The FairShares Model & Transformative Social Innovation: How Democratic Ownership Challenges Dominant Institutions

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Abstract

In light of the paramount need and ability of corporate entities to address global inequalities stemming from the institutionalization of capitalism, we draw attention to the FairShares Model. This inclusive, participatory multi-stakeholder ownership model has the potential to challenge hegemonic systems by providing a democratic structure to generate transformative social innovation. The current business-as-usual throughout the world has not perpetuated an inclusive solidarity economy, trapping many in a vicious cycle of systemic slavery which has been experienced by many for far too long. This and the many challenges faced by the world today, such as rising inequality and climate change, force us to look for alternatives to the status quo. The FairShares Model offers a solution to spread power and wealth and provide a model for business practices by means of democratic ownership for members in such enterprises. In this paper, we take a critical look at the mechanisms working within the FairShares Model, as they pertain to democratic ownership and how they contribute to a broader democratic movement. We utilize the 13 Principles of Transformative Social Innovation in order to measure how the FairShares Model aligns with TRANSIT’s transformative agenda. Finally we draw on a range of literature on democratic theory in order to explore the relationship between the FairShares Model and democracy and what emancipatory prospects the model may hold. As it stands, our main contribution to the academic field is our approach to our analysis, utilizing newly developed analytical tools, one of our own rendition. Lastly, to our knowledge we are the first to address the FairShares Model from a critical and academic starting point. We determine that even though the FairShares Model embeds democratic ownership through a broad level of participation and enfranchisement, there are some limitations. Therefore, given the right circumstances, the FairShares Model has the potential to be a significant leverage point for transformative social innovation.
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Introduction

Motivation and Problem Area

In the 1980’s, international leaders implemented the Washington Consensus, a set of neoliberal policies intended to deregulate and privatize the economic sphere (Hurrell and Gomez-Mera, 2018), which has cast several long shadows on our present global society. One central consequence has been the retraction of the state, which has left open a space now increasingly occupied by private organizations. This process, intensified by the growth of public-private partnerships (PPPs), is largely driven by new public management (NPM). Finally, the financial crisis and subsequent austerity policies adopted in many countries further intensified this trend by cutting state spending, either through downsizing or through the outright ending of programs.

While the economic merits and necessity of these policies may be argued, it is clear that taken as a whole they have left a democratic issue, as more of the public good and public decision-making is moved to the private sphere, which lacks democratic institutions. More and more of what has been considered public issues, and therefore handled by the state, have been either outsourced to private organizations, in the cases of privatization and PPPs, or in the case of austerity, taken up by private actors on their own accord.

This poses a democratic problem because unlike the public sector, which is fundamentally tied to the representative democracy of the state, the private sector does not offer the same enfranchisement to the public. This leaves us in a situation where corporations have an increasing say in how democratic our lives are. Therefore, organizational democracy can no longer be seen as simply an issue of management but needs to be understood as a central element of any democracy in the 21st century.

One effort to enhance organizational democracy, and the central object of this paper, is the FairShares Model, originally developed by Prof. Rory Ridley-Duff and Cliff Southcombe. While the model itself is relatively complex in its attempt to reflect real world complexities, it draws on multiple traditions, such as the co-operative movement, chiefly within the field of social and solidarity economy, and has undergone a number of revisions, which ultimately aim to simplify the

1 A list of abbreviations can be found in Appendix C
process of operating a (social) enterprise. The model proposes a multi-stakeholder approach to organizational governance, and embeds democratically centralized ideals into the structures of commercial enterprises, that goes beyond typical co-op models, both in terms of stakeholder inclusion and ownership matters. The underlying ideal of the FSM is perhaps best illustrated by this quote from the front matter of the book “A Case for FairShares”:

“In short, [the FSM] envisages a society in which every adult becomes a co-owner of the organisations on which they, their family and their community depend.” (Ridley-Duff, 2015)

While there are many implications of the FSM in itself and the ideal of democratizing organizational governance, we are primarily interested in how this specific model has the potential to challenge our understanding of organizational democracy and further how this challenges the hegemonic structures resulting from the Washington Consensus and the retraction of the state. This interest leads us to our structured research questions in proceeding with this exploration.

Problem Formulation and Research Questions

To what extent is democratic ownership embedded into the FairShares Model?

-How are the multiple stakeholders of the FairShares Model enfranchised by its ownership structure?
-Considering the embeddedness of democratic ownership into FairShares Model, how can we determine its potential to generate transformative social innovation?

Definition of Concepts

Democratic Ownership

The concept of democratic ownership is an essential element in the analysis of our paper and taking a closer look at the literature reveals that the concept of democratic ownership can vary significantly, depending on the context. In the following paragraph, we present our definition of democratic ownership in connection to our focus of analysis. Our notion of democratic ownership is based on the close relationship and participation between stakeholders in the “decision-making,
development planning and review” (Hauck & Land, 2011) of the operations of an organisation, which translates into an inclusive and participative ownership structure.

Drawing from various sources of literature, we further understand democratic ownership as an enabling mechanism for stakeholders to build up their respective capacities to “act in a fair, inclusive and accountable manner” (Ibid.) that gives them the feeling of being an integral part of the formulation and implementation of operational decision-making (Skelcher & Torfing, 2010). Hauck and Land describe the concept of democratic ownership as normative in that it seeks maximum participation of stakeholders in development activity (Hauck & Land, 2011). Furthermore, Skelcher and Torfing’s view of democratic ownership adds an important element to our own understanding of democratic ownership, as it contributes to the construction of responsible co-producers of governance rather than irresponsible and demanding subjects that feel alienated from strategic decision-making processes (Skelcher & Torfing, 2010). Finally, drawing on Pateman’s participatory theory of democracy, we understand democratic ownership as an ownership structure that transforms power relations into those that are inclusive and equitable. This requires that stakeholders are able to participate in the strategic decision-making process and the wealth generated on an equitable basis. For those to take place, we consider a broad enfranchisement of stakeholders a prerequisite, as enfranchisement is the very basis for participating in a democracy.

**Participation**

Based on our theoretical readings, we understand participation in democracy as active and intentional involvement in order to advance an idea, cause or goal. This is a direct understanding of participation, in that it largely focuses on involvement directly with the intent to advance specific causes or ideas, rather than mere involvement in the sense of choosing a representative, although it includes this as an element of participation.

To us participation is a phenomenon that happens within a spectrum, as such in some cases the only participation may be narrow measures, such as voting for representatives and delegation of tasks, as have typically been associated with the representative models of democracy. Others may have more involved and direct measures of participation, such as deliberative debates and referendums on ideas (Held, 2006). In order to encapsulate this spectrum, we have chosen a broad
understanding of participation, that, while focused on direct participation, also includes room for participation as understood in representative theories of democracy.

Finally, we define participation as an intentional act, while we do not mean to say that all participation is necessarily an intentional act. However, the type of participation with which we are concerned with here, participation as an element of democracy, cannot be understood as an unconscious action, as the rationale for participation in democracy is to effectively advance one’s priorities (Ibid.). This means that our analysis will be focused on the formal mechanisms in the FSM, that allow members to participate, primarily in wealth sharing and strategic decision-making. It does however mean that our analysis is unlikely to capture more informal forms of participation, which are likely to be more encouraged by the structure of the FSM than encapsulated in it.

*Embeddedness*

We define embeddedness, on the most fundamental level, as *an extension of democracy beyond the political realm* of the state in which it has generally been understood. One example of the embeddedness of democracy, according to this definition, would be voting at the general assembly of an association.

We view embeddedness as represented on a spectrum between a completely disembedded system and a completely embedded one. In a completely disembedded democracy, the idea of democracy and the concepts derived from it, are exclusively used within areas that are understood as being part of the “political sphere.” In a completely embedded system, there is no separation between what we traditionally call spheres or sectors of society (i.e., the state, the market and civil society). Both of these extremes are archetypical in nature, it is highly unlikely that one would find many, if any, examples of such extremes in reality. In reality most, if not all, societies would fall somewhere in-between these two polarities.

To some extent, we understand embeddedness as extended beyond democracy, as an insular phenomenon. As stated, complete embeddedness breaks down barriers between the state, market and civil society, as a result of a diffusion of unique characteristics, which differentiates these sectors. This means that in a completely embedded democracy, the understanding of society based on the separation between these three sectors, no longer applies.
Our view of embeddedness largely draws on discussions of embedding the economy in society as inspiration, such as the concept of solidarity economy, which we will go deeper into as part of our definition below. Indeed we view the existence of economic pluralism, understood as economic activity on non-market basis, such as reciprocity or redistribution (Laville, 2010b) as a prerequisite of embedded democracy, as the extension of democracy beyond the political realm requires an opening for democratic methods within the realms of the market and civil society.

Solidarity Economy

We use Laville’s understanding of solidarity economy as a large part of our inspiration for the concept of embeddedness, because both Laville and Ridley-Duff were influenced by Karl Polanyi, who introduced the concept of an embedded economy (Laville, 2019; Ridley-Duff, 2015). Laville’s solidarity economy is one facet of a plural economy. The third sector is as an alternative for when the market and governments do not provide adequate solutions to problems of society. (Laville, 2010a) Nonprofits are seen to gain trust just by their nature, on the assumption they typically exist with good intent, but other types of organizations can also do so by making their ethical prerogatives transparent and explicit (Ibid.). This way, individuals in society are supposedly better prepared to make decisions with moral implication and ease of mind (Ibid.). The third sector offers society the opportunity to foster social economies, and benefit from them as well. A social economy aims to address this aspect of embedded humanity and morality in business, and can be outlined as organizations that do not specifically seek capital return, but instead seek mutual accomplishment and satisfaction for achieving common goals (Ibid.). Social economy is a core concept in understanding how the FSM aims to position itself as a business model. In this regard, social economies are defined by organisations that put the needs of its members before profit or distributed revenue, autonomous management and democratic decision-making (Ibid.). Cooperatives, mutual societies and associations are considered types of social economies (Ibid.). Defining these economies may not always be straightforward, seeing as organizational principles do not always reflect the reality of an organization's operation (Ibid.).

Laville considers two main types of solidarity theories, philanthropic solidarity and democratic solidarity. Philanthropic solidarity, is the ideal of helping others with no expectation of anything in return and consequently leaves beneficiaries with little power and implies a social hierarchy (Laville, 2014). Democratic solidarity, however, offers two alternatives: one based on
reciprocity and collective action, and the other focused on redistribution, or the responsibility of the state to control social organization and address inequality (Ibid.). For reciprocity to be possible, a circulatory system needs to be a part of the organizational structure, meaning that beneficiaries and those offering assistance/services/products etc. should be able to change places with each other, and therefore share and balance the roles of each side (Ibid.).

Market economy operates at a managerial level where a central authority redistributes the profits made, whereas a solidarity economy uses the principle of reciprocity (Laville, 2010a). Reciprocity does not stem from a central power, but rather is based on social relations and community interactions (Ibid.). Organizations are never separate from the public sphere, they always go hand in hand either influencing or reacting to the other (Ibid.). Laville says that the democratization of public institutions and of civil society reinforce each other, and this is crucial for solidarity economies (Ibid.). From the European solidarity economy approach, the legal parameters for capital gain by private parties is usually clearly defined (Ibid.). Laville contends that the European approach is more focused on the social interaction and working together, rather than the North American approach, which focuses more on distributing profits and being philanthropic (Ibid.). So interpersonal connections and networks, or systems are of importance for a more democratic economic structure for a more democratic economic structure. This argument is supported by the modern participatory theorists on democracy, such as Pateman and C.B. MacPherson, with their insistence that democracy also requires material equality, thereby necessitating a democratic economic structure (Held, 2006).

Transformative Social Innovation

We define transformative social innovation (TSI) as “…processes of challenging, altering, and replacing our dominant ways of doing, thinking, and organizing…” (TRANSIT, 2017). We contend that it is too simplistic to conclude that a specific social innovation on its own can generate transformative change because “societal challenges are interlinked and systemic” (Ibid., p. 3). Therefore, we understand TSI as a result of “co-evolutionary” interlinkages between particular social innovations such as “changing paradigms and mental models, political institutions, physical structures and innovative developments on the ground.” (Avelino et al., 2017, p. 4).

It is also necessary, at least to some degree, to engage in political processes in order to generate TSI (TRANSIT, 2017). Thus, in our analysis, we associate democratic ownership,
embeddedness, participation, and enfranchisement as inherently political social innovations with the potential to oppose “...dominant institutions that are ingrained into society...” (Ibid., p. 3). Furthermore, we consider the transformative potential of the FSM as central to the relevance of our inquiry because the model is of little importance if it does not affect real transformative change, if not in practice, then at least in theory.

Delimitations of Research

Our general concern within FairShares enterprises is democracy, as stated in our problem area. We choose to focus on the concept of democratic ownership; this is partly a practical matter, as democracy as a whole is too broad a concept for a project of this scope. In choosing our focus, we mainly discussed whether to focus on democratic ownership or decision-making structures. Our choice to focus on democratic ownership was informed by a number of considerations. First of all, while democratic decision-making is somewhat commonplace outside of the political realm, such as voting, democratic ownership as a concept has largely been confined so far to the concepts of the state and citizenship (see our definition of democratic ownership). This presents us with an interesting paradox in how we understand democracy as something inherently inclusive, whereas our concept of ownership is exclusive in nature.

A second consideration in making this delimitation is that the FSM includes elements that hint at a more democratic and inclusive understanding of ownership in terms of what can be owned and who can own it. For example, the FSM’s overall approach to intellectual property (IP) and the inclusion of provisions for Creative Commons licenses in the model indicates an overall more inclusive approach to ownership, along with the general multi-stakeholder approach. Finally, the quote we presented in our introduction also shows that inclusive ownership is an ideal for the FSM (Ridley-Duff, 2015). Based on this inclusive approach to ownership, we believe there is grounds to question whether, and to what extent, this can be understood as democratic ownership. Partly because this approach indicates that this might be the case, but also because of the importance of extending democracy beyond our traditional state-centric understanding, as we explained in our motivation for undertaking this project.

Our third, and final, consideration is the relationship between democratic ownership and decision-making. The scenario of democratic decision-making, based on proprietary ownership, is both problematic and relatively commonplace. It is far from unheard of that a manager may hold
deliberative discussions with the workers in regard to decisions affecting them, or having them vote on various measures. However, regardless of the extent of democratic decision-making, it will always be fragile so long as the ownership is proprietary. The owners will always have ultimate veto in such a scenario, as they can simply close down the enterprise if the democratic decisions are against their interests. Furthermore, this power results in a democratic deficit in any negotiation between owners and other stakeholders, as they are no longer equal participants in the decision-making.

