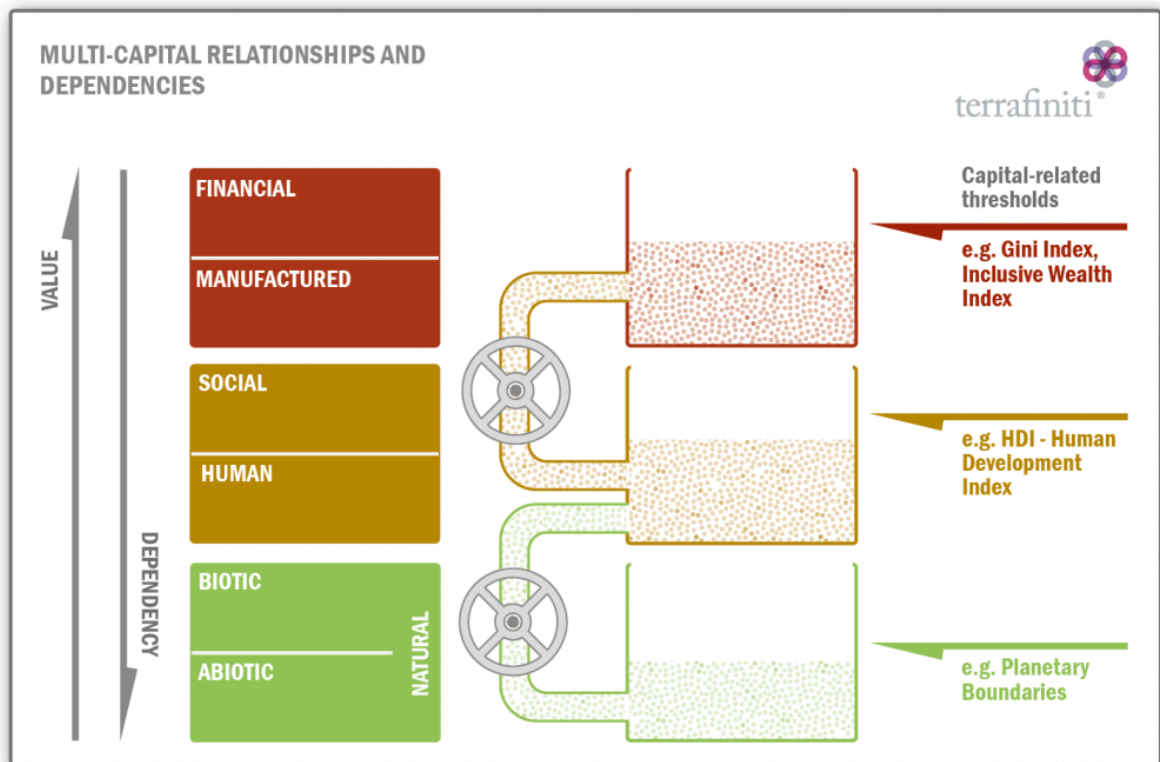
If these two arguments are accepted, it follows that an enterprise requires different types of capital contribution to thrive and that it produces different types of capital through its operations.

Table 1 presents the International Integrated Reporting Council (IIRC) conceptualisation of six capitals set out at <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 sustainable development goals (SDGs). We have found the IIRC’s ‘six capitals’ framework to be a useful pedagogic tool to explore how enterprises build and destroy different forms of wealth. However, the use of the term ‘capital’ obscures inter-connections between different forms of wealth and renders them using the language of accountants, rather than policy makers or SE practitioners.

We need to remind ourselves how different capitals are from one another, of the dangers of assuming interchangeability, of the need to recognise a hierarchy of dependencies and of the irreplaceable nature of some of the capitals on which the others depend. Terrafiniti (See Figure 1) articulates a particular set of assumptions regarding the ontology of different capitals and their dependencies. Natural capital underpins and makes up all the others. Whenever used, part of it is irreplaceable. In some cases, capital *increases* when it is used (e.g. human, social) but in other cases it

is depleted (manufactured, financial). These arguments tie in with Schumacher’s (1993) work on levels of existence – the foundation being mineral (abiotic) on which animal (biotic) life depends. Human society depends on biosystems and individual humans depend on society. Manufactured and financial capital are products of humans within society that would not be possible without the other underpinning capitals.

Figure 1 – Multi-capital relationships and dependencies



Source: Terrafiniti (2016), downloaded 5th Sept 2018

(permission to reproduce granted by Joss Tantrum on behalf of Terrafiniti)

The inter-connections were recognised in early IIRC (2013) discussions of multiple capitals but implicitly rather than explicitly because the focus of their discussion concentrates on increases, decreases, maintenance and transformation of each capital resource rather than their inter-dependencies. Both Schumacher (1993) and the IIRC (2013) see natural capital as an asset which needs to be maintained and protected. However, we argue, on the basis of work by members of

the FairShares Association (Figure 2 and Table 1) that this understates the importance of inter-relationships between each type of capital and the possibility of *refurbishment* and *regeneration* of capital.