On the other hand, democratic ownership structures resolve this issue by removing the underlying power imbalance. Furthermore, it is hard to imagine a scenario with democratic ownership without this also including some level of democratic decision-making, at least among owners. While there is a discussion to be held as to how democratic the decision-making structure in the FSM is, and we believe this is a valid line of questioning, we see that the question of democratic ownership represents the most relevant line of inquiry at this point in the model’s history. It is our hope that further research will shed light on the decision-making structures, specifically in regards to democracy and how this can promote transformative social change.

From a theoretical perspective, we choose to focus on participation and embeddedness as measures of democratic ownership. We do this as we see these concepts as fundamental to any understanding of democratic ownership in the FSM. As democratic ownership has traditionally been understood strictly in regards to questions of the state and citizenship, any democratic ownership in the FSM requires an embeddedness of democracy in society. Participation on the other hand is uncontroversial as a fundamental element of democracy, while various positions may disagree on the ideal level and type of participation, the idea of rule by the people can hardly exist without some participation (Held, 2006).

We acknowledge this delimitation leaves many questions open in regards to democracy and the FSM, however, again we believe that it is necessary to limit ourselves in order to be able to give due attention to our analysis. One specific area, which we hope will be addressed at another point in time, is the question of equality in participation between stakeholder-groups, which we will attempt to understand in broad terms, but which we believe deserves a more detailed analysis.

Our choice to focus on the fundamentals and broad outlines of the FSM and democratic ownership is due to the fact that there is very little research done on these questions. As such, we believe, especially given our limited time frame, that our time is best spent focusing on addressing
fundamentals and fundamental issues in the model, thereby providing a basis for later more detailed research.

We limit ourselves further to looking at the FSM in a context where it is already implemented and established. Implementing the model in a new context poses unique challenges for two reasons. First of all, context matters, especially in this case, as the legal viability of the FSM depends on local laws governing business entities. Furthermore, well-established and functioning democratic institutions are a necessary precondition for TSI to flourish. Second, implementation poses unique challenges in itself, such as establishing proof of concept and adapting to the specific context. While we believe both of these reasons represents important questions as to the viability of the FSM, in order to remain within an achievable scope, we have decided to avoid these issues and rather focus on democratic ownership inherently in the FSM. We believe this is best done by examining it in a context where it has overcome the issues of implantation and proven legally viable.

Our final limitation is that we choose to focus on corporate entities, FairShares Companies in the FSM and limited liability companies (LLCs) as the traditional analogue. We do this partly as we believe that the corporate norm of shareholder primacy (for traditional shareholders) provides the biggest contrast to the concept of democratic ownership. Further, for the reasons given in our motivation, we believe that the corporate setting represents the most prescient area for transformative change. The FSM also inherently challenges the primacy of shareholders, arguing that in a traditional corporation “…employees and customers are subordinate to the interest of shareholders” (Ridley-Duff, 2015, p. 26).

This choice is further motivated by our interest in understanding the FSM’s relation to a wider movement for corporate reform. Many of the most pressing challenges to society have been linked to our understanding and norms of corporations, raising questions about even the basic norms of corporate structures. FSM is far from the only attempt to address these challenges and provide alternatives to these norms (Boeger, 2019).

Given this context, we believe that the transformative potential in the FSM largely lies in its relation to this wider movement for corporate reform. Another consideration behind this belief is that reality resists simplistic solutions. Given the huge variety in contexts, it is highly unlikely that the FSM will be equally viable in all situations. Finally, the difference in scale between those advocating the FSM and the reach of established norms and institutions means that any potential
for transformative change requires alliances with this wider movement in order to overcome inertia and incumbent interest.
History and Development of the FairShares Model

In the following section, a discussion about the FSM is presented to further understand the model and its developments over the years. The FSM is a result of nearly two centuries of co-op thought experimentation and practice. Ridley-Duff and Bull map out the paths and variations of co-ops over the years to show how they have arrived at the point of placing the FairShares Model as a new co-op business model resulting from those combined theories (Ridley-Duff & Bull 2019). See Appendix A and B for the flow chart of co-op theory leading to the FSM.

Currently, the International Co-operative Alliance (ICA) defines a co-op as:

“...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)

In “Solidarity as a Business Model”, Margaret Lund differentiates co-operatives from other businesses in that they have member ownership, member control, and member benefit - all being held by the same group of people (Lund, 2011). There are various principles and guidelines for members describing the different levels of relationships and democratic activity that goes on within a co-op, but these also vary amongst businesses. Lund argues that essentially any business can become a co-operative (Ibid.), implying that an open mindset for management could support this trend towards democratizing organizations. But this mindset in combination with structural tools and the support of public policy is crucial for success in doing so. The most famous example of a co-op is Mondragon in the Basque region of Spain, with an entire co-op ecosystem sustaining their region, and goes to show the success of the co-op model in its context (Lund, 2011). Mondragon emerged from a company established in 1889 which turned into a co-op in 1956 and then, on the verge of its bankruptcy in 1991, it transformed its organizational approach by creating and following a radical change strategy to make it one of the largest democratically operated enterprise examples in the world (Forcadell, 2015). The strategy focuses on the corporations culture, where there is huge investment in human resources where co-working on set goals is prevalent, as well as the organizational governance, where there is a general lack of hierarchy throughout the corporation, and decisions within are made through participatory co-operativism (Ibid.). The area and its people have been quite successful in joining the social and profit sectors of Mondragon to sustain the region.
since its development, and as it develops further (Ibid.). This example speaks volumes for how democratically organized corporations are viable and beneficial to society, but it also illuminates the challenges of such organizational design, including participation, ownership and context.

Ridley-Duff and Bull (2019) argue that the impact of social enterprises on a more radical, pluralist and communitarian business model was thriving in the 1970’s, but has been “hidden” by the UK’s ‘New Labour’ movement since 2003, which lacks emphasis on the benefits of the multi-stakeholder approach to SE’s (Ibid.). They propose the FairShares Model, a new co-operative model, as a way to revitalize this movement for a wider used solidarity business model (Ibid.). The concept of FairShares was first developed in 2012 by Prof. Rory Ridley-Duff and Cliff Southcombe to provide a sustainable solution to business-as-usual by offering a multi-stakeholder business model (Ridley-Duff Interview, 2019). The FairShares Association presents the model as:

“FairShares is a brand and development model for self-governing social enterprises operating as companies, co-operatives, partnerships and associations. It offers a unique multi-stakeholder approach through its integration of entrepreneurs, producers, consumers and investors, and its advocacy of Creative Commons to manage members' intellectual property.” (FairShares, 2018a).

The FSM differs from the many theories and business models before it, as it combines many thoughts, methods and designs of co-operative business models into a model that aims to be all encompassing, applicable, democratic and beneficial to all key stakeholders and function in a solidarity framework. The model is a multi-stakeholder approach, which is unique from other models which typically place just one group as decision makers and beneficiaries in a co-op, rather than all members having stakes. A traditional co-op business design focuses on limited internal beneficiaries and decision makers, while the FSM includes multiple stakeholders that are both internal and external. Those stakeholders in the FSM extend the control, membership and ownership beyond the limits of what co-ops are doing. The model defines these four primary stakeholder groups as the Founder(s), Labour, Users and Investors (Ridley-Duff et al, 2017). Ideally, by including multiple stakeholders in decision-making, an enterprise thus takes on a more “fair”, democratic form, where those involved in the enterprise learn to participate together and work for common interests without leaving anyone behind, and therefore solidifying the enterprise and its stakeholders.
The FSM has Five Values and Principles that address several points of sustainability, including addressing poverty and inequality, improving the quality of work and life, managing the environment and managing the economy sustainably (Ridley-Duff, 2015). The Five Values and Principles are:

“1. Wealth and power sharing amongst primary stakeholders, 2. Specification of social purpose(s) and auditing of impact(s), 3. Ethical review of the choice of goods/services offered, 4. Ethical review of production and retailing processes and 5. Social democratic ownership, governance and management” (Ridley-Duff et al., 2017).

These principles can be enacted through “company, co-operative, partnership and association” law to form these sustainable co-operative enterprises (Ridley-Duff, 2015). Furthermore, a set of seven ICT platforms are an integral part of the FSM in addition to five social technologies that aim to contribute to social developments, and will be looked into in our analysis (Ibid.).

A core element of the FSM is the concept of having intellectual property (IP) managed as a commons, or as property not owned by just the Founder(s), but owned collectively by the stakeholders by means of Creative Commons licenses (CC license) (Ibid.). The CC license is a tool that makes it straightforward for individuals, companies and institutions to license their creative work in a way that allows varying levels of permissions for their work to be reworked and distributed (Creative Commons, 2019). CC licensing has made strides in how we democratize ownership of creative and intellectual property; it offers creative individuals and entities to share their work and get feedback, which leads to innovation and creative collaborations. This type of ownership offers an alternative to corporate dominance of IP and allows creative freedom to expand without being confined to one owner. The FSM promotes the principle that the primary stakeholders should have ownership and a right to participate in decision-making about how the “natural, human, social, intellectual economic and financial capital they contribute is managed” (Ridley-Duff, 2015). This provides for more embedded structural democratic ownership and participation in enterprises, in theory and practice, which leads to liberation from traditional corporate design, which has long been considered as heinous systemic slavery.
Since the development of this model, it has undergone various testing and is now standing as a third revision, as of 2019, incorporating lessons learned in theory and in practice (Ridley-Duff Interview, 2019). The model is constantly evolving to reach wider contexts. The biggest change in FairShares V3.0 is the inclusion of partnerships (LLPs) and the process by which rules for companies, co-ops, associations, and partnerships are created. This is now initiated by a Google Form which generates a GoogleDoc and PDF version of the rules. From the GoogleDoc version, other format files can be created if necessary. Those that have responded to the model have highlighted several overarching themes: that the FSM has changed the way ‘capital’ and ‘contributors’ are distinguished and rewarded in (social) enterprises (McCulloch & Ridley-Duff, 2016), corporate law reform as a necessity (Boeger, 2018), the uses of the FSM in support of long-term stakeholder interests (as opposed to short-term shareholder interests) as a priority in corporate governance (Levillain et al, 2018), and that it is internationally recognized and can be applied as a form of legal innovation (Morgan, 2018; Ridley-Duff et al, 2018; Ridley-Duff & Bull, 2019). Dr. Graham Boyd will be meeting with the FSM association this year to discuss his theories of freedom and transformative business practices in hopes of adding to an even newer version of the model (Boyd Interview, 2019).

Since its creation and development, a shift from co-operativism to new co-operativism has been recognized in the multi-stakeholder FSM, as it expresses a distinct evolution from previous co-op practices (Ridley-Duff, 2015). Old co-operativism was limited by its single stakeholder approach, in that it by default shifted the power structures within a company, based on which stakeholder approach was taken, whether it be a worker, consumer or producer etc. approach, and thus rendered the remaining stakeholders in a position of philanthropic servitude to the others (Ibid.). New co-operativism, which started in 1978, however, focuses on the benefits and solidarity of considering multiple stakeholders and it recognizes the primary goal of seeking “mutual aid” rather than market competition (Ibid.). New co-operativism, and thus the FSM, seeks to address these characteristics highlighted by Marcelo Vieta: answering to the “crisis of neo-liberalism”, being innovative in meeting the needs of society, distributing wealth in different ways, considering sustainability and having stronger and more equal internal relations as well as external community relations (Ibid.). New co-operativism is an international movement.

In usual businesses, a manager is tied to the bottom line of making money and operating efficiently, and the workers have less influence, which leaves a disconnect between the privileged
few decision makers and the needs of the workers. The FSM introduces other goals to the organization, where business should no longer just be about the bottom line, and other interests are considered and emerge, giving different forms of value to businesses and interest groups. The FSM aims to be a driver for social change, and possibly a leverage point to change capitalism at its core, rather than just exist as a social innovation tool. We will investigate how the FSM challenges the dominant institutions that favour the bottom line and consider the 13 Transformative Social Innovation indicators set forth by TRANSIT, a set of social innovation principles.
Methodology

Philosophy of Science

Critical Theory

In our project, we seek to analyze the FSM as a leverage point challenging dominant institutions and power structures, both of which are a central part of critical theory’s concern, namely the “exploitation, repression and alienation embedded within Western civilization” (Bronner, 2011, p. 18). By adopting critical theory, we seek to analyze and understand the underlying tensions of dominant institutions and explore if democratic ownership in the FSM serves as an element of TSI in the sense that it addresses oppressive tensions inherent in Western hegemonic political and economic systems.

Since our problem formulation is approached through the perspective of critical theory, we find it relevant to briefly explain our reasoning for this philosophy of science. Critical theory is rooted in the Frankfurt School. In its early years, the Frankfurt School hoped that with its intellectual contribution, it would form a practical foundation for a radical political change driven by the proletariat (Bronner, 2011). Critical theory is a social critique that was largely influenced by sociologists like Horkheimer, Adorno and Habermas, based on Hegel, Marx and Freud, with a dialectic critique of enlightenment as its epistemological starting point. In essence, these critical theorists sought to better understand the foundations and development that led towards fascism and the horrific crimes that were committed during the holocaust. All in all, we can state that “critical theory provides the descriptive and normative bases for social inquiry aimed at decreasing domination and increasing freedom in all their forms” (Bohman, 2005).

Critical theory focuses on how humanity can make sure that the crimes of the second world war can never happen again. In this line of thought, critical theory seeks to describe what needs to be overcome. Brantlinger describes this as a way to “explain why humanity, instead of entering a truly human state, is sinking into a new kind of barbarism” (Brantlinger, 1983, p. 231). In its very essence, critical theory is “concerned not merely with how things were but how they might be and should be” (Bronner, 2011, p. 18) and has therefore as its goal “man’s emancipation from slavery” (Brantlinger, 1983, p. 232). In other words, it seeks liberation from all forms of
domination. As such, we adopt a normative stance as we assert that a fair and just society would be participatory and democratic in nature, in both an economic, a political, and a social sense.

Ontology

Realist ontology

In this section, we briefly articulate our ontological position, or “our understanding of the nature of social entities” (Bryman, 2012, p. 32). Due to our selection of critical theory, we adopt a realist ontology that is both non-positivist and objectivist. To break this down, we first start by defining both of these concepts.

In line with the non-positivist tradition, critical theory does not follow that all social phenomena can be discerned through the identification of causal relationships. We understand social systems, structures, and hegemonies as so complex and inter-related that in some regards it is either impossible or not worthwhile to pursue the study of mapping out these relations. Additionally, we do not make a strict delineation between scientific and normative statements, as we see normative and scientific questions, especially in the humanities and social science, as being interconnected.