Figure 2 – Six Forms of Wealth in the FairShares Model

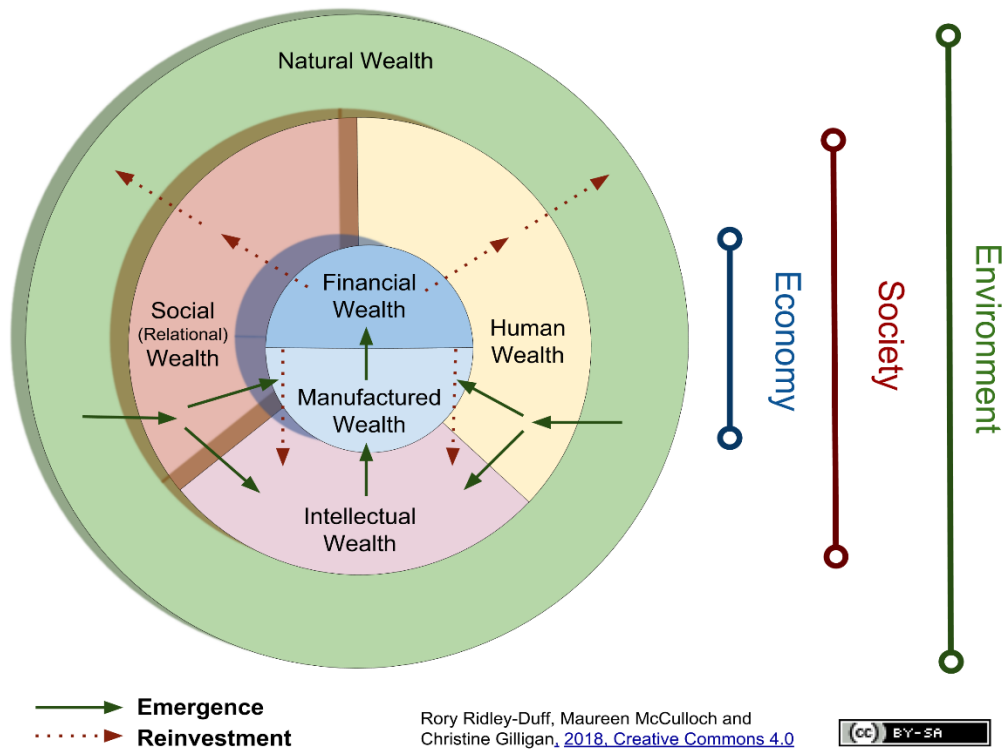


Table 1 compares the IIRC’s conceptualisations of ‘six capitals’ with the ‘six forms of wealth’ published in V3.0a of the FSM during the EU project to create FairShares Labs (Ridley-Duff et al., 2020). This comparison is instructive because the IIRC framework places financial capital first and discusses all other capitals using financial metaphors. Aside the ordinal positions of human and social/relational, the ordering of ‘six forms of wealth’ by advocates of the FSM is the exact *opposite* of IIRC’s six capitals.

Table 1 – Six Capitals v Six Forms of Wealth

Label	IIRC Six Capitals	FSM Six Forms of Wealth
Financial	1. The pool of funds that is available to an organisation for use in the production of goods or the provision of services, obtained through financing, such as debt, equity or grants, or generated through operations or investments.	6. The money used and/or generated by an enterprise/project that resides in the monetary system with access and control framed by regulations and property rights.
Manufactured	2. Manufactured physical objects (as distinct from natural physical objects) that are available to an organisation for use in the production of goods or the provision of services, including: buildings, equipment, infrastructure (such as roads, ports, bridges, and waste and water treatment plants).	5. The quality and accessibility of manufactured goods (tools, machinery, premises, services) in the eco-system for enterprise, with rights of access framed by contracts, contract law and property rights.
Intellectual	3. Organisational, knowledge-based intangibles, including: intellectual property such as patents, copyrights, software, rights, and licences, “organisational capital” such as tacit knowledge, systems, procedures and protocols, intangibles associated with the brand and reputation that an organisation has developed.	4. The number, quality and availability of workers’ ideas and designs that reside in people, products and artefacts, with rights of access and use framed by government legislation, contracts, patents and copyrights.
Human	4. People’s competencies, capabilities and experience, and their motivations to innovate, including their: alignment with and support for an organisation’s governance framework, risk management approach, and ethical values; ability to understand, develop and implement an organisation’s strategy; loyalties and motivations for improving processes, goods and services, including their ability to lead, manage and collaborate.	2. Workers’ health, skills and abilities which reside in people, with access and control through education systems, professional practice bodies and individual capacities for learning.
Social and Relational	5. The institutions and the relationships within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective wellbeing: shared norms, and common values and behaviours; key stakeholder relationships, and the trust and willingness to engage with customers, suppliers, business partners, local communities, legislators, regulators, and policy-makers (an organisation’s social licence to operate).	3. Networks of people in high trust relationships that reside in relationships between people, with access controlled by social norms within the communities they identify with and/or belong to.
Natural	6. All renewable and non-renewable environmental resources and processes that provide goods or services that support the past, current or future prosperity of an organisation. It includes: air, water, land, minerals and forests; biodiversity and eco-system health.	1. Access to land, air, water and minerals and natural processes (chemical reactions) which resides in nature, with rights of access and use framed by (inter) governmental legislation.

Sources: IIRC Framework, 2013: pp. 11-12, downloaded from <http://integratedreporting.org/> on 1st May 2019 and FairShares Model V3.0a: ‘Six forms of wealth’, downloaded from: <https://fairshares.coop/fairshares-model>, 1st May 2019. The table above contains summaries – see the originals for full descriptions. The importance of access (as a measure of wealth) is operationalised in the [FairShares Wealth Audit](#).

Moreover, the IIRC descriptions focus on the *existence* of things as proxy indicators for each type of capital as if their existence constitutes wealth. In the FSM, *access* to things (not just their existence)

creates wealth. This view is more *relational* (Figure 2) particularly where access is backed by a legal right that (re)links wealth creation to triple-bottom line outcomes (Elkington, 2004).

Intellectual wealth is increased if workforce members develop clearly articulated design ideas that can be shared across social networks (or with third parties) in an accessible and usable form. If they are not shared - or they are shared in a way that restricts or hampers others' ability to use them effectively - then intellectual wealth is depleted.

Six Forms of Wealth, '4. Intellectual Wealth', downloaded from:

<http://www.fairshares.coop/wp-content/uploads/2018/01/V3.0-06-SixFormsOfWealth-Final.pdf>

This 'ontological turn' has epistemological consequences. The IIRC lens implies that we should look for (and measure) the *existence* of six capitals to assess wealth creation. However, such a lens does not consider how the capitals are being used and shared, or the way in which *access* is enabled or constrained by organisational arrangements. The FSM lens changes the epistemological focus to the role of organisations in improving both the quality and accessibility of each type of capital.

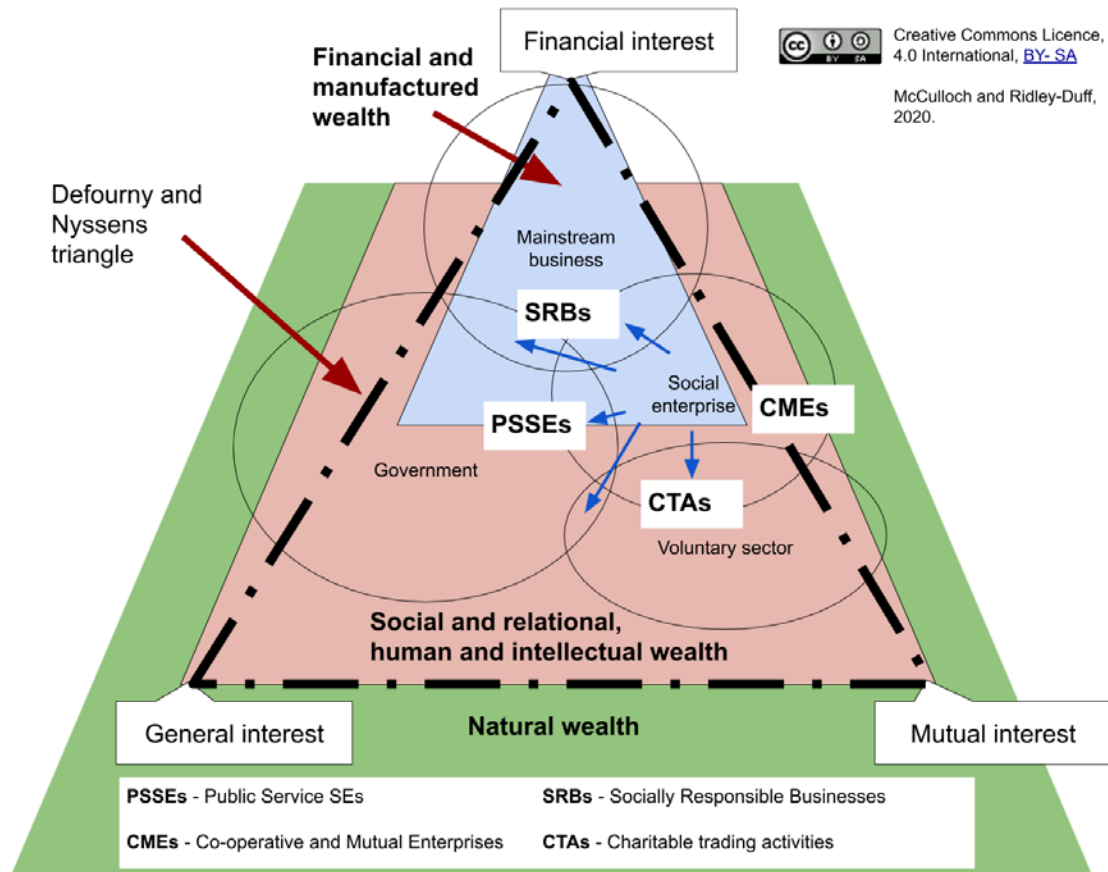
2. Six Forms of Wealth in Social Enterprise Theory

This reconceptualisation of wealth is appealing as soon as we examine the current state of SE theory. Defourny and Nyssens (2017) argue that SE is catalysed by combining general, mutual and capital interests. Their work, which informed the EMES International Research Network typology of SE used by over 200 researchers engaged in a study of SE models in 55 countries, builds effectively on previous works to distinguish SEs based on their alignment with voluntary, social, private and public economics (see Westall, 2001; Teasdale, 2012; Bull, 2018).

However, there is a need to avoid confusion over the term 'capital'. The broader framing in six capitals (IIRC, 2013) departs significantly from the conceptualisation of capital in Defourny and Nyssens work. Therefore, we substitute 'financial' for 'capital' interests on the basis that it is the accumulation of financial capital (to serve private interests) that is implied in Defourny and Nyssens' (2017) work. Figure 3 shows four models of SE - public service SEs (PSSEs), co-operative and mutual enterprises (CMEs), charitable trading activities (CTAs) and socially responsible businesses

(SRBs) - that operationalise SE concepts in the voluntary, social, private and public sectors. Figure 3 also links these to the six forms of wealth creation.

Figure 3 – Combined interests in models of social enterprise



Interpreted from works by Ridley-Duff and Bull (2016, 2019a) and Defourny and Nyssens (2017)

PSSEs arise when an enterprise that is funded or regulated by the state operates as a separate entity (an arms-length management organisation) and is able to exercise independence from state bodies whilst improving access to public goods or services (Sepulveda, 2014; Myers, 2017). PSSEs evolve and change over time as illustrated by the Grameen Bank in Bangladesh which started with state funding and the backing of the Grameen Foundation (Jain, 1996). 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 (Yunus, 2007). Its membership (mainly female) transformed it into a CME owned by its account holders (Jain, 1996), then it expanded further through sister SRBs offering telecommunications (Grameenphone) and

renewable energy (Grameen Shakti). Wealth contributions by PSSEs are based on the purposes of the enterprises (e.g. to provide clean water, unpolluted air, organic food) and their capacity to provide access to intellectual and manufactured wealth (e.g. public libraries, social housing, medical facilities).

Co-operative and mutual enterprises (CMEs) create social and relational wealth in the process of satisfying mutual interests (Novkovic and Webb, 2014), whilst also creating human and intellectual wealth as members learn to work together to enhance their ideas, skills and abilities. Where a CME offers products/services through market mechanisms, it can also generate manufactured and financial wealth for its members (Birchall, 2009, 2011; Mills and Davies, 2013). CMEs are more explicit in their commitment to creating human and social wealth through collaborative and collective decision-making in democratic governing bodies, as illustrated by the social co-operative movement in Italy (Borzaga and Depedri, 2014; Myers, 2017). For example, carers, medical professionals and patients can form networks of CMEs to improve patients' health and employment skills.²

Birchall and Ketilson (2009) found CMEs to be more resilient than private enterprises (i.e. those focussing primarily on financial wealth creation) during and after the 2008 financial crisis, suggesting there is a 'public interest' case for CMEs because they develop market economies guided by ethics and values rather than the calculus of profit margins (Restakis, 2010; Laville, 2015; Utting, 2015; Myers, 2017; Ridley-Duff and Bull, 2020). As such, they deploy human and intellectual capital to respond to both ethical and financial challenges, meeting human needs through the co-production of human, social and financial wealth.