“Objectivism is an ontological position that asserts that social phenomena and their meanings have an existence that is independent of social actors” (Bryman, 2012, p. 33). In this sense, critical theory understands the reality of social structures, systems, and hegemonies as so deeply embedded into society that they have an existence all on their own. We have chosen these ontological positions because of our focus on social phenomena as opposed to natural phenomena and because we consider both the FSM and its link to democracy as significant enough to warrant study independent of actors involved.

Epistemology

Epistemology, also referred to as “theory of knowledge”, is the subject of how we produce and understand knowledge, as well as what is accepted as valid knowledge (Bryman, 2012). The Hegelian dialectic is one epistemological approach adopted by critical theorists to produce knowledge in their “…aim to aid the process of progressive social change by identifying not only what is, but also identifying the existing (explicit and implicit) ideals of any given situation, and analyzing the gap between what is and what might and ought to be” (Hanks, n.d.). Since we employ
critical theory, we therefore use the Hegelian dialectic in order to shed light on underlying contradictions of the Western hegemony and the relevance of these in identifying leverage points for systemic change.

Hegel’s approach to the dialectic differs from previous thinkers, such as Plato, in that he rejects the concept of “reductio ad absurdum”, the understanding that if a premise leads to a contradiction, it must be disregarded as false. To Hegel, this leads to a situation in which, every time a premise leads to a contradiction, we are left with nothing, until a new premise is proposed and subjected to the same process. At the same time, he believed that since all logical reason would produce contradictions, this process of reductio ad absurdum would never be able to produce a premise it can accept as valid (Maybee, 2016).

This forms the basis for Hegel’s dialectic, which traditionally consists of three elements or “moments”. The first element is “thesis” or “the moment of understanding”, which is when an idea is taken as understood and defined. The second element is the “ante-thesis” or “the moment of dialectic”; when something is presented that contradicts the “thesis” in some way, challenging its definition or understanding. According to the traditional “reductio ad absurdum” logic, this would mean that the “thesis” should be disregarded, however this is where Hegelian dialectic differs in that it incorporates the “thesis” with the “ante-thesis” rather than outright rejecting it, thus creating a “synthesis” or “the speculative moment,” which unifies the contradiction of the “thesis” and “ante-thesis” into an understanding that can encompass both (Ibid.).

It should be noted that this is not seen as a finite process. As mentioned above, Hegel believed that all logic produces contradictions, as such this process can never end, rather the “synthesis” simply become a new “thesis” which can be challenged by another “ante-thesis” and produce a new “synthesis”. However, while the process does not have a fixed endpoint, each new “synthesis” represents a better, more full understanding of the object in question, as contradictions between the current “thesis” and “ante-thesis” are resolved (Ibid.).

Critical theory frames knowledge generation as this continuous dialectic process. Further, the approach to contradictions in Hegelian dialectics means that we take a relatively broad approach as to what is considered valid knowledge. Given the use of contradictions as an integral step in this model of knowledge generation, self-contradiction and paradoxes does not preclude knowledge from being valid. Rather, while perhaps imperfect, this knowledge is still valid and valuable in that it can be the starting point for the development of better understandings. Another important
epistemological consequence of Hegelian dialectics is that all knowledge is imperfect, in that it will always include contradictions and paradoxes, as these are unavoidable elements of all logical systems. Therefore, no concept or understanding can ever be seen as complete or universal, while we develop more complete and universal understandings, we never reach a final endpoint where contradictions and paradoxes ceases to be an issue (Ibid.).

Taking this perspective, we do not present our conclusions as having settled the issue of democratic ownership and its embeddedness in the FSM, rather we hope that by entering into a dialectic process to resolve the contradiction between inclusivity and exclusivity in our understanding of democratic ownership, acknowledging that this will not resolve all contradictions in the concept and that the process of understanding democratic ownership never truly can be resolved.

Methods for Collecting Empirical Data

In considering the likelihood of the FSM to challenge the dominant institutions, we exclusively rely on various sources of qualitative data, due to the inability to quantify the concepts we are researching. Our primary source of data comes from the FairShares Company Model Rules and our secondary data comes from expert interviews, academic literature, and materials found on the FairShares websites. To collect this data, we interview such experts as Prof. Rory Ridley-Duff, Dr. Nina Boeger, and Dr. Graham Boyd to gain perspective of some experiences of those evaluating and utilizing the FSM. The experiences and opinions of our interviewees give weight to the debate about the FSM’s usefulness, structure and applicability as a transformative business model, with the ability to challenge current structures of business culture and its impact on society overall.

Prof. Rory Ridley-Duff is the co-creator of the FairShares Model and is currently a professor at Sheffield Hallam University in the UK. It is important for us not to become subject to confirmation bias while considering his contributions to our research. Dr. Nina Boeger offers us an academic perspective on the model. She is the Director of the Law School’s Centre for Law and Enterprise at Bristol University and teaches classes on Corporate Governance. She advocates for corporate reform that challenges hegemonic structures (Boeger Interview, 2019). She believes that individual behavior and actions are not enough to create systemic change (Ibid.). She says that although human behavior (greed, power, corruption, etc.) should simultaneously be healed, our true chance of change lies within systems change (Ibid.). The organizations we work within should be fair from the
beginning so that we do not leave it up to people to take morality into their own hands (Ibid). At the same time, ethics and accountability in regards to democracy and how people interact should not be ignored. They go hand in hand, thus are used to support each other in shaping more solidarity in business practice (Ibid.). Dr. Graham Boyd is a FSM practitioner at EvoluteSix who focuses on the interpersonal challenges in business practice, where conflict resolution and co-working are essential for a more democratic business ambiance, and thus lead to more free and shared benefits of organizational participation. He says that corporations must transform into more free and commons-based entities, using the knowledge of the past, to liberate society from a capitalist system that he equates to slavery. This liberation can begin with making strides in business form, and by implementing democratically fair structures and practices of those in society. The role of empirical data in this project is to help contextualize and address our problem formulation.

Analysis Strategy

To reiterate, our main research question concerns the extent to which democratic ownership is embedded into the FSM. The sub-questions on enfranchisement and TSI help us to explain the relevance and importance of the FSM as a social innovation initiative in generating TSI. Our analysis strategy is guided by abductive reasoning in an effort to analyze and answer our research questions. As we are neither theory-testing nor theory-building in regards to democratic ownership, we cannot exclusively rely on deductive reasoning nor inductive reasoning alone. Therefore, we utilize abductive reasoning, a type of inference that combines elements of deductive and inductive reasoning, but that allows us to more pragmatically navigate our data and the theories we employ in order to logically come to relevant conclusions (Bryman, 2012).

In order to analyze the level of democratic ownership embedded in the FSM, we will place the model in the matrix we present in our section on democratic theory. This will give us an indication of the level of embeddedness of democratic ownership in the FSM, as well as the broadness of the participation.

This analysis goes alongside our analysis regarding our sub-question on enfranchisement. We have chosen to address enfranchisement as a separate question, partly due to the importance we ascribe to the issue and partly due to the FSM’s unique view on enfranchisement. Finally, our decision to analyze enfranchisement separately is a result of the relationship between enfranchisement and participation. As we point out in our theory section, the Athenian democratic
model, with broad participation for those allowed to participate, but few allowed to participate, is hard to place in the matrix we present, according to participation. In order to address this problem, should a similar situation arise concerning the FSM, addressing enfranchisement individually allows us to highlight its effect on participation more clearly.

Our second sub-question reads: Considering the embeddedness of democratic ownership into the FairShares Model, how can we determine its potential to generate transformative social innovation? In an effort to measure the potential of the FSM to generate TSI, we employ the use of the 13 Principles of TSI as an analytical benchmark. It is our understanding that the more principles the FSM addresses, the more potential it has to aid in the development of TSI. We rely on data from primary and secondary literature and expert interviews to inform our analysis of each principle in relation to the FSM. By answering this question, we better understand the broader implications of democratic ownership in the FSM and the likelihood it has to create TSI.

We have chosen to employ immanent critique in our analysis strategy since it is regarded as the “key method of critical theory” (Hanks, n.d.). “Immanent critique is a means of detecting the societal contradictions which offer the most determinate possibilities for emancipatory social change” (Antonio, 1981 p. 332). By employing this analysis strategy, our focus is on both “...prospects for progressive social change and...those structures of society and consciousness that contribute to human domination” (Hanks, n.d.). In other words, through our data analysis, we seek to understand how hegemonic systems undermine people’s democratic ability to emancipate themselves from human exploitation and identify leverage points in this hegemonic system that have the highest probability to incite social change. Our intention then, is to understand what role, if any, the FSM has in democratizing ownership in commercial enterprises to any significant degree.

Methodological Considerations

In this section, we briefly highlight methodological considerations related to our data and analysis. One issue we have identified is that it is highly unlikely we will be able to holistically understand the powerful hegemonic structures present in our society. As critical theory attempts to critique underlying tensions of society, we can only do our best to argue what we think those tensions actually are. Further, given that critical theory emphasizes research with the end goal of emancipation (Bohman, 2005), we consider our research closely connected to the normative questions surrounding democracy. Because of this, we feel it necessary to state our normative stance
explicitly and coherently, so it is clear to our reader from which perspective we approach these questions. First of all, we consider democracy as the only valid governance structure, at least among known models, as it is the only one deriving its legitimacy from the population and their acceptance of the government (de Sousa Santos, 2018). To us this also means that questioning the extent of democracy is a valid and relevant inquiry, one that we feel is given further importance by the developments described in our section on our motivation for this project.

Given that our research takes its premise in our normative position, we acknowledge that our conclusion to some extent requires one to accept our normative position in order to be valid. While this can be seen as an issue of validity, we believe that it is impossible to separate the normative element of our object of study. As such, we consider it more appropriate to state our position explicitly and proceed on the acknowledged basis that this will have an impact on our validity, in that our conclusions are based, in part, on a subjective premise.

Another consideration that we have reflected on is the fact that we have no indication of existing literature that critiques the FSM, which is the reason why we chose to take a broad approach focusing on fundamental outlines of the FSM and democratic ownership.

Furthermore, we acknowledge that we need to be conscious of the risk of confirmation bias and keep analytical distance, as we consider various elements of the FSM to be of promising value when it comes to transformative change.

Since the FSM is such a new model, our research faces the challenge of being constrained to what information is available to us currently which is partly why we rely on the generic Company Rules for our analysis. Finally, while we consider it crucial to understand the FSM in a long-term perspective this unfortunately falls outside of the scope of our work here, mainly due to the time-scale required for that type of research.

Since we focus on the structures, rather than the actors affected by FSM’s democratic ownership, we cannot confidently speak to the actors’ perspectives on democratic ownership in the FSM. While we believe this is a valuable avenue of inquiry, we have chosen to delimit ourselves from it, as we do not have the empirical basis for such an inquiry.

Finally, while we apply the model rules as they are in the FairShares Model V3.0, and we mostly refer to “The Case for FairShares,” in which the rules of V2.x are published. As V3.0 of the FSM introduced the Model Rules Generator, the model rules were not published in generic form, so we have had to rely on this older version. However only a few changes to the model’s rules are of
concern in this regards. First, a new subsection added to clause 10 allows Investor Shares to be transferred to a crowdfunding/lending/investing platform, approved at General Meetings. Furthermore, a new scheme was introduced for handling voting, when members belong to multiple shareholder classes. According to this scheme, the four shareholder groups are numbered 1) Founder(s), 2) Labour, 3) User and 4) Investors, and members belonging to multiple groups vote only as a member of the lowest numbered group. Finally, the approach to IP has been adjusted so that a FairShares Enterprise acquires joint copyright to any IP directly commissioned by them from a member; any IP created on the members own initiative remains their IP, with a non-exclusive license granted to the FairShares Enterprise, upon the employee's departure. (FairShares Association, 2019)
Theory

The aim of this section is to present and discuss our theoretical considerations taken for our research. Our main research question is addressed using a theoretical perspective drawn primarily from democratic theory, mostly inspired by the tradition emerging in the 1960’s frequently referred to as the New Left. Furthermore, we draw on a large amount of literature on solidarity economy, here taking departure in Laville’s understanding of solidarity economy as stated earlier. Other theoretical elements are drawn based on their explanatory power for the various elements of the FSM in our analysis. As an example, we draw on Marx’s understanding of alienation from the fruits of labor in regards to the IP policy.

In the second part of this section, we introduce the 13 Principles of Transformative Social Innovation (TSI), provide a brief overview of each of the Principles, and conclude with our reasoning for its use as an analytical benchmark in this project. We draw on this framework to help us answer our last research question on whether the FSM can be seen as a leverage point of TSI.

Overview of Democratic Theory

In this section, we briefly discuss democracy and democratic theory. We do this with two objectives in mind; partly we wish to provide a brief, and by no means exhaustive, overview of the different strains of thought on this diverse subject. This is done in order to help our second objective, which is to situate the FSM and this paper within the field of democratic theory, using the models below as “guides” within a matrix of our own creation focused on participation and the embeddedness of democracy. While we will be focused on the tradition of the New Left within democratic theory, we place a number of models, in order to present the breadth of the field. However, another important reason we have chosen to include other models of democracy is in order to better triangulate where to place FSM into the matrix by relying on multiple points of reference.

Democratic theory is a complex field of study, partly due to the sheer breadth of the field, since democracy has been theorized, at the very least, since Aristotle’s “The Politics”. However, another reason for the complexity of democratic theory is that it is an inherently normative field. While some may claim that they are descriptivist, merely describing democracy as it is practiced and therefore not normative in their approach (Pateman, 1970), this carries, whether intentional or not, an implicit normative element of labeling their object of study, being it contemporary or
historical, as “democratic”. While democracy has not always been held as a normative positive term, it is hard to argue that it does not carry a normative weight.

Given the complexity of the field of democratic theory, we have chosen to focus on two variables, namely, the embeddedness of democracy in society and the level of participation. We understand embeddedness as democratic ownership extended beyond what is typically considered political and the traditional understanding of the public sphere. As we focus on ownership, we operationalize participation in terms of narrow or broad participation. We understand this axis as a spectrum of attitudes towards participation, with the narrow end, where only very limited participation is expected and encouraged. This narrow understanding is represented by representative democratic theories. In the broad end, participation is expected and encouraged, as well as generally more involved; this broader understanding is represented by the participatory traditions of democracy (Held, 2006). We choose to operationalize participation as a spectrum between narrow and broad, rather than as a binary of representative and participatory traditions of democracy partly due to our focus on ownership, where representation is difficult to operationalize. However, a more fundamental reason for understanding this as a spectrum is that both of these traditions carry within them a huge diversity of positions, with different attitudes towards participation.

Based on these variables we have constructed a matrix of democratic theory and will map the various models of democracy according to these two variables. See Figure 1. Furthermore, we will attempt to place the FSM into this framework, according to the relations between the model and these two concepts, drawing on the presented democratic theories in order to place it correctly.
One thing that should be noted about this matrix is that it should be understood as an abstraction. Specifically, the placement of the various democratic models and the FSM should not be understood as definitivative and precise. Given the complexity of the phenomena that we try to capture in this project, and their many manifestations in reality, it would be impossible, within our scope at least, to accurately account for every possible factor. As such, this should be understood as a broad framework, based on the general outline of the various models. Furthermore, it should be noted that we make no attempt to quantify the variables that we are analysing. This means that our eventual placement of the FSM should not be taken as a direct visualization of empirical data, rather it is our analysis of the general structure of democratic ownership in the FSM. In general, the matrix is used as a way of representing the broad outline of models. It is more the approximate placement of the models that are of concern, such as which quadrant they fit into. This means when we place models close to each other, this should be interpreted more as an indication of a difference on the abstractional level, rather than an accurate representation of the scale of difference on any quantifiable level, or in any specific manifestation of the models.

In order to explain how we plan to use this model, we now place Schumpeter’s model of Competitive Elitism into the matrix. We do this partly as the model fits very well with the
understanding of democracy practiced, at least in the West. The other reason we have chosen Competitive Elitism as a demonstration is that the New Left, in forming their own democratic understanding largely started from a critique of this model, as it was the contemporary mainstream model at the time. (Pateman, 1970)

Schumpeter argued that the “classical theory” (a very participatory understanding) of democracy was unrealistic, although it should be noted that it is highly debatable whether the “classical theory”, as Schumpeter understood it, ever existed. Schumpeter further argued that democracy represented a political method not tied to any particular ideals. Schumpeter’s theory, in the most basic terms argues that democracy is practiced through the competition for votes by representatives (organized in parties), which make up the “elite”. Schumpeter was highly critical of increased participation in democracy and argued that this representative model, not only was more in line with reality, but also produced the best results. He argued that the role of “the people” was to choose a leader/representative, whose role it then was to make the decisions and that the public should not interfere with this between elections. Indeed, one of his more radical arguments was that lobbying one’s representatives between elections should be banned. He argues for this minimal participation partly based on efficiency of administration and partly on the premise that the public largely is politically apathetic. Finally, it should be noted that Schumpeter argued for a very limited understanding of the political sphere, as essential public administration and separated from the economy, in order to achieve compatibility between democracy and freedom (as understood in the liberal sense of the term). (Pateman, 1970; Held, 2006)

Moving to placing the theory in our matrix, it is clear that it has a very narrow scope for participation, limited, in Schumpeter’s ideal version, strictly to voting. If we place the model on the basis of embeddedness, it has little to no scope for such a concept, limiting democratic strictly to public administration and indeed rather than extending democracy beyond this traditional sphere, it incorporates a concept of competition more familiar to the market than traditional public administration. As such, in regards to democracy, the model is strictly disembedded, leaving no room even for traditional workplace democracy. However, interestingly, by incorporating competition, this model to some extent embeds the logic of the market into democracy (see Figure 2).
Moving into the participatory tradition of democracy, we will start by placing, what might be the oldest democratic model, the Athenian Republic. Although participatory in nature, this model was based on a very limited understanding of citizenship (the right to participate in civil society or democratic decisions was extended to only those that met a strict set of demographic criteria) and thus who could participate. Athenian democracy was based on a direct participation of the citizenship, through the citizens assembly\(^2\). While Athenian democracy included direct elections, much like a modern democracy, one distinguishing feature was their reliance on rotations and the drawing of lots for selecting candidates. While Athenian democracy in practice was highly undemocratic by modern standards, the ideal of direct citizen participation inspired later thinkers such as Rousseau, Engels and Marx, which also in turn inspired many later thinkers on participatory democracy. (Held, 2006)

Placing the Athenian Republic into our matrix, on the axis of embeddedness, similar to Competitive Elitism, operates in an almost complete disembedded manner. Democracy in this model is tied to the concept of citizenship, a concept that was only understood in relation to the state (Ibid.); as such, any democracy afforded by this model is also strictly in relation to the state.

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\(^2\)For a fuller explanation of the mechanics of Athenian democracy see (Held 2006, Fig. 1.1)
In regards to participation, placing this model is a challenge, due to the wide divergence between the extremely limited group of people that could participate and the large majority that could not. As such, the level of participation in this model is largely defined by what perspective one takes on the model. If you approach the model from the perspective of a male Athenian citizen, the model indeed was highly democratic. If instead you approach the model from the perspective of a woman, non-citizen or one of the many slaves, the model was completely exclusionary, to the point of not being democracy at all. This dual nature of participation in the model makes it hard to place.

In order to encapsulate both of these perspectives as best as possible, we place this model of democracy on a middling level of participation, explicitly due to this dualistic understanding of participation, as a sort of mean level of participation accounting for both the citizens and the majority that was excluded from participating. Figure 3 shows the Athenian Republican model of democracy, along with Competitive Elitism. While both models are disembedded, it is clear that the Athenian Republic has a more participatory nature, with generally broad participation, despite being narrow in its enfranchisement, due to a very exclusive citizenry concept.

![Figure 3. Matrix of Competitive Elitism and The Athenian Republic (Own Rendition)](image-url)
Moving on, we now place a second participatory model in our matrix, in this case the anarchist democratic mode. Although some anarchists have argued that democracy is incompatible with the anarchist ideal of freedom, others have argued that this is simply true in a bourgeois capitalist democracy and there have been a historical tradition of anarchist advocating radical participatory democracy (for an example of this debate see CrimethInc’s essay “From Democracy to Freedom” (2016) and Wayne Price’s response (2016)). While this debate is not without merit, it falls outside the scope of this paper; as such, we will treat Anarchy as part of the tradition of participatory democracy. We do this partly to acknowledge the, often neglected, contributions made by democratic-minded anarchists and partly as many later ideas concerning participatory democracy can be traced back to anarchist philosophy.

Anarchist democracy is characterized by a focus on free voluntary organizations, the absence of hierarchical structures and a direct involvement of all affected by decisions. Some anarchists believe that any form of coercion is incompatible with Anarchy, and therefore the enforcement of democratic decisions, with the possible exception of unanimous decisions. Anarchist democrats, on the other hand, argue that so long as all affected have truly equal opportunity to impact the decision and that those that disagree can withdraw from it, either by withdrawing from the given organization or by moving from the affected territory, democracy and the necessary coercion included in the concept is not in opposition to freedom. (Price, 2000)

Before we move on to placing the anarchist model in our matrix, another element of interest in regards to Anarchism is its criticisms of democracy as practiced under capitalism, especially as these influence where we place the model in our matrix.

The first point of criticism is the corrupting effect of power. In “Power Corrupts the Best”, Bakunin asks the reader to imagine a government run by those truly most suited for the job, and enjoining the support of the whole populace. He goes on to argue that even in this, an ideal of the representative system, the leaders will inevitably become increasingly corrupt, as they start to believe themselves not just better suited for the administration of the government, but better than their fellow citizens. They will begin to show contempt for the population and believe themselves better than they truly are (Bakunin, 2012). This is in essence an argument for full and absolute participation in democracy. The second criticism touches on the issue of embeddedness. The argument goes that bourgeois democracy is in fact only a veneer over a rule by oligarchy. This argument rest partly on the argument that those in power politically will seek their own interests.
However, it goes further and argues that in capitalist democracy, only a small part of our life can be considered democratic, even by its own standards. In a capitalist society, the government’s influence is inherently limited, and in the private sphere, there is little democracy, representative or participatory. Workers do not generally get a vote on a company’s decision-making and even if they do, their influence is limited by the imbalance of power between the managers and the workers (Marlinspike & Hart, 2005). Similar to the first criticism, this is in essence an argument for embedding democracy in society to a radical degree.

Both based on the model of democracy presented by the anarchist tradition and the criticism it raises against democracy under capitalism, Anarchism stands as the most extreme model that we have included here. Both in regards to participation and in regards to embeddedness it would be hard to argue that this is anything less than an absolutist position, requiring maximum participation and embeddedness, as is represented in Figure 4 where the model have been place alongside the models previously discussed.

![Figure 4. Matrix of Competitive Elitism, The Athenian Republic and Anarchism (Own Rendition)](image)

This leads us to the last model of democracy we will place in this model, and the main point from which we draw comparison to FSM. In the late 60’s, what was called the New Left started to
develop its own concepts of democracy, drawing on a number of inspirations, such as Rousseau’s thoughts on the social contract, anarchist thoughts on democracy, as mentioned above, and the libertarian and pluralist Marxist perspectives. This New Left model of participatory democracy was seen as the primary opposition to the Legal Democracy model advocated by thinkers on the right at the time, such as Hayek and Nozick, and which provided intellectual backing for Thatcherism and Reaganism. Although it should be noted that at least Carole Pateman, which is the principle theorist we will be concerned with, defined and shaped her theory more as a response to Schumpeter’s theory of Competitive Elitism, rather than any of these thinkers or political movements, which is part of the reason why we include Schumpeter’s Competitive Elitism, rather than the Legal Democracy model in our matrix. (Pateman, 1970; Held, 2006)

Two central elements in the New Left understanding of democracy is that the assumption of free and equal citizens that form the basis of contemporary liberal democracy is a lot rarer in reality than in theory, and that the clear separation between state and civil society existing in liberal theory is incompatible with reality. The first element is based on the argument that formal rights, while a necessity for actual rights in the real world, is not enough in and of itself. Any given reality must be examined in order to ascertain whether these formal rights are actually being offered to all groups of people, including women, ethnic and religious minorities, and others disadvantaged by asymmetries of power and resource. It is the objection of the New Left that in practice these groups are often not given the full extent of the formal rights afforded to them. (Held, 2006)

The second element rests on the notion that the state is not disconnected from society as a whole, but rather it is a continuation of it, and as such carries with it the structural inequalities and barriers to participation found it the broader society. As a consequence of this, not only is it impossible to separate society into clearly delimited public & private spheres, but the fundamentals of liberal democratic theory get called into questions. If the state cannot be seen as distinct and impartial, this further challenges the view of the population as free and equal citizens. Furthermore, given the interconnectedness between civil society and the state, true democracy in this perspective requires democratic and participatory structures in both spheres, as they really are not separate spheres but rather two complexly connected parts of what can be termed society. On the basis of these two elements C.B. Macpherson, one of the central thinkers of New Left democracy, argued for a system of competitive parties combined with directly democratic organizations, not just in what
have traditionally been understood as the political sphere, but also in civil society and the workplace. (Ibid.)

Pateman, especially, was concerned with democracy not just as a decision-making model, but also as an educational process. She argued that participation in democratic decision-making were not merely an instrumental act, but also an educating one. In essence she argued that participation had an educating effect, and by being more actively participating in democracy, people would become better democratic citizens. She went on to argue that our current system falls short of the participatory ideals it claims, and that this is largely a structural issue. In our current system, not only is the opportunity to participate, but also training in the skills necessary for participating limited to the higher levels of society. This recreates the underlying structural inequalities between the poor and the bourgeois, by reinforcing them in the democratic sphere. (Pateman, 1970)

Due to the structural nature of the root causes of the lack of democratic participation, Pateman argues that structural measures are needed, and we need to reevaluate the liberal ideals along which we have aligned our system. On the theoretic level she does this by questioning how many of her contemporaries, based on Schumpeter’s theory of Competitive Elitism, had embraced a purely representative democracy, largely accepting the argument that too much participation was a danger for democracies. Pateman places herself in opposition to this argument, partly based on her belief in the educating effect of participation, partly as she was doubtful of the premise that participation holds any danger to democracy in and of itself. According to her, the real issue was a lack of familiarity with participating in democracy; she further argued that the complexities of participation was down to the same lack of familiarity (Ibid.). On this basis she argues that “...for a democratic polity to exist it is necessary for a participatory society to exist, i.e. a society where all political systems have been democratised and socialisation through participation can take place in all areas.” (Ibid., p. 43).

Based on this quote, an argument could be made that Pateman places herself quite close, if not overlapping with the anarchist position. However, if you examine her position in detail, as well as the broader spectrum of New Left theorists, a number of interesting differences emerge. First of all, while both positions argue for embedding democracy to a significantly increased degree, anarchists argue for a complete dismantling of society as we know it. The New Left do believe that this embeddedness can be achieved while still maintaining broadly a similar type of society, though still far from the same. On participation, there is little in the New Left position to directly set it apart
from anarchist thinking. However, as Anarchism sees participation through the lens of voluntary associations, this also produces a divergence between the two models.

On this basis, while the New Left still places itself strongly within the embedded and participatory understandings, and while it levels some of the same criticisms against contemporary democracy, it is not as extreme an understanding of democracy as is presented in anarchism. This is indicated in Figure 5 where we have placed the model in the embedded/broad participation quadrant, although to a far less extreme degree than the anarchist position.

**Figure 5. Matrix of Competitive Elitism, the Athenian Republic, Anarchism, and the New Left (Own Rendition)**

13 Principles of Transformative Social Innovation

“In 2013, the European Union invited the scientific community to more systematically study the role of social innovation in addressing societal challenges” (Whittmayer, n.d., p. 2).

Over the course of four years, an international team of over 25 researchers collaborated under the project title of Transformational Social Innovation Theory (TRANSIT) with the purpose of developing a theory on how social innovation leads to transformative change (Hazeltine et al., 2017). The 13 Principles of TSI were published as a result of their research and seeks to provide a
framework of “...shared principles, claims and commitments that enable us to collaborate” in the pursuit of TSI (TRANSIT, 2017, p. 3). In the following paragraphs, we describe each of the 13 Principles and briefly conclude with a justification for using this framework as an analytical tool. Refer to Figure 6 for an overview of these principles.

### 13 Principles of Transformative Social Innovation

<table>
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<tr>
<th>Principle</th>
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<tbody>
<tr>
<td>1. Physical and mental space for learning and experimentation is a necessary condition.</td>
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<td>2. We require alternative and diverse economies.</td>
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<tr>
<td>3. Innovation is just as much about shaping the new as it is about reframing the old.</td>
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<tr>
<td>4. We need to experiment with alternative social relations and relational values.</td>
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<tr>
<td>5. Social &amp; material change are intertwined: we need both social &amp; technological innovation.</td>
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<td>13. Embracing paradoxes is key to transformative social innovation.</td>
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**Figure 6. 13 Principles of TSI.** Adapted from TRANSIT, 2017, p. 4.