Lastly, socially responsible business projects (SRBs) and charitable trading activities (CTAs) are studied as outcomes of social entrepreneurship (Leadbeater, 1997; Nicholls, 2006; Yunus, 2007). Pursuing a private or collective interest by creating enterprises that distribute public benefits can be a career choice (Chell, 2007; Ghalwash, Tolba and Ismail, 2017). A good example of this is Toms

² The documentary 'Together' contains a segment devoted to the national network of social co-operatives in Italy. See <http://www.together-thedocumentary.coop/>

Shoes³, an SRB that 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 (a CTA in Cornwall, UK) generates income (financial wealth) by exporting expertise on green technology and zero-waste management (intellectual and natural wealth). Tom’s Shoes turn western (consumer) wealth into manufactured, human and social wealth for children in South America (the shoes enable poor children to participate in school and community activities). The Eden Project, established as charity managing a tourist attraction, shares its financial and natural wealth with the people of Cornwall through local sourcing and zero-waste strategies.

In summary, SEs align with different historical traditions to generate a variety of SE models (Defourny and Nyssens, 2017) and each prioritises different forms of wealth creation. Table 2 sets out these four distinct approaches to SE development and offers a tentative understanding of their wealth-creating tendencies.

Table 2 - Social enterprise and wealth creation

Approach	Acronym	Legal forms	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	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 .

³ For discussion of Toms Shoes see Ridley-Duff and Bull (2016), Chapter 2. Video at <http://vimeo.com/2567675>.

Approach	Acronym	Legal forms	Characteristics	Wealth Creation
Co-operative and Mutual Enterprises (includes social cooperatives and solidarity enterprises)	CMEs	Co-operative Societies/Banks Mutual Societies Credit Unions Building Societies Social and Solidarity Co-operatives	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
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. 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	Company / Corporation with social objects Benefit Corporations Community Enterprises	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 and social wealth).

We now apply this framework to a specific SE - Resonate Co-operative Ltd. We present our methodology and then analyse findings using the 'six forms of wealth' framework.

3. Research Philosophy and Methods

Case studies are constructed accounts of a phenomenon that provide rich insights into a specific context, sometimes providing the basis for the testing and extending theory (Yin, 2015). We do not present our case study as an objective account of organisation life. We use it purposefully to shed light on the application of concepts to practice. Our case serves our research aim by providing both a 'rich picture' of Resonate's activities and a method for testing the six forms of wealth framework in a way that problematises neo-liberal discourse on 'capital' (Johnson et al., 2006).

Our ontology is realist. Case studies exist in a tangible and meaningful way and we believe they can be investigated to shed light on how people experience them. However, any knowledge

created is (inter-)subjective, bound by the narratives and discourses that participants and researchers create, as well as those in which they are embedded. In this case, inter-subjective knowledge was generated by narratives of Resonate Co-operative Ltd using two tools: 1) the initial preparation of a teaching case by the partners in the FairShares Labs project, and; 2) deconstructions of this case using a FairShares Canvass.⁴ The tools not only provide insights into Resonate’s social and economic aims, but also how the FSM constructs narratives of SE practice related to wealth creation (Cunliffe, 2003; Johnson et al., 2006). This not only aligns us with Bhaskar’s (1977) multi-layered ontology but also critical social science through the use of deconstructions to challenge a discourse and propose alternatives (Foucault, 2002).

Resonate Co-operative Ltd is one of 20 ‘relevant practice cases’ prepared during an EU Erasmus+ programme on SE incubators in Germany, UK, Hungary, Croatia and the Netherlands between 2016 and 2019 (see Ridley-Duff, Schmidtchen et al., 2020). The Resonate case was written by Social Enterprise International in 2018, then copy-edited and checked by Author 1 and Author 2. They sent it to Resonate’s Director (Peter Harris) and secretary (Sam Tolands) for them to critically assess its accuracy and appropriateness for a course on the FSM. In 2019, the case was further evaluated against five FairShares principles to determine alignment⁵ (see Table 3). Resonate’s grading was 2.8 out of 3.0 which justifies its selection for this paper.

Table 3 - FairShares Principles and Grading Guidance

Evaluation against five FairShares principles

1. *Wealth and power sharing amongst primary stakeholders* - 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.
2. *Specification of social purpose(s) and auditing of impact(s)* - 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).

⁴ FairShares Canvass V3.0, downloaded from <https://fairshares.coop/fairshareslabs> on 31st October 2019.

⁵ See http://fairshares.coop/wiki/index.php?title=FairShares_Brand#Levels_of_Alignment

3. *Ethical review of the choice of goods/services offered* - Encouraging members to think carefully about the well-being that their joint enterprise creates (or could create) through designing and offering products and services.
4. *Ethical review of production and retailing processes* - Developing products and services using production and retailing processes that positively affect members, society and the environment.
5. *Social democratic ownership, governance and management* - 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.

Alignment Levels

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

Case Name	Author	FairShares Principle					Average	Level
		1	2	3	4	5		
01-Resonate	Social Enterprise International	3	3	3	2	3	2.8	3

Source: Ridley-Duff, Schimdtchen et al. (2020), Annex 6, pp. 131-133.

Lastly, the case was given to five Certified FairShares Practitioners tasked with deconstructing it during courses of study in December 2019 and March 2020. To aid this, they were given twenty-six questions from a “FairShares Canvass” (an entrepreneurial aid and social auditing tool developed for FairShares Labs) (see Appendix 1). Using the FairShares Canvass questions, students generated accounts of Resonate’s development and shared them to inform our analysis.

4. Findings

Resonate Beyond Streaming Ltd⁶ was an early adopter of the FSM, incorporated in 2017 as a FairShares co-operative (CME) under Ireland’s Industrial and Provident Society Act to offer a music streaming service organised as a platform co-operative (Scholz and Schneider, 2016). Their mission is to ‘reimagine, reinvest and rewire’ music distribution by championing artists and serving passionate

⁶ For more information see <https://resonate.is>. This case is one of 20 ‘relevant practice’ cases documented by the partners in the FairShares Lab Erasmus+ project. The co-op was renamed Resonate Co-operative Ltd during 2018.

music fans. Clause 5(a) of their constitution states they will “provide members with a music exchange platform, which enables the promotion, distribution, sale and/or exchange of music and related products and services.” Their ambitions go beyond music services. Clause 5(g) adds an objective “to support the platform co-operative eco-system by financing organisations established to provide support and assistance to those wishing to found platform co-operatives.”