Principle 1: Physical and mental space for learning and experimentation is a necessary condition. In order to support the development of the types of social innovations that lead to TSI, we need to foster and create spaces for people “to experiment, to fail, to learn, and to engage” with alternative ways of thinking and doing (TRANSIT, 2017, p. 10). These spaces must unfold in both tangible (i.e., physical) and intangible (i.e., mental) ways and must “operate with principles that are diametrically opposed to the dominant ways of thinking in mainstream media and education” (Ibid., p. 10). In other words, these spaces should encourage and embed values such as “learning from failure, mutual learning, and improvisation” as opposed to “short-term success, individualism,
superficial solutions, and excessive planning” (Ibid., p. 10). Such spaces may better promote and generate TSI because they are built on dismantling limited and detrimental ways of thinking and doing in current dominant institutions.

Principle 2: We require **alternative and diverse economies**. Institutionalizing new types of economies, such as social and solidarity economies, is a necessary step in replacing the dominant socio-economic and political institutions that we have today. Embedded in these alternative economies are “certain social and ecological values, a critique of capitalism, and mainstream economic systems, and a commitment to changing existing power relations” (Ibid., p. 10). Since our current economic system is in part responsible for the growing number of social and environmental issues we see today, it is only logical that we support the development of new types of economic systems that address these global issues. As such, “we need to embrace the differences and complementarities of these alternative and diverse economies” (Ibid., p. 10).

Principle 3: Innovation is just as much about shaping the new as it is about **reframing the old**. “Social innovation often means re-discovering, re-investing, re-using, re-vitalizing and translating forgotten, lost or abandoned ways of doing, thinking and organizing of the past” (Ibid., p. 10). Indeed, innovation occurs from new conceptualizations and combinations of existing resources, therefore, it is necessary we simultaneously revisit how we used to do things, why we used to do them, and what value they create, in our continuous pursuit of innovation. Additionally, this principle reminds us not to focus on radical innovation to the neglect of more incremental innovation and reflecting on the past will helps us do just that.

Principle 4: We need to experiment with **alternative social relations** and relational values. “Social relations e.g., between neighbors, consumers and producers, employers and employees, policy-makers and citizens, are fundamental to how we live our lives [...] We need to address the deeper levels of how we relate to one another ...” (Ibid., p. 11.) so that we are all empowered to positively contribute to society. Through social innovations, we have the power to change relationships between people in a way that fosters values as “trust, reciprocity, equality, collectiveness, sharing solidarity, inclusion, and transparency” (Ibid., p. 11). This new type of value-based relationship may best correct the issues seen in social relations today because of the kinds of values they promote.

Principle 5: Social & material change are intertwined: we need both **social & technological innovation**. “Social innovation counter-balances a sole focus on the much celebrated technological
innovations” (Ibid., p. 11). Even still, we need to support the development of both social and technological innovation because of their co-evolutionary nature (i.e., technological innovation shapes and influences social innovation and vice versa). Since “technology, ecology, culture, economy and politics are all intertwined, [we therefore] need initiatives that also tackle material, ecological, and spatial matters when changing social relations and practices and that do so in a diversity of ways” (Ibid., p. 11).

Principle 6: Transformative change requires **hybrid combinations** of civil society, state and market. We need to support the development of “changing relations between civil society, government and market [because TSI] manifests in the changing interactions and blurring boundaries between them” (Ibid., p. 11). It is fundamental we support the timely hybridization of these sectors because in their current form, they are both ineffective and full of negative consequences. The Manifesto views “participatory budgeting”, where multiple stakeholders, including citizens, are involved in the decision-making on how municipal budgets are spent, as an example of transformative change (Ibid.). It’s also important to note that hegemonic structures “are not just about governments or big businesses; they also exist in civil society in our ingrained ways of doing, thinking and organizing” (Ibid., p. 11).

Principle 7: Social innovation should never be an excuse to dismantle **necessary public services**. Social innovation is not always proven to be equally beneficial to everyone. The pros and cons of particular initiatives should be weighed against each other so as not to “replace the process of developing, maintaining or improving necessary public provisions” (Ibid., p. 12). “It is about sharing responsibility for the commons by challenging, changing and recombining public institutions so as to enable just and resilient living environments for all human beings” (Ibid., p. 12). However, we must take “responsibility for addressing unintended consequences of social innovation for public institutions” (Ibid., p. 12).

Principle 8: **Translocal empowerment** is a promising response to the challenges of globalization. Empowerment on an individual level can be obtained through participation in both local and global issues (Ibid.). “Translocal networks can integrate the best of both the global and the local, connecting communities internationally and promoting global solidarity while also acknowledging and re-appreciating deep local identities and traditions” (Ibid., p. 12). These types of networks promote general values such as reciprocity and fairness in the relations between local communities and international networks while maintaining a sense of individuality.
Principle 9: Social innovation is about fostering a sense of **belonging, autonomy and competence**. After satisfying basic needs, “people seek for a sense of belonging (being connected to others), autonomy (acting in accordance with [their] own values) and competence (generating and experiencing skill and mastery)” (Ibid., p. 12). It is important then to empower individuals to meet these needs and as “social innovation initiatives...provide alternative ways for fulfilling these needs” (Ibid., p. 12) and they are therefore viable to pursue. Especially, since these kinds of initiatives amplify “collective action and empowerment and [help people in] overcoming feelings of alienation, isolation or marginalization” (Ibid., p. 12) that many experience in our hegemonic institutions today.

Principle 10: Transparent and **inclusive decision-making** is a necessary condition for change. If we are to promote any type of social innovation, it must be socially created. This is why “social innovation initiatives apply innovative decision-making methods like multiple form of democracy (e.g. liquid, deep and deliberate democracy or ‘do-o-cracy’), systemic consensus, sociocracy or holacracy” (Ibid., p. 13). Democratic decision-making then requires “shared ownership structures and a culture of open, transparent communication [...] All this also means that well-established and functioning democratic institutions are a necessary precondition for transformative social innovation to flourish” (Ibid., p. 13). Thus, one key challenge will be the expansion of these social innovation initiatives “in diverse ‘non-democratic’ geographical and socio-political contexts” (Ibid., p. 13).

Principle 11: **Alternative and diverse narratives** are needed to drive change. “Alternative narratives and theories of change are a pivotal driving force behind physical change: they serve to communicate and clarify why the world has to change, who has the power to do so and how this can be done” (Ibid., p. 13). By creating environments and platforms where individuals are empowered to share these alternative and diverse narratives, we legitimize their concerns and their right to participate and share their voices. Therefore, “we appreciate the diversity and complementarities across different narratives of change, while also recognizing commonalities in a commitment to relational values, community building and empowerment.” (Ibid., p. 13).

Principle 12: More **mutual recognition** and strategic collaboration is needed. Instead of focusing so much on competition, we need to refocus and recommit to collaboration in the promotion of social innovation and thus TSI. Therefore, we must re-examine the goals we have “across different networks and initiatives working on social change” (Ibid., p. 13). If we are able to
collaborate in a more collective way, we may be able to more effectively use the resources we have to achieve the goals we set out for ourselves.

Principle 13: **Embracing paradoxes** is key to transformative social innovation. “Social innovation initiatives often strive to be inclusive and accessible, and tend to be critical of the exclusive character of the dominant institutions that they aim to replace” (Ibid., p. 14). “There is an inherent paradox of exclusivity and inclusivity in social innovations” (Ibid., p. 14) because they are often initiated by an exclusive group of people who aim to be more inclusive. Additionally, the point of social innovations in TSI is to institutionalize new ways of thinking and doing. However, “social innovation - by definition - loses some of its innovative characteristics and runs the risk of being captured by existing structures and interests” (Ibid., p. 14).

In order to address the potential of the FSM to create transformative change, we use the 13 Principles of TSI as an analytical benchmark in which to test the model against. The purpose of using these principles as a framework is to analyze the FSM’s potential to drive TSI. Therefore, we believe that the more principles an organization addresses from this list, the more theoretical potential it has to create TSI. Since the 13 Principles of TSI is a recent publication, there are currently no publicly available academic criticisms of them. While further research may be needed on the 13 Principles and their viability as an analytical benchmark, we contend that this framework will aid in our understanding of the FSM’s potential to create TSI.
Analysis

Our analysis is divided into the following three sections: Embeddedness of Democratic Ownership, The Issue of Enfranchisement, and The FairShares Model and Transformative Social Innovation. Each section specifically focuses on exploring and answering our three research questions. It should also be noted that all sections largely draw on clauses from the FairShares Company Rules. A list of definitions from these clauses have been included in Appendix D for reference.

Embeddedness Of Democratic Ownership

In this section, we first start by analyzing the FairShares Company Rules in order to determine the level of embeddedness of democratic ownership, before moving on and placing the FSM in our matrix. Starting at the most abstract level, clause 5(d) and 5(e) in the model rules, concerning the company’s objectives, state that the company is committed to uphold both the Values and Principles of FairShares, and the Co-operative Principles laid out by ICA (Ridley-Duff, 2015). Both of these objectives include elements that embed democratic values into the FSM. As noted earlier in this paper, the first principle in the FairShares model is “Wealth and power sharing amongst primary stakeholders” (Ridley-Duff et al., 2017). Delving into this principle, the emphasis on fair and equitable sharing, as well as the explicit inclusion of power sharing, rather than focusing on wealth, provides a solid basis for embedding democracy in the FSM. The fifth FairShares Principle of “Social democratic ownership, governance and management” (Ibid.) further strengthens this basis by explicitly establishing democratic ownership as a principle for the FSM, thereby requiring some minimum level of democratic ownership in a FairShares Company. Finally, the commitment to abide by the ICA’s Cooperative Principles also enhances this embeddedness, through the second principle on democratic member control (ICA, 2018).

By tying the ICA Principles to the company’s objectives, the model rules ensure that the basic premise for a FairShares Company encourages a high level of embeddedness. However, without governance structures facilitating this embeddedness in practice, there is a high level of risk of these principles and ideals being merely words on a page.

One of the central features embedding democracy on a more practical level in the model rules is found in clauses 19 to 28 covering the role of the General Meeting (Ridley-Duff, 2015). The
General Meeting is a forum for decision-making and discussion among the members. While day-to-day operations are largely at the discretion of the Board of Directors, which is addressed further down in this analysis, the General Meetings function as a forum in which overall long-term strategic planning and decision-making take place.

Conceptually speaking, the General Meeting is analogous to the assembly in the Athenian Republic, in that all members have one vote, can stand for election, and can propose resolutions and that it requires a quorum of members to make a binding decision. Although it should be noted that the FSM is not the first to draw inspiration from this type of forum, as other initiatives have also experimented with this type of democratic decision-making forum (Pateman, 1970; Held, 2006). Voting at the General Meeting is in all cases based on one-shareholder, one-vote per clauses 21, 23, 24 and 25(a) (Ridley-Duff, 2015). This is similar to the one vote per citizen scheme used in most democratic countries and which is considered a hallmark of democracy. Compared to traditional voting schemes where votes are weighted according to shareholdings, still used in many commercial enterprises today, the FSM’s voting scheme represents a clear embeddedness of democratic norms. The centrality of the General Meeting in strategic decision-making and the choice of voting scheme that privileges equality between shareholders embeds democratic ownership into the FairShares Company by giving all primary stakeholders the possibility to participate directly in decision-making on a level traditionally reserved for investors and owners.

While these measures embed democratic ownership through means of governance and control, clause 53 concerning IP rights, ties directly to the democratic ownership of assets. This is an interesting area of concern in regards to democratic ownership, as here we find what is, perhaps, the biggest contradiction between our traditional understandings of democracy and ownership because traditionally ownership is exclusive. However, in the case of IP in a FairShares Company, this traditional understanding is challenged by clause 53 which grants ownership to members who create IP and license it to the company (Ibid.). This clause partly challenges the status quo, in which the company generally owns the IP created by employees. However, it also challenges the exclusive notion of traditional ownership by establishing non-exclusive licensing between the company and the creator of the IP. This notion is further challenged by clause 53(d), which states that “The Company shall use its best endeavors to manage IP as if it were an ‘intellectual commons’ for the benefit of Company members” (Ibid., p. 145), as well as the use of Creative Commons licensing terms. The concept of a commons, of any kind, is in direct opposition to traditional understandings
of ownership as exclusive because it shifts the understanding of ownership to that which is open, inclusive and collective. Ownership in this regard can also be seen in the model of democracy argued for by the New Left, with its focus on material rather than formal equality. It thereby is partly subjugating ownership to equality, which directly contrasts Schumpeter’s Competitive Elitism, which seeks to separate the political (decided democratically) and the economic (based on free markets and traditional understandings of ownership). Furthermore, the approach to property in Anarchism is essentially that all property should be commons. As such, this inclusive and commons-based approach to IP ownership can be seen as embedding democratic ownership as it has been understood in the New Left approach and to a lesser extent Anarchism.

One element of the model rules that speaks against a high level of embeddedness is the extent of discretion afforded to the board of directors in daily operations, having control over borrowing, commercial investment, social investment, and appointing and delegating authority to executives per clauses 16 and 20 (Ibid.). While on the long-term strategic level, there are various measures implemented in the model rules that extends democratic control and wealth-sharing, the daily operation is largely left up to the discretion of the board. At the very outset, this introduces risks of mission drift or mission capture because unless proper oversight is maintained, the board can use this discretion to co-opt the strategic decisions set by the whole of the members at the General Meeting.

As the primary measure for oversight of the board is the election of the board, this becomes an especially problematic risk in FairShares Companies with fewer than 50 members, where an election can be circumvented as the Board in that case is not required to be elected by the entire membership per clause 30 (Ibid.). Therefore, if a FairShares Company has less than 50 members, the primary oversight mechanism is essentially optional. This risk is intensified in the scenario where only a single director takes responsibility (per clause 29), rather than a board (Ibid.). As mission drift, or especially mission capture, would put the democratic control over strategic decision-making out of effect for all intents and purposes, we consider this a critical issue in regards to the embeddedness of democratic ownership. While there may be practical considerations behind the choice not to extend these democratic requirements to a smaller FairShares Company, it does hamper the level of embeddedness as a consequence, by taking control out of the hands of the entirety of the membership of the company and placing it in an “elite” that have not been chosen democratically. Finally, even in a scenario in which oversight is established, as per clause 31 (Ibid.), it is beyond the
scope of our project to assess whether these mechanisms are effective, which further is likely to be contextually dependent. As such, even with the democratic mechanisms for oversight, we cannot speak as to whether they would be sufficient to guard against this risk. Both the General Meeting and the role of the Board of Directors will be touched upon again later in this section when discussing participation.

Trying to synthesize a coherent position in regards to the level of embeddedness, we are faced with a construction in which there are clear attempts to securely embed democratic ownership in the model on a more abstract level, backed by some practical measures that can facilitate this. However, this is contradicted by the large degree of discretion afforded to the board combined with the fact that the board in smaller FairShares Companies (<50 members) are not required to be elected by the full membership.

In the case of FairShares Companies with more than 50 members, an argument could be made that the Board and its discretion is not an issue in regards to embedding democratic ownership, as they stand for election among the full membership of the company. Accordingly, in that case, it can be argued that the Board’s functions do not impede the level of embeddedness, as the Board has been democratically elected (how that argument affects the view on participation will be touched upon below). However, as we are addressing the models rules in their entirety, and based on the assumption that is likely that most FairShares Companies will start out with fewer than 50 members, we consider the situation for these companies as a valid basis for questioning the commitment to embedding democratic ownership in FairShares Companies. As such, we are left to conclude that while there are many promising elements of embedding democratic ownership in the FSM, it is far from completely embedded as in Anarchism. Furthermore, while the General Meeting and its functions fit well with an understanding of embeddedness based on the New Left understanding of democracy, the discretion afforded to the Board goes directly against this understanding, placing the model in a position where the overall trend is towards embeddedness, but with significant hurdles in the way of this process, especially for a growing FairShares Company, it is likely that a majority will start with fewer than 50 members and this risk can lead to serious implications of the longevity and legitimacy to the organization as it is growing.

Moving on to participation, the first point to raise, is that while the FSM overall hints at a strong participatory character, it is clearly not exclusively built on such a character, as some of the elements above indicates. First, concerning wealth sharing, the User and Labour share fraction is by
default 35% each, while the Investor shares fraction is 30% by default. Investor dividend is paid after User and Labour dividends and can only be changed by Special Resolution (clauses 40, 44 & 44(a)). (Ibid.) We consider this wealth sharing scheme both participatory and equitable, especially when considering how uncommon it is that wealth sharing of this kind is extended to the workforce, much less the Users, outside the realm of co-ops. This also goes directly against the dominant norm of shareholder primacy, as the Investor shares, the closest analogue to traditional shares, are given the lowest Share Fraction. Finally, another clause ensuring participation in wealth sharing is clause 34(c) setting out a default pay ratio of 3:1 between the hourly rate of highest and lowest paid member of staff, which can only be changed by a Class Resolution in the Labour Class (Ibid.). While the specific ratio is only a default, and therefore may be changed in any specific implementation of the FSM, the fact that a ratio is set, and that subsequent changes can only happen through Class Resolution in the Labour Class does ensure some participation in wealth sharing, by ensuring that there is a set limit on the pay difference between employees, and this can only be changed with the involvement and majority-consent of the Labour Shareholders.

Further challenging this norm is clause 44(b) stating that the dividend paid on Investor Share shall be the lowest of: “[16(b)ii] that which may be paid by law; [16(b)iii] the [Investor Share] x (1 – [Capital Gain Fraction [0.5]]); and [16(b)iii]. the balance of the profit and loss account, if greater than zero;” (Ibid., pp. 141-142). This shows a clear challenge to the dominant assumption that shareholders must have primacy in the wealth sharing of the company. This norm is further challenged by the FSM’s attempts at enfranchisement, which we will discuss below, and the quote from “The Case for FairShares” we presented above in our delimitation of research section. Finally both Boyd and Boeger note the need to challenge these norms and how the FSM is part of a wider challenge to shareholder primacy (Boyd Interview, 2019; Boeger Interview, 2019).

One thing that we need to consider when it comes to strategic decision-making is the Board’s discretion over daily operation clearly limits the participatory nature of the model; further diluting it is the reliance on representatives in the form of elected directors representing various stakeholder groups per clause 31 (Ibid.). What is interesting to note is how this, to a large extent, is the opposite of what we see in the workplace today, in which workers are occasionally allowed to participate in decision-making on the daily operational level, but not at the strategic level.

One possible explanation for this is the differences in the outset for the FSM and a traditional company. Whereas the FSM seeks to increase participation for stakeholders, traditional companies
often adopt participatory measures in an attempt to improve labor relations. From this perspective, the difference between the two approaches can be explained as a result of the FSM starting from an ideal of total participation and working down towards something practically possible, whereas conventional companies traditionally have little to no participation and have adopted participatory elements as a way of pleasing and maintaining their workforces.

Another interesting point to raise is the use of proxies. As per clause 22, any member can function as a proxy for another member, and vote on their behalf in the General Meeting thereby casting a max. of two votes (their own and on behalf of one other member) (Ibid.). This is interesting in that, at first glance, it looks like a move away from a commitment to broad participation, however an alternative view is that this actually broadens participation. In this view, proxies allow members unable to attend General Meeting in person, to still participate using proxies, albeit through a representative. When considering how important the General Meeting is in setting long-term strategy and policy, this alternative view becomes more credible, as it is a likely scenario that members may be inhibited from attending specific General Meetings with critical items on the agenda, such as a Special Resolution on unwinding the company for example.

While this may be a narrowing form of participation compared to how the participatory theories of democracy, Athenian Republic, Anarchism and New Left, conceptualize it, it is hard to argue that this alternative view does not hold some merit. This becomes visible when considering the many other elements in the model rules that promotes broad participation, such as the use of online platforms for facilitating both General Meetings and & Board meetings (clauses 17 & 32) and the requirement of a quorum (clause 18(a), 18(b) & 18(c)) (Ibid.).

On the subject of quorum, we do find it concerning that as a standard, the quorum for FairShares Companies with more than 50 members is set at 20 members (Ibid.). While 20 members would represent approx. 40 % of the membership of a company just above this threshold, which arguably is quite a high floor for participation, the issue arises as the numbers of members grow and the proportions of the quorum to the total membership becomes smaller and smaller. This means that scaling poses a risk for participation in a FairShares Company, as the quorum acts as a safeguard for broad participation in the General Meeting. This issue could be eliminated by adopting a proportional quorum for FairShares Companies with more than 50 members as well3.

3 After finishing the original version of this project, we were made aware that FairShares V. 3.0/3.1 includes options for a proportional quorum for larger FairShares Companies.
Similar to the situation concerning the level of embeddedness, we see the positioning of the FSM according to participation as an issue of contradictory forces. Again, similar to embeddedness, there are clear indications on the most abstract level that the FSM is concerned with broadening the participation in companies, and there are various measures on more practical levels supporting this. However, also like the level of embeddedness, there are also measures that go against this broadening of participation. On this basis we have chosen to place the FSM within the embedded/broad quadrant of our matrix however to a lesser extent than both of the models based on democratic theory that occupies this quadrant. In relation to the Athenian Republican model, we see the FSM as slightly broader in its participation, as we have tried to indicate with its placement (Figure 7).

![Placement of the FSM in our democratic ownership matrix compared to theoretical positions. (Own Rendition)](image)

**Figure 7.** Placement of the FSM in our democratic ownership matrix compared to theoretical positions. (Own Rendition)

One possible explanation for this placement is that, from a premise based in a very embedded and participatory understanding of democratic ownership, the FSM has scaled down these ambitions as a concession to pragmatism, as we postulate above. In this view, the contradicting elements can be understood as a response to the challenges in spreading the model, due to it being seen as inefficient or even unfeasible. That some of this reasoning, at least, has been behind this
development is evidenced by this quote from Rory: “So the Founder members, Founder shareholders that we built into the model is a recognition that it’s both been a very good thing for development but also something that will attract more entrepreneurs towards the model.” (Ridley-Duff Interview, 2019)

This quote shows that while Ridley-Duff does believe there is an inherent value in the Founders work that should be recognized, the decision to designate a specific class for Founder-shareholders was partly driven by a pragmatic concern about uptake of the model.

Another rationale for the measures narrowing participation can be found in the common critique of participatory models of democracy; that broad participation leads to inefficiency. This view is partly due to the scale of involvement, broader participation means more people will be involved in decision-making, but also due to the belief that most people neither are informed nor educated enough to participate in high-level decision-making. This criticism is behind Schumpeter’s discomfort with the concept, as we discuss in our theory section.

We do agree with the first part of this criticism, that the scale of participation naturally increases complexity, to some extent. It is hard to conceive a situation in which the involvement of more individual viewpoints would not increase the complexity of decision-making. Further, in regard to control of assets and dividends, broadening participation in regards to different stakeholder groups is, at least to us, likely to introduce complexity along similar patterns. However, while we agree that scale will naturally increase the complexities of participation, we do not believe this is an insurmountable challenge.

Furthermore, while this complexity may provide a rationale for narrowing participation, taking this approach distances the FSM, as it exists in model rules for FairShares Companies, from a normative claim to maximize participation. Attempting to address these complexities, without limiting participation, eliminates this concern about the normative claims of the FSM. Clauses such as clause 22 allowing the use of proxies, clause 23 providing for the voting by show of hands unless a poll is demanded by at least two members, clause 27 establishing a written resolution signed by all members as valid, as well as the provision for online General Meetings can all be seen as attempts at this (Ridley-Duff, 2015). These clauses and provisions allow for simple decision-making structures and provide a number of alternative methods for decision-making. This provides measures for minimizing the inefficiency caused by participation, without necessarily limiting the actually participation. By establishing simple structures for this participation, the complexities introduced by
participation are minimized, and having a limited number of alternative methods that can be used depending on context allows the FairShares Company in question to respond to contextual factors that increase the complexities of participation.

In regard to daily operation and decision-making, we accept the premise that full participation is impossible, based on the complexities it introduces. It is hard to imagine any but the absolute smallest companies to would be able to maintain full or even majority participation on the daily operational level. As such, it is completely understandable to us that some measure of delegation must take place, also in regard to decision-making on the operational level. On this basis, we do not object to the existence of the Board of Directors, nor the fact that they have been delegated decision-making power over the daily operation. However, we do question the broadness of the discretion given to them.

One criticism that we feel is important to note before we move on is that the provisions on borrowing, clause 16(a), lacks clarity:

“the Board of Directors may exercise all the powers of the Company to borrow money at commercial rates, and to mortgage or charge its undertaking, property and assets (present or future) and to issue debentures provided that: [16(a)i]No borrowing is authorised that exceeds the value of the Reserves unless: 1. the lender does not take a charge over the assets of the Company; 2. the loan amount or credit agreement is unsecured (i.e. does not require the Company to offer security); 3. the borrowing secures for the Company an asset or contract with a value greater than the amount borrowed. [16(a)ii] The borrowing is authorised by an Ordinary Resolution.” (Ibid., pp. 132-133)

What is unclear to us in these provision is whether both conditions in 16(a)i and 16(a)ii have to be fulfilled or just fulfilling one of these requirements is required. This complicates assessing the discretion afforded to the board in regards to borrowing, which is somewhat problematic for our analysis, as we see a wide difference in authority between the two scenarios. However, while this aspect of the Boards discretion is hard for us to comment on, we do believe that overall the discretion afforded to the Board is broad, and perhaps broader than it needs to be.
While the Board does not hold exclusive agenda-setting power over the General Meeting, their position as facilitator of the General Meeting, per clause 17 (Ibid.), gives them sway over the agenda. Further as the sitting president is elected from the Board, in cases where it applies per clause 31, and chairs the General Meeting per clause 18(e) (Ibid.), this increases the sway over the agenda that can be exercised by members of the board. This combined with their discretion over financial decisions and especially the appointment and authority of executives seems, to us, to give the Board a lot of discretion to, on their own initiative, take actions that could have significant and negative impact on the company and/or its members.

While there are measures in place to remove a director from the Board, should the need arise, and while we think that these measures do help contain this risk and are essential as a guard against bad actors on the Board, we believe it will be prudent to rethink the discretion afforded to the Board. We suggest doing this with an aim of minimizing their discretion over matters that may negatively affect the company or its members.

Regarding the second element of this criticism, that most people lack information or aptitude to participate in high-level decision-making, we contend that this is based on assumptions that are questionable at best. Carole Pateman, to some extent already addressed this criticism. Pateman’s work drew on data from a number of works, including Almond & Velba’s seminal work “The Civic Culture” (1963), as well as examples of participation and democracy in industry, including the John Lewis Partnership, an inspiration to the FSM, in order to show what she termed the educating effect of participation. Further, she pointed to the worker self-management in Yugoslavia after the break with the U.S.S.R in 1950, as proof that industry as a whole could be democratized. (Pateman, 1970) Pateman herself highlighted the educating effect in her 2011 presidential address as president of the American Political Science Association as one of the most important elements in her participatory theory of democracy. (2012) Further, in our interview with Boyd, we asked whether he had experienced anything that matched the educating effect of participation, to which he replied:

“Yes. I've absolutely seen that ... Because absolutely, once people have freedom, they have the possibility of engaging with power in decisions that affect their future and the future of their organizations - it drives growth.” (Boyd Interview, 2019)
While merely anecdotal evidence, the quote does back Pateman’s evidence for the educating effect of participation. As such, while we draw no conclusions on the magnitude of the effect, we do believe there is ample evidence of the existence of the educating effect of participation. Further, while by no means evidence of such, we do believe Boyd’s testimonial is an indication that this effect may be harnessed by the FSM.

Thus, our answer to the charge that people are ill equipped for participating in strategic decision-making is that this may be true at the moment, but the educating effect of participation can alleviate that over time. Whether or not the effect is powerful enough to overcome these issues, whatever their magnitude may be in any specific case is beyond our scope. However, we consider further research into the educating effect an interesting continuation of our work here.

Finally, we would like to address the criticism against embedded democracy, perhaps best illustrated by Eckstein and his “A Theory of Stable Democracy” (1966). Eckstein argues against extending democratic methods to the economy. He believed that certain authority structures (such as the education of children) cannot be democratized without doing harm to society overall. He combines this position with the premise that, in order to ensure stability, patterns of authority in government have to be in congruence with the broader authority structures in society. On this basis he argues that not only is it problematic to embed democracy, but for the sake of a stable government, the government needs to have “a healthy dose of authoritarianism” (Pateman, 1970, p. 74). This is an extension of Schumpeter’s criticism of embedded democracy, which rests on his discomfort on participatory democracy. To Schumpeter, embedding democracy beyond the government would merely introduce the same issues as he saw there into other spheres of society. Thus for Schumpeter, embedded democracy simply asks the population to participate in more important decisions, which they have neither interest in nor aptitude for. (Held, 2006)

Schumpeter’s criticism is relatively straightforward for us to address. As we discussed above, the view of participation as nothing but a source of confusion and disagreement is a premise we cannot accept. As this forms the basis for Schumpeter’s criticism of embedded democracy, it follows logically that this criticism, to us, is based on a false premise.

We would however like to address Eckstein’s criticism in more detail, as we feel his argument that democracies must contain a so-called “healthy dose of authoritarianism” deserves to be challenged and scrutinized in full. Firstly, from a normative standpoint, we find it problematic for any theory of democracy to advocate not just a limited understanding of democracy, but going
as far as advocating the adoption of authoritarian elements for the sake of stability. As we have already mention, we consider democracy the only legitimate form of rule, as it is the only one that relies on the consent of the public for its authority. On this basis, what Eckstein argues is essentially that there is a need to exchange legitimacy for stability; this is a bargain we cannot accept.