Members claim that Resonate will help address the underpaying of musicians by music companies. The switch from track royalties (albums and singles) to streaming services has changed the way musicians are paid. They often receive only tiny fractions of one cent when their music is streamed. Resonate aims to increase streaming payments, and also distribute surplus income to musicians, fans and community investors. Resonate has created ‘stream2own’ technology. Fans pay an increasing amount until the 9th stream, after which they own the track. Resonate estimates that fans will pay less than half the cost of a subscription to Apple Music or Spotify (for about 2 hours streaming per day), and will pay artists the equivalent of an iTunes download after 9 streams instead of 150 streams (on Spotify). The ‘stream2own’ system expresses Resonate’s philosophy of ‘pay for every play’⁷ and they open sourced their software via GitHub in 2019.

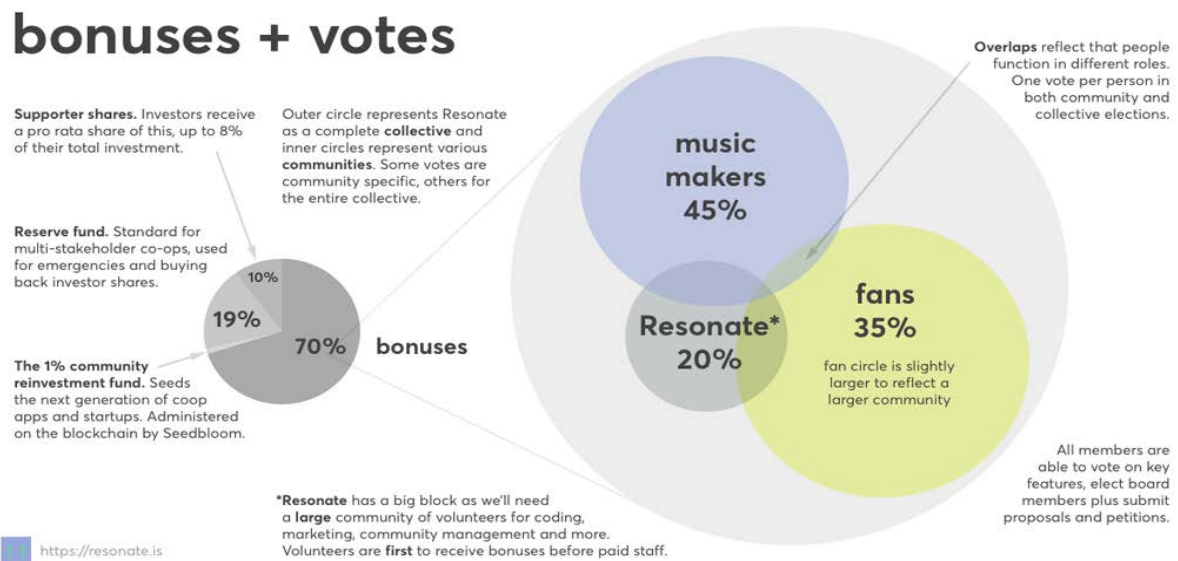
Resonate’s governance is based on Model Rules for a FairShares Co-operative (see Figure 4) with five member groups (Founders, Collaborators, Music Makers, Fans and Supporters). All classes of member (except supporters) can propose resolutions, participate, speak (after 3 months) and vote (after 6 months) in General Meetings. Founders are exempt from the 3 and 6-month qualification rules. A community forum meets each Wednesday.

Resonate address FairShares Principle 1 by enfranchising and distributing surplus revenue to music-makers, fans, volunteer collaborators and supporters, contributing to SDGs 1 (No poverty), 5 (Gender equality), 8 (Decent work and economic growth) and 10 (Reduced inequalities). The ‘stream to own’ approach represents Resonate’s social mission (Principle 2) to “reimagine, reinvest

⁷ See more details at: <https://resonate.is/strategies/>

and rewire an industry”, contributing to SDG 9 (Industry, innovation and infrastructure). 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, SDG 12 - Responsible production and consumption) and the enfranchisement of fans is a commitment to responsible consumption (Principle 3, SDG 12). The co-operative structure enables members to control the future direction of the enterprise and subject it to democratic member control (Principle 5, SDG 8 and 10). Social and economic power is distributed carefully (Principles 1 and 5, SDGs 8 and 10), although revenue levels (at just under €1m) are not high enough to achieve large-scale impact. Principle 4 (SDG 12) is also evident in the decision to use carbon-neutral servers and make donations to the Eden Reforestation Project.

Figure 4 – Member Groups and Surplus Distribution at Resonate



Source: <https://resonate.is/exploring-why-were-a-cooperative/>, as at February 2018. Allocations remains unchanged.

Table 4 shows our analysis of how the enactment of these principles and contributions to SDGs map against the six forms of wealth, providing a composite picture of the use and generation of wealth by Resonate up to the end of 2019.

Table 4 – Analysis of Wealth Creation in Resonate Co-operative Ltd

<i>Forms of Wealth</i>	<i>Wealth Usage</i>	<i>Wealth Generation</i>
Natural Increased access to land, air, water minerals and processes (chemical reactions).	Low impact energy sources (for servers) Minerals for the manufacture of ICT equipment	Choice of carbon neutral servers Tree planting (carbon off-setting) through donations to Eden Reforestation Project
Human Improved workers’ health, skills and abilities	Analytical, programming, developer, designer skills (website) Co-operative members time/energy (of volunteers) Consultancy (expert knowledge) on business	More skills on software development Skilled decision-making by users in control of their own careers and data Skills in disruption (“reimagine, reinvest, rewire an industry”)
Social Building networks of people in high trust relationships	Niche music networks Friendship/fan networks Volunteer networks for “Grassroots touring” Blogging communities	Member networks (collaborators, fans, music-makers) Partnerships with music bloggers Partnerships for grassroots touring / live music (“Off Axis”)
Intellectual The number, quality and availability of workers’ ideas and designs	Adaptation of Loomio software Organising skills Blockchain	Co-operative governance model Social model / innovation for user ownership of platform data Innovative use of co-operative law Press articles
Manufactured The quality and accessibilities of manufactured goods	ICT Hardware Open source software Office space (minimal) Music (recorded)	‘Stream to own’ technology Co-operative platform for music marketing and distribution (Resonate.is) Governance platform (Loomio.org)
Financial The money used and/or generated by an enterprise/project	Crowd finance RChain Investment (Co-operative) Cooperative shares (sweat equity) Subscription income	“Fair Pay” (for music-makers) Streaming credits (for fans) Community fund Dividends for members Interest for investors

Source: Appendix 2

5. Theoretical and Practical Impacts of the FairShares Model

The Resonate case is one of many that informed the development of the FSM during a programme of action research to advance democratic governance in SEs (SHU, 2014, 2021). The core proposition of the FSM (from Version 3.0a onwards) is that natural, human, social, intellectual, manufactured and financial wealth can be managed more equitably if four primary stakeholders (founders, labour, users and investors) co-own enterprises guided by five principles. The Resonate case shows how the six forms of wealth links SE theory to SD (see Table 5).

FSM Principles 1 and 5 were enacted through multi-stakeholder ownership and governance, contributing to SDGs 8 (Decent work) and 10 (Reduced inequalities). This is not an isolated attempt to stimulate inclusive enterprises through multi-stakeholder design principles, but part of an ongoing process to design inclusive co-operative societies (see Lund, 2011, 2012; Conaty, 2014; Conaty and Bollier, 2015; Laville, 2015) and companies (Boeger, 2018; Levillain et al, 2018; Boyd and Reardon, 2020).

Table 5 – Linking Six Forms of Wealth to Sustainable Development Goals

<i>Forms of wealth</i>	<i>Sustainable development goals (SDGs)</i>	<i>Evidence from Resonate Case</i>
Natural Increased access to land, air, water minerals and processes (chemical reactions).	6 - Clean water and sanitation 13 - Climate action 14 - Life below water 15 - Life on land	Carbon-neutral services Carbon-offsetting activities Tree planting
Human Improved workers' health, skills and abilities	2 – Zero hunger 3 – Good health and well-being 4 – Quality education 8 – Decent work	Returns to artist (per play) currently double the rate paid by Spotify. Opportunities for volunteer involvement/skills development.
Social Building networks of people in high trust relationships	5 - Gender equality 10 - Reduced inequalities 16 - Strong institutions 17 - Partnership for the goals	Weekly community forum Five members groups (four with voting rights) Partnership with blogging communities, grassroots live music
Intellectual The number, quality and availability of workers' ideas and designs	4 - Quality education 16 - Peace and justice	Open sourcing of Resonate software via GitHub. Adaptation of Loomio software for multi-stakeholder governance.
Manufactured The quality and accessibility of manufactured goods/services	7 - Affordable and clean energy 9 - Industry, innovation and infrastructure 12 - Responsible production/consumption 13 - Sustainable cities/communities	Stream2own technology (open sourced) Innovations in the use of co-operative law Innovations in software design/development. Carbon-offsetting activities
Financial The money used and/or generated by an enterprise/project	1 - No poverty 8 - Inclusive economic growth	Goal of increasing artist incomes. Goal of inclusive development through support for platform co-ops Community fund

The shift from single to multi-stakeholder design principles represents a new 'theory in use' (Argyris et al., 1985; Ridley-Duff, 2015a, 2015b, 2018) that changes thinking from unitarist

governance assumptions to those that are more pluralist and communitarian (Ridley-Duff, 2007; Coule and Patmore, 2013). In single-stakeholder SEs, decision-making power is entrusted to an individual philanthropist, social entrepreneur or to a board of directors/trustees that acts as a sovereign power. FairShares SEs operate on a different logic, drawing primarily on the democratic traditions of the co-operative movement, but updating them to involve both producers and users (Gates, 1999; 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, reports of CMEs that involve both savers and borrowers, both producers and consumers - of which Resonate is an excellent example - provide a persuasive counter narrative (see Whyte and Whyte, 1991; Gates, 1999; Oström, 2009; Moreau and Mertens, 2013; Levillain et al., 2018).

The FSM departs from other SE multi-stakeholder models by emphasising equality between interest groups as well as people, potentially contributing to SDGs 5 (Gender equality) and 10 (Reduced inequalities). Whilst multi-stakeholder models offered by Somerset Co-operative Society and Co-operatives UK focus on allocating each person to a single membership group, under the FSM a person can not only belong to several member groups but also derive income based on their level of participation in each (Ridley-Duff and Bull, 2019a, 2019b). In place of common interests, common bonds are formed through the shared use of intellectual property (e.g. open source software). This is further supported by FSM Principles 1 and 2 through equitable participation in governing bodies and community building amongst music-makers (labour) and fans (users). Each capital contribution in Resonate (intellectual, human, social and financial) entitles the contributor to membership, with voice and voting rights as well as a share of the financial wealth and/or benefits created.

FSM Principles 3 and 4 of the FSM are the most directly linked to the social and environmental elements of SD. Choices are shaped by the interpretation of FairShares Principle 3 (“Ethical review of the choice of goods/services offered”) and FSM Principle 4 (“Ethical review of production and retailing processes”). These relate directly to SDG 12 (Responsible production and consumption).

Principles 3 and 4 are two sides of this coin, covering *what* is produced for consumption and *how* it is produced/consumed.

Lastly, Table 6 abstracts how Resonate made operational choices for each FSM principle, and how this abstraction is linked to other theoretical developments in the field of SE. Whilst all four SE approaches (Table 2) are mentioned in these studies, the strongest orientation is towards CMEs (ICA, 2015), indicating the specific relevance of CMEs to SD (Mills and Davies, 2013).