Furthermore, we question the premise that certain authority structures cannot be democratized. While some authority structures may be more suited to democratization than others, we do not see any logical reason why it should, on principle, by impossible to democratize authority structures in e.g. education. Indeed, while we are far from experts on the subject, we are under the impression that since the 1960’s, when Eckstein put forward this critique, a number of initiatives for a more inclusive and democratic education such as participatory learning have emerged.

That it is likely to increase stability when authority structures are congruent between government and wider society is not objectionable to us. However, we hold that the correct response to this is to embed democracy into wider society, not replace it with authoritarianism in government.

Finally, we address the criticism drawn from the Legal Democracy model, which states that embedding democracy risks distorting the free market. We do not believe this criticism applies, as regardless of the virtues the free market may hold in the abstract, we see very little of those virtues when looking at the reality of the situation. When an existential threat, such as climate change, is being driven, at least in part, by externalities, pollution and carbon emission, which the market have been unable to internalize on its own, we believe that it is fair to question whether the unregulated free market, championed by the Legal Democracy model, and neoliberalism for that matter, is as virtuous as its proponents insist.

The Issue of Enfranchisement

Having placed the model in our matrix, and addressed some of the criticisms that may be levelled at the FSM, based on the embeddedness of democratic ownership and broadness of participation we have found in it, we now move on to the issue of enfranchisement. We consider broad enfranchisement of stakeholders as a prerequisite for democratic ownership. Furthermore, enfranchisement is important to analyze separately as it can affect the broadness of participation in ways that cannot be captured in our matrix.

In order to address enfranchisement, we first need to address the FSM’s position on the subject. The FSM was not created with a neutral position on enfranchisement, rather from the very
beginning the FSM had as a stated goal to enfranchise the stakeholders that our current corporate structures disenfranchise through shareholder primacy and the general primacy of financial capital. This lead to the creation of the four shareholder classes, with the explicit intent to enfranchise stakeholders through the Founder, Labour, and User Shareholders classes. While the Investor Shareholder class was included to recognize those who provide financial capital, this Shareholder class was not seen as in need of further enfranchisement. (Ridley-Duff, 2018)

As we consider the norm of shareholder primacy as one of the most important challenges in democratic ownership, we agree with the sentiment that while it is only fair to recognize those who provide financial capital, there is little reason to worry about their enfranchisement given the disproportionate primacy they are given in our current system. Further, we do not consider enfranchisement a zero-sum game between the stakeholders.

While broadening enfranchisement is likely to change the power relations within an organization, including in ways that may be detrimental to a particular group of stakeholders, we do not believe this can be considered disenfranchisement, as disenfranchisement implies complete exclusion from decision-making.

In terms of the strategic decision-making, the FSM has a strong basis for enfranchisement, as all shareholders can fully participate in the General Meeting, per clause 21 (Ridley-Duff, 2015). This leaves us with the question of whether the shareholder class structure can accommodate all stakeholders. On the surface, this does not seem to be an issue for the FSM, as we have a hard time conceiving of a stakeholder relationship that could not be placed within one of the four Shareholder classes.

However, two elements are important to mention here, namely the concepts of Qualifying Contribution for User and Labour Shareholders and the “probationary period” specifically for Labour shareholders. The Qualifying Contribution is essentially the criteria, set by a FairShares Company, which one has to fulfill to obtain Labour or User shares (Ibid.). Such criteria is necessary in order for consistently recognizing the non-financial capital provided by these shareholder classes, however they pose a risk for enfranchisement. If the Qualifying Contributions for example sets out requirement that most employees or users cannot meet, this would go directly against the enfranchisement of these group. A similar risk exists in regards to the probationary period, in the case of a FairShares Company relying on short-term labor. In this case, the problem arises if the probationary period is longer than the length of employment for short-term labor. We recognize the
need for both of these concepts for the FSM to function in reality, however the lack of checks for these risks are concerning to us.

As we see the norm of shareholder primacy as a primary barrier to enfranchisement, we find the new voting scheme introduced in V3.0 of the FSM very interesting. Given the numbering scheme used (1. Founders, 2. Labour, 3. User, 4. Investor) Investor Shareholders with shareholdings in other classes will always vote on ordinary and special resolutions as members of other classes. This in essence distributes some of the Investor Shareholder class’ voting power to other classes. This carries interesting implications in regards to the enfranchisement of other shareholder classes. On one hand this means that it is unlikely that the Investor class can amass the voting power needed to dominate ordinary resolutions. However, on the other hand, it risks obscuring a norm of shareholder primacy in any specific FairShares Company, if there is a significant number of Investor Shareholders with holdings in other classes, who while they vote as members of other classes coordinately vote in the interest of shareholder primacy.

A final element of enfranchisement in the FSM we would like to note is the IP policy we also discuss in our section above. This can be seen as enfranchisement in regards to ownership specifically, by giving the members a direct stake in the ownership of IP created by them. This was based on reflections on Marx’s concept of alienation of labor and the desire to create a “intellectual commons” within FairShares Company, as Ridley-Duff mentioned in our interview: “...we were talking about Marx’s concept of alienation [of labor] and the way that workers lose all of their things that they produced. And it struck me that if everything that you created inside of a company or co-op or association was licensed then you create a commons.” (Ridley-Duff Interview, 2019) While the quote here stresses the alienation of labor, and the idea to create a commons, what we consider interesting here is how this approach to IP established a direct link between enfranchisement and ownership. Thereby extending the concept beyond the strategic decision-making and participation.

Finally, we would like to address the relationship between enfranchisement and participation. As we have stressed, this dimension of democratic ownership is not captured well in our matrix. Overall, and unlike the Athenian Republic model, rather than a contradictory relationship between enfranchisement and participation, we see in the FSM a much more symbiotic relationship, in which both participation and enfranchisement, at least overall, tends towards broadness. Thus, we do not see the same contradictions here as we saw in the Athenian Republic.
Overall, we see democratic ownership as being embedded well into the FairShares Company Rules, based on both a broad participation and enfranchisement. However, there are critical areas of concern to us, such as the broad authority delegated to the board and the lack of proportional quorums for FairShares Companies with 50+ members. Finally, while we recognize the necessity of concepts such as “qualifying contributions”, the lack of guidelines for setting such concept means that it is largely up to the Founders of any given FairShares Company what to consider a “qualifying contribution”, which can have direct implications on the enfranchisement of stakeholders in that given case.

The last caveat we need to address is that because we rely on the generic model rules for this analysis, any specific implementation of these rules (i.e. a FairShares Company) is likely to differ in ways significant to our analysis, thus it should not be taken as proof of embedded democratic ownership in any particular FairShares Company.

The FairShares Model and Transformative Social Innovation

While the FSM, at least initially, appears to have some potential to challenge dominant institutions, it is still important that this assumption is “critically analyzed and systematically unpacked” (Avelino et al., 2017, p. 9) in order to avoid becoming gullible, passive recipients in TSI and to avoid confirmation bias. To reiterate, we justify the use of the 13 Principles of TSI as an analytical benchmark from which to investigate the viability of the FSM to generate TSI as it helps us answer our third research question. Specifically, we are looking at whether we can understand the FSM as a leverage point to challenge capitalism through democratic ownership’s distribution of power relations. As previously mentioned, we rely on clauses in The Company Rules V3.0 and on data acquired from expert interviews with Prof. Rory Ridley-Duff, Dr. Nina Boeger, and Dr. Graham Boyd. In the following sections, we will chronologically analyze each of the principles and then conclude with a brief analysis on the extent to which the FSM can create transformative change.

The first principle of the TSI Manifesto states that physical and mental spaces for learning and experimenting are necessary (Figure 6). The FairShares Lab project is currently underway, and labs created will eventually be able to practice, perhaps as early as 2020 (Ridley-Duff Interview, 2019), to determine the FSM “relevance, feasibility and sustainability” in different contexts (Ridley-Duff, 2015.). Meanwhile, the FairShares Lab methodology already provides a mental space, which includes technologies that help practitioners run these labs, including seven information and
communication technology platforms (FairShares, 2018b). Some of these methodologies are already being practiced at varying capacities in enterprises (i.e., LocoSoco is making a distribution platform for financing FairShares and EvoluteSix is a peer-to-peer adult coaching and development organization), which can be found in the Relevance Cases appendix of about 20 potential FairShares Enterprises currently in practice (FairShares.coop, 2018c). Loomio, an open communications network, provides space to create and test theories about the model, so that anyone can join the discussion about the FSM and debate on various topics. The FairShares Institute is also a place for thought experimentation and development of the model, as well as a space to learn about its long-term implications. We see how these platforms (i.e., Loomio, EvoluteSix, etc.) allow us to observe how the methodology offers ways to create spaces for practicing, which is necessary for experimenting with such a new business model. We contend that within FairShares Companies, learning and experimentation takes place through the educating effect of participation, thus the FairShares Company itself becomes a space for learning and experimentation on such concepts as democratic ownership, participation, etc. This is exemplified by some of the examples we mention above, therefore we feel confident stating that the FSM lives up to this principle.

Principle 2 declares that we require alternative and diverse economies which aim to change existing power relations (Figure 6). This principle appears to be fulfilled evidenced in clause 5 of the FairShares Company Rules, and are framed as 5(b) embracing economically, socially and environmentally sustainable trade, 5(c) to promote the development of social entrepreneurship, 5(e) ICA Principles, democracy, solidarity, responsibility, as well as 5(f) being equal opportunity (Ridley-Duff, 2015). Boyd says, “we’re deep into a knowledge economy now and we’re heading into a wisdom economy” (Boyd Interview, 2019). He says the scarcest resource in the world isn’t finance, it’s human creativity, so if we want to combat global issues, we must have freedom in our business organizations and shift out of our current “apartheid kind of business.” (Ibid.). Boyd says that what he recognizes in the commons legal structure of the FSM is the FairShares Companies and their stakeholders “having a relationship with each other of power involvement” which is necessary in addition to wealth and freedom, for a circular economy to run (Ibid.). In our interview with Ridley-Duff, he says the FSM seeks to change existing power relations through democratic ownership in the name of solidarity and one of his top two goals of the model is to foster the commons (Ridley-Duff Interview, 2019). Transformation should happen in phases, so it makes sense for the model to be adaptable over time. The FairShares Company objects can be deemed as long-term goals, even
though there is little in place to ensure that these goals are adhered to in general operation. Thus, the FSM is challenging existing power relations and supports solidarity economy structures. However, there is little to ensure that FairShares Companies fulfill this principle in practice on an individual basis throughout contexts due to the inability to perfectly audit all FairShares Companies in the world. Even with perfect auditing, there would still be room to avoid these objectives given that they are not locked in with specific mechanisms in the Rules.

Principle 3 asserts that innovation is just as much about shaping the new as it is about reframing the old (Figure 6). Ridley-Duff and his FairShares colleagues have researched and traced the development of co-operativism through the past two centuries and have summarized the lineage of co-operative theory in a wide consideration of why the FSM is a type of new co-operativism (Ridley-Duff, 2015; Appendix B). Thus, the FSM is a type of innovation that reframes co-operativism and democratic ownership, thereby satisfying this principle, as the FSM highlights the need for transformation of current institutions through its explicit model rules that challenge business norms. The concept of democratic ownership fits well with co-operatives and social enterprises, but the real challenge of integrating this concept will be in making the adaptation of democratic principles a feasible or desirable decision for corporations, since corporate norms, as they stand, are highly incompatible with democratic ownership structures. Thus, we see this principle as challenging, in that we believe more radical innovation is necessary concerning corporate norms, if they are to be compatible with democratic ownership.

The TSI Manifesto articulates the fourth principle as the need to experiment with alternative social relations and relational values (Figure 6). Through the implementation of democratic ownership, the FSM experiments with alternative social relations, ones that foster solidarity between stakeholder groups as opposed to traditional ownership structures (Ridley-Duff Interview, 2019). Of course, this is largely dependent on the level of embeddedness of democratic ownership in a FairShares Company, as discussed earlier in our analysis. Further, it is necessary to experiment with these alternative social relations in order to discover how to best achieve the educating effect of participation. Democratic ownership may also improve relational values between primary stakeholders, as evidenced by the first FairShares Value, that “Wealth sharing amongst primary stakeholders promotes mutuality and reciprocity” (Ridley-Duff et al., 2017). These types of values challenge dominant institutions such as shareholder primacy, which accelerate rising inequalities by allowing only a narrow group of shareholders to prioritize short-term self-interest. This can be linked
to the call for more material equality advocated by the New Left. The FSM seemingly attempts to circumvent such relational issues as evidenced by clause 34(c) which sets a maximum ratio between the highest paid and lowest paid members of staff (Ridley-Duff, 2015). Closing the wealth gap between Labour shareholders transforms relationships between paid staff by fostering values such as solidarity, reciprocity, and mutuality. It is also of interest to note here that the ratio can only be changed by a Class Resolution in the Labour Shareholder Class (Ibid.). Therefore, we believe the FSM does serve as a platform to experiment with alternative social relations and relational values and does satisfy the fourth principle of TSI.

The fifth principle of TSI states that social and material change are closely intertwined and that we require both social and technological innovation (Figure 6). We argue that the FSM applies technology to facilitate democratic ownership through the use of five social technologies and through seven ICT platforms. Social technologies include knowledge produced from user-led multi-stakeholding, inclusive strategizing, learning by discovery and doing, learning through interactive dialogue, and participatory decision-making, all of which support the development of a social solidarity economy (Ridley-Duff et al., 2017). Ridley-Duff argues that these five social technologies “contribute to the construction of participatory democracy in workplaces - each with a different role in building local democracy” (Ibid.). Next, we analyze the inclusion of the five social technologies inherent in the FSM.

First, we understand democratic ownership as a form of user-led multi-stakeholding, discussed earlier in our analysis. Further, we consider social auditing as a type of inclusive strategizing technology that can be linked to the FairShares Company Rules through clause 47(b)iii that commits members to audit the internal democracy and the decision-making of the legal form, the wages, health and safety, skill-sharing, educational opportunities, job satisfaction of its members, as well as, an assessment of the external effects on people, environment and other organisations (Ridley-Duff, 2015). Refer to Principle 1 for our analysis on the FSM as a space for discovery and doing. Interactive dialogue is “a social technology for groups of people to develop knowledge about one or more challenges facing the whole group in a relatively short space of time” (Ridley-Duff et al., 2017). We found evidence of interactive dialogue in clause 50, which provides a framework on how to resolve relational disputes, starting with a mediation between the involved parties before moving on to an appeal (with resolution) subject to a vote at a General Meeting, with an external mediation service brought in as a last resort (Ridley-Duff, 2015). We interpret the mediatitition in this
specific clause as a type of interactive dialogue that more efficiently facilitates conflict resolution. Participatory decision-making, discussed earlier in our analysis, will also be touched upon below in Principle 10. Since all five social technologies are present in the FSM, we therefore maintain that the FSM fulfills the fifth principle of TSI.

The sixth principle of TSI states that transformative change requires hybrid combinations of civil society, state and market (Figure 6). The notion behind this principle stems from the claim that “transformative social innovation requires multiple actors and institutions, and manifests in the changing interactions and blurring boundaries between them” (TRANSIT, 2017, p. 11). We consider Laville’s understanding of hybridisation as a way towards the solidarity economy, which is one facet of a plural economy. He argues that associations function as a space that facilitate links and the mediation between private and public spheres, while opening up the possibility of building a common world that is essential for true democracy (Laville, 2010a).

Furthermore, as stated by Boeger, an increase of FairShares Companies and other “alternative business models that are currently at the margins of our economies” (Boeger Interview, 2019) could contribute to more pluralistic economies, like the solidarity economy. Given that one of the objectives of the FSM is to contribute to the solidarity economy, an increase of FairShares Companies could also contribute to the hybridization of civil society, state and market. Based on this analysis we believe that the FSM holds potential for fostering this type of hybridity and therefore fulfills this principle.

Principle 7, social innovation should never be an excuse to dismantle necessary public services (Figure 6), shines light on the need for companies to be respectful and aware of their surroundings so that they do not negatively affect the communities or societies in which they operate. While the FSM objectives clearly state an aim to produce positive social impact, there are no clauses that state that a FairShares Company should not produce negative social impact, such as the dismantlement of public services. Perhaps, a suggestion for the model rules could be to include a specific object in clause 5, specifying not only should a FairShares Company aim to produce positive social impact, but also should be aware of and minimize their negative social impact. Further, we believe that democratic ownership can serve as a mechanism for ensuring that through participation, companies are forced to consider more peoples perspectives and therefore hopefully, are enabled to make more well-informed decisions for the benefit of all involved. Social innovation can occur without dismantling necessary public services, so if FairShares Companies are to live up to the Five
Values and Principles they profess, they should abide to this principle to the furthest extent possible. Given that there is nothing explicitly mentioned in the clauses, and the fact that “necessary services” vary greatly, we cannot confirm that this principle is satisfied.

According to Principle 8, trans-local empowerment is a promising response to the challenges of globalization (Figure 6). Such challenges include poverty, inequality, poor working conditions, and environmental degradation and partly stem from the institutionalization of capitalism. We conceptualize the FSM as a platform that promotes trans-local empowerment through democratic ownership. This is evidenced by the fifth value of the FSM: “A FairShares enterprise seeks to extend ownership amongst all primary stakeholders directly affected by its operations [...] so that they have a clear right to participate in decisions on how the capital they contribute is managed” (Ridley-Duff et al., 2017, p. 1). Through a democratic ownership structure, the FSM enfranchises and empowers the wider community in directly challenging dominant institutions, like shareholder primacy. However, this is contingent on whether or not the FSM actually employs a meaningful democratic ownership structure which we cover earlier in the analysis. Based on the embedded democratic ownership we see, we believe the FSM fulfills Principle 8 and can be part of a promising response to the challenges of globalization.

The ninth principle of TSI states that social innovation is about fostering a sense of belonging, autonomy and competence (Figure 6). This statement is based on the notion that for transformative change to happen, we require social innovation initiatives that improve “collective action and empowerment [in order] to overcome feelings of alienation, isolation or marginalisation” (TRANSIT, 2017, p. 12). As clause 21 states: “Every Founder, Labour, User and Investor shareholder can attend, speak and propose resolutions at a General Meeting, can stand for election as a Director and can cast one vote at General Meetings” (Ridley-Duff, 2015, p. 137). This clause enables stakeholders to participate in strategic decision-making thereby fostering a sense of belonging and competence. Furthermore, their sense of competence and autonomy is strengthened by clause 53(b)ii which states that “members who leave the Company retain a non-exclusive right to use IP they created for the Company in both non-commercial and commercial ventures” (Ridley-Duff, 2015, p. 145), giving members the opportunity to take the ideas created wherever they want to go. This clause can be understood through Marx’s concept of alienation of labor, as mentioned above, and challenges the way conventional companies take hold of IP that workers produce inside an organisation. The idea of the commons, which is built into the constitution of the FairShares
Companies, is to empower stakeholders by “preventing the effect of alienation of the producer from the IP they created” (Ridley-Duff, 2015, p. 34). This ultimately translates into the protection of the competence and autonomy of the stakeholders of a FairShares Company.

The tenth principle of TSI states that transparent and inclusive decision-making is a necessary condition for change (Figure 6). Several clauses in FairShares Company Rules support the notion that the FSM embeds transparency and inclusive decision-making into their structure. First, it must be noted that the FSM offers ownership, and by extension decision-making, to all individuals who have made a qualifying contribution, as defined by each individual FairShares Company. Additionally, as stated in clause 24, all shareholders operate by a 1-1 voting standard no matter the number of shares an individual owns (Ibid.). Transparency comes up in clause 47, the FSM creates an open environment for shareholders by allowing them access to social audits (Ibid.). Examples of the FSM’s inclusive decision-making are seen in clauses 49(b) and 50(b), that allow labor contract revaluations and relationship disputes to be decided upon collectively by shareholders. Taken with our analysis of the embeddedness of democratic ownership in the model, we conclude the clauses in FSM strongly embed transparency and inclusive decision-making.

The eleventh principle of TSI states that the exploration of alternative and diverse narratives are of the utmost importance to drive change (Figure 6). Ridley-Duff describes the FSM as a “part of a wider international movement” that seeks to promote “multi-stakeholder co-operative design principles and fostering the commons.” (Ridley-Duff Interview, 2019). We consider the FairShares movement that includes various FairShares Companies across Europe, the FairShares Lab and multiple academics and practitioners, as a collaborative platform that opens up new narratives to view business as a force for good to challenge our current structures. In times of rising inequalities and climate change, two of the most pressing global challenges, having new narratives that view commerce as a leverage point, becomes particularly important considering that “business is the only institution that really has the power to act globally” (Boyd Interview, 2019), and states and international co-operations have failed to address these issues on their own. In contrast to business as usual that has the strong focus on profit-maximisation, the FairShares movement promotes “solidarity as a business model and between the stakeholder groups” (Ridley-Duff Interview, 2019). Boeger stresses the importance of changing the narrative “about greedy bankers or managers” and transforming it into a narrative that highlights systemic issues that are responsible for challenges of globalization (Boeger Interview, 2019).
As laid out by the twelfth principle, mutual recognition and strategic collaboration is needed between “...different networks and initiatives working on social change” (TRANSIT, 2017, p. 13). This principle is actually embedded right into the FSM’s objectives as evidenced by clause 5(d) which asserts an adherence to the ICA’s Co-operative Principles (Ridley-Duff, 2015). Principle 6 of the ICA’s Co-operative Principles states that “Cooperatives serve their members most effectively and strengthen the co-operative movement by working together through local, national, regional, and international structures” (2018). For the sake of efficiency in challenging dominant institutions, FairShares Companies need to mutually recognize other movements and organizations and strategically collaborate with such initiatives. We thus argue that the FSM has the potential to foster mutual recognition and strategic collaboration.

The thirteenth principle states that embracing paradoxes is key to TSI (Figure 6). As articulated in the theory section, paradoxes are ingrained in every social innovation and the FSM is no exception. We conceptualize the FSM as a social innovation largely due to the democratic ownership structure that is embedded in the model. But democratic ownership is inherently paradoxical because of the inclusive nature of democracy and the exclusive nature of ownership. However, whole-heartedly accepting this inclusivity-exclusivity paradox inherent to both the FSM and social innovations in general, allows us to better understand how democratic ownership can be seen as an alternative to the dominant institution of shareholder primacy.

Given this analysis, we conclude that the FSM has high potential to generate TSI. We contend this is the case because the FSM seemingly addresses a majority of the 13 Principles of TSI. However, we place an emphasis on “potential” because this analysis assumes that a practicing FairShares Company would indeed follow the FSM Company Rules. This may vary depending on context due to the generic nature of the company rules as analyzed.
Discussion

This section discusses a few of the components we have introduced thus far in our paper. We start with a critique of our analysis, including our matrix and the employment of the 13 Principles of TSI as a benchmark, before we move on to explore the concept of commons and its relation to the FSM and TSI.

In regards to our matrix of democratic ownership, we start by reiterating that, as it stands, the matrix is only useful for a loose placement on the basis of the elements of participation and the level of embeddedness. We believe that this matrix has been valuable for our analysis, despite this shortcoming, as it allows us to create a rough understanding and visualization of the placement of the FSM in comparison with the theoretical models introduced. This allowed us to better grasp the democratic ownership structures at play in the FSM. However, looking at the matrix as a research tool in a broader context, it would be beneficial to develop a set of specific indicators and a methodology for the placement of democratic ownership models in the matrix. This would allow consistent analysis to take place across research projects, the lack of which we see as the biggest weakness for our matrix. We believe that the matrix has been valuable for our research, and with further development could become a useful analytical tool.

The other major shortcoming of our matrix as an analytical tool is its inability to capture enfranchisement accurately, which was part of our reasoning for addressing this separately in our analysis. While we believe that it is a requirement to address enfranchisement in order to analyze democratic ownership in any meaningful way, we see little possibility for somehow incorporating this directly into the matrix. One possibility would be to develop a three-dimensional matrix, although we feel that this would clutter the visual aspect of the matrix and thus would lose its value as a visual aid for understanding democratic ownership. Therefore we feel it best, if employing our matrix, to address enfranchisement separately. Although a methodology for including enfranchisement would then also need to be developed in order for our matrix to truly become a viable research tool.

Moving on to the 13 Principles of TSI, we believe that its employment as an analytical benchmak, while useful in our analysis, still warrants critique. Firstly, TRANSIT intended the 13 Principles to be a framework of shared values, as opposed to a benchmark to measure the potential of an initiative to contribute to TSI. Because of the Principles’ inherent ambiguity, we found it difficult to determine how a Principle is fulfilled. This is problematic for using them as a benchmark,
which we learned through our analysis. To be clear, this critique is not a critique on the Principles in and of themselves. We use our analysis of the first principle, which states a need for spaces for learning and experimentation (Figure 6), to exemplify the different ways the Principles can be interpreted. As written in our analysis, we both conceptualize the FSM as a physical and mental space and show how the FSM creates these spaces. Due to the ambiguity of the Principles wording, we did not have a clear direction on just how to analyze the Principles. In this case, we chose to discuss both angles. Such ambiguity is seen in most of the Principles, and that, combined with loose interpretations, suggests a need to set specific measures if the Principles are to be used as a viable benchmarking tool in future research.

Another criticism we have identified is the actual relevance of concluding that the FSM has high potential to generate TSI. This is because we analyzed a generic set of rules. We may have produced more relevant conclusions had we had the resources to compare the Company Rules of an established FairShares Company to a comparable traditional company. In hindsight and had we been able to do this, we could have introduced the Principles as a framework to understand the comparable potential for challenging dominant institutions between the two structures. Despite these criticisms, we still contend that using the Principles as a benchmark has been useful in laying down the groundwork for measuring initiatives’ potential to generate TSI. However, further development of the Principles as a benchmark is required to fully translate them into measurable criteria.

Next, we discuss democratic ownership, conceptualized as a way of commoning. We consider democracy as the only legitimate way to govern a commons, thus democratic ownership is the only way a commons can be managed. The FSM is a step towards developing a commons-based business model and can function as an element of a commons-based organizational structure, through the broadening of enfranchisement and participation to, at least theoretically, all stakeholders. We consider the commons-based approach advocated by Boyd, as an interesting avenue for further development of the FSM, and as Boyd mentioned in our interview, he is developing a commons-based FairShares structure in relation to the Evolutor project (Boyd Interview, 2019). During our interview, Ridley-Duff also highlighted that he considered fostering the commons one of the most important goals of the FSM, giving further relevance to the idea of a FairShares Commons (Ridley-Duff Interview, 2019). For a FairShares Commons structure to be viable, there is a clear need for stronger democratic ownership than is currently present in the FairShares Company Rules. Especially the role of the Board seems incompatible with a commons
structure, given their wide discretion on decision-making. One possible solution would be to replace the Board with a fifth shareholder class, Boyd calls the Trustee, Steward or Guardian class. Boyd argues that:

“A viable Commons has space for what you would call the tribal elders, the wisdom Council, whatever. And whenever one of the tribal elders died, another elder would be elected in their place. [...] And [the Guardian Class is] a class that is selected based on certain criteria on who is open for selection and their vote is constrained by the principles inside the statutes of the company” (Boyd Interview, 2019)

If the constraint on this class’ voting is extended to their full participation (i.e. that this class is constrained not only to vote but to act in accordance with the principles of the FairShare Commons) we think this could resolve the issues we see in the Board’s discretionary power, as it stands in the FairShares Company Rules. While we consider the current construction adequate for a Company construction, it is absolutely essential to resolve this issue for a viable commons.

One way these Guardians could be chosen is through Class Resolution, in the four existing shareholder classes, where they nominate members of their class to serve this function, with the possibility to vote on multiple Resolutions for handling multiple nominees. This could be combined with a Qualifying Contribution of seniority, similarly to how Elders are chosen from among the oldest of the tribe, though such a system would require high member retention. These Guardians would then be issued shares in this new shareholder class, or upon accepting the position having some or all of their holdings converted into “Guardian Shares”. Structuring this as a shareholder class has the benefit of tying the Guardians’ stake directly to their role in the FairShares Commons, thereby recognizing the specific contribution, similarly to how the current four classes are intended to recognize the specific contributions of Founders, Labour, Users and Investors (Ridley-Duff, 2015). By relying on the members of the existing shareholder classes to nominate candidates the process can be both participatory and democratic. This can be furthered with the use of Class Resolutions, as they ensure that the majority of the class support the nomination. Indeed, this measure bears some similarity with selection processes used in the Athenian Republic (Held, 2006). An interesting possibility is the eventual incorporation of this Guardian class into the other
FairShares structures, such as the FairShares Company, pending the successful development of the FairShares Commons structure.

One issue is how to regulate access to a FairShares Commons, traditionally commons are a porous concept, with individuals able to access the commons as they please. This posed no problem in terms of regulating access (the related problem of the “tragedy of the commons” will be addressed below), as traditional commons were common land, publicly owned to use a modern term, and all who made use of land were citizens. In essence access was naturally regulated through geography, as there was little reason to herd cattle to a commons outside of the community one was a citizen in, due to distance. In order to resolve this issue, we suggest looking to citizenry as a concept for inspiration. By developing a workable