Table 6 – Linking Resonate’s Application of the FSM to SE Theory

Principle⁸	Operational link to SE theory	Supporting studies
Principle 1 Wealth and power sharing amongst primary stakeholders	Resonate restructured their organisation to tackle inequality. By giving greater social and economic power to musicians and music fans, (typically marginalised by private sector business models) wealth contributions can be redistributed and/or mutualised.	Conaty, 2014 Novkovic and Webb, 2014 Ridley-Duff, 2015a, 2015b Conaty, Bird and Ross, 2016 Ridley-Duff and Bull, 2020
Principle 2 Specification of social purpose(s) and auditing of social impact(s)	Resonate has an explicit social goal (stream to own) and an objective to increase the pursuit of sustainable development through platform co-operatives. This is evidence of acting on their social/ethical values rather than the calculus of financial profit.	Oström, 1990, 2009; et al. 1999. Nicholls, 2006 Laasch and Conway, 2015 Defourny and Nyssens, 2017 Ridley-Duff and Bull, 2020
Principle 3 Ethical review of the choice of goods/services offered	Resonate uses the FSM to enfranchise labour (collaborators and music makers) and user groups (fans) in discussions about what to produce. This increases the chances that goods/services produced by Resonate will be good for people, society and the environment.	Vieta, 2010 Lund, 2011, 2012 Novkovic and Webb, 2014 Doherty et al., 2013 Bull and Ridley-Duff, 2018
Principle 4 Ethical review of production and retailing processes	Enfranchising music makers and fans in governance and management will lead to production and consumption practices that are healthier for people, society and environment.	Restakis, 2010 Read and Scott-Cato, 2014 Laasch and Conway, 2015 Ridley-Duff, 2018
Principle 5 Social democratic ownership, governance and management (in enterprises)	Resonate enfranchises five member groups (Founders, collaborators, music-makers, fans and supporters) to express Resonate’s commitment to direct democratic control over how different forms of wealth are invested in economic activities.	Oström, 1990 Gates, 1999 Boeger, 2018 Levillain et al., 2018 Boyd and Reardon, 2020

Interpretation of <https://fairshares.coop/brand-principles/>, retrieved 6th May 2018.

⁸ The five principles are set out in a document downloadable from www.fairshares.coop/fairshares-model.

6. Conclusions

At the outset, we asked the question ‘How does the field of social enterprise change the way we understand and recognise wealth?’ In this paper, we show how the FSM is part of an attempt to reframe ‘wealth’ in a way that challenges the dominant discourse of neo-liberal doctrine. It clarifies how CMEs can support a paradigm shift required for SD by extending the concept of wealth beyond manufactured and financial capital to natural, human, social and intellectual wealth.

Importantly, arguments regarding the viability of multi-stakeholder enterprises are strengthened substantially through a growing acceptance of Oström’s work on design principles for collective action (Oström, 1990, 2009; Oström et al. 1999). Lund (2011) goes further, arguing that solidarity can become the basis of a business model. Resonate illustrates how solidarity can be organised through application of the FSM in a business model. We urge further studies of the internet’s role in facilitating co-production, co-financing and co-purchasing of goods through co-operatively managed enterprises and platforms (Lehner, 2013; Lavielle, 2015; Scholz and Schneider, 2016; Ridley-Duff and Bull, 2020).

An updated conceptualisation of wealth is useful to both SE and SD researchers as it shifts away from the financial/accounting language of the IIRC to language that begins with nature and ends in financial wealth generation (rather than the reverse). This re-ordering of relationships in the cycle of wealth creation is clearly documented within the FSM where it states that:

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).

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

The new argument plays out as follows: 1) SD is advanced through the pursuit of wealth in its broadest sense; 2) SEs contribute directly to different types of wealth creation; 3) the FSM is one

effective way to integrate the wealth-creating activities of SEs into SD; 4) Resonate serves as an example of the way the FSM can bridge SE and SD.

The FSM is a recent development in SE theory and practice. It proposes the enfranchisement of primary stakeholders using legal innovations in SE constitutions to support the reorganisation of power and redistribution of wealth. Further studies will be needed to develop a corpus of knowledge on welfare improvements, inequalities mitigated, and responsible production and consumption processes catalysed. Studies will also be needed to assess whether there is effective stewardship of natural resources and greater wealth generation overall. As the FSM is just one of many initiatives within the field of SE that seeks to bring producers and consumers together (compare Vieta, 2010; Laville, 2015), we call for comparative analysis of the way each enfranchises producers and consumers, and the effect this has on wealth and power sharing.

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Appendix 1 – FairShares Canvass Questions

Table 1 - *Relevance*

1	What was Resonate' idea? (General value proposition)
2	What need(s) does Resonate's idea fulfil? (Primary purpose)?
3	How does Resonate's idea/structure create opportunities to share wealth and power?
4	What makes Resonate's attractive to those who started the enterprise (Founder members)?
5	What makes Resonate's idea attractive to people who will sell their music through Resonate? (Labour members)
6	What makes Resonate's idea attractive to people who will listen to music using Resonate? (User members)
7	What makes Resonate's idea attractive to those who contribute money? (Investor members)

Table 2 - *Feasibility*

#	Text
1	How would you describe (label) the people / group that started Resonate?
2	How would you describe (label) members who will offer the music on Resonate?
3	How would you describe (label) members listen to music on Resonate?
4	How would you describe (label) members who contribute money to Resonate?
5	If a surplus is created, how much is retained as a reserve?
6	What share of nett surplus is allocated to Founder members?
7	What share of nett surplus is allocated to Labour?
8	What share of nett surplus is allocated to Users?
9	What share of nett surplus is allocated to Investors?
10	What goods/services does Resonate offer to achieve its primary purpose(s)?

11	How does the web platform make it easier for member groups to create a supply chain?
12	How does Resonate involve partners / intermediaries to improve its supply chain?

Table 3 - Sustainability

#	Text
1	What resources / assets did Resonate need to provide its goods and services?
2	What wealth does Resonate use up (natural, human, social, intellectual, manufactured, financial capital) to produce its service? (Hint: you could undertake a Wealth Audit on Resonate...)
3	Does Resonate segment its listeners?
4	How does Resonate plan to reach its listeners?
5	Does Resonate use partners / intermediaries to reach its listeners?
6	How will Resonate review its social impact on members?
7	How will members review the economic impact of Resonate?
8	How does Resonate mitigate its environmental impact ?
9	What wealth will Resonate create (natural, human, social, intellectual, manufactured, financial capital)? (Hint: you could get this from a Wealth Audit at Resonate...)

Table 4 – Other Questions

#	Text
1	Did Resonate consider the impact of tax laws in its choice of becoming a co-operative?
2	Were there any cultural / legal barriers to registering as a FairShares cooperative in Ireland?
3	What is the 'qualifying contribution' for Labour members (Music Makers)? (i.e. What labour contribution is sufficient to be accepted as a Labour member?)
4	What is the 'qualifying contribution' for User members (Listeners)? (i.e. What use or purchase of enterprise goods/services is sufficient to be accepted as a User member?)
5	Does Resonate plan to publish their site/software using Creative Commons or Open Source?

Appendix 2 – Deconstructions of Resonate by Certified FairShares Practitioners

Summary		Deconstruction Case Reference					
Forms of Wealth	Wealth Used	Wealth Generated	J	K	P	R1	R2
Natural Increased access to land, air, water minerals and processes (chemical reactions).	Low impact energy sources (for servers) Minerals for the manufacture of ICT equipment.	Choice of carbon neutral servers Tree planting (carbon off-setting) through donations to Eden Reforestation Project.	Carbon neutral servers. Tree planting (carbon off-setting).	Carbon footprint off-setting.	Energy to power servers/distributed network. Donations to Eden Reforestation Project (https://resonate.is/building-the-greenest-platform-possible/).		Low impact energy sources.
Human Improved workers' health, skills and abilities	Analytical, programming, developer, designer skills (website) Co-operative members time/energy (of volunteers) Consultancy (expert knowledge) on business	More skills software developers. Skilled decision-making by users in control of their own careers and data. Skills in disruption ("reimagine, reinvest, rewire an industry").	Control skills (musicians / fans).		Power to disrupt dominant power relations. User ownership of career choices. Transformative outlook on human industry.	"Reimagine, reinvest, rewire" the music industry. Music creating / management skills. Writing press articles.	Analysis and programming skill. Time / energy of members.
Social Building networks of people in high trust relationships	Niche music networks Friendship/fan networks Volunteer networks for "Grassroots touring" Blogging communities	Member networks (collaborators, fans, music-makers) Partnerships with music bloggers Partnerships for grassroots touring / live music ("Off Axis")	Transformation of the music industry Network of 'collaborators', 'music makes' Live music events.	Voting Rights Join as artist, label, fan or collaborator Marketing events with 'Off Axis' (grassroots touring)	Social media Blogging Niche music networks Community forum Governing Board	Voice rights Co-operative action using Resonate platform and Loomio. Relationships with music bloggers.	Avoidance of corporate control Mass media coverage.

Intellectual The number, quality and availability of workers' ideas and designs	Loomio Open Source software (for AGM) Organisation skills (members') Blockchain (to track interactions)	Open source software/installations. Co-operative governance model. Social model / innovation for user ownership of platform data and software. Innovations in the use of co-operative law Press articles.	Open source software.		Co-operative governance model. Social model for user ownership of platform data and software. Innovation in use of co-operative legal form (history of agricultural co-ops and credit unions only). Blockchain.	Transformation of music industry norms.	Adaptation of Loomio open source product for co-operative governance.
Manufactured The quality and accessibilities of manufactured goods	ICT Hardware Open source software Office space (minimal) Music (recorded)	'Stream to own' technology Co-operative platform for music marketing and distribution (Resonate.is) Governance platform (Loomio.org)	Co-operative Platform (software). Music (recorded). Streaming services.	Streaming services (for fans). Distribution services (for musicians). Distributed organisation.	Steam2own technology. Embeddable playlists. Open sourcing platform software.	Music. Marketing services.	
Financial The money used and/or generated by an enterprise/project	Crowd finance RChain investment (Co-operative Capital Supplier) Cooperative shares (for Sweat equity) Working capital	"Fair Pay" (for music-makers) Streaming credits (for fans) Community fund Dividends for members Interest for investors	Use of crowd finance mechanisms.	Up to 8% return for private capital (10% of surplus). Labour (14%). Fans (24.5%). Investors (20%).	Streaming credits Bonus system for volunteers	Income rights. Surplus sharing amongst all member groups.	Raise musician income. Lower fan expenditure. No cost upload service.

Key points in 2019 AGM:

AGM Letter: Held via Zoom, 12 present, 1 apology. Crypto currency crash of 2018 led to 98% expenditure reduction, but the co-op survived, open sourced its product, organised a global server infrastructure, and added hundreds of new artists. Community calls every Wednesday. Membership meetings each quarter.

Finance Statement: Gross profit - €61,560, Expenditure €46,843, Nett Profits €14,716, Net Assets €36,808.

Board Report: 750,000 streams, double payout compared to industry standard. Catalogue increased by 50%. 1,800 artists (up 600), 12,000 tracks (up 4,400). Volume tiny compared to 'big players', but poised to grow. Open community forum. New player (for fans). Gone open source. Rebranded. Play Fair messaging. Media interest growing (DJ Mag, Independent, Fact Mag, NPR, Co-ops UK, The Feminist. Spoke at Co-op Congress, Re:Publica, Co-Tech, Platform Co-op Conference. Peter Harris (Founder) standing down as CEO, but still on the board. Sam Tolands (Secretary) also standing down.

Executive Vision: 1) Stabilisation, 2) Humanization, 3) Harmonization (three-point plan). Introducing 'recurring contribution' with listener credits/month (Active Listener Programme). Financial rewards for artist referrals (Artist Referral Programme). Quick purchase feature. Video marketing services. Outline of quarterly meeting topics.

Minutes: Noteworthy that AGM hosted in Seattle. Quorum satisfied. Standing orders: all members classes can speak; resolutions go through community forum; Richard Jenson (CEO) appointed chair of AGM. Review of board report, executive vision and financial report. Only about €1,000 paid out to artists so far. Board now allows up to 13 people (expanded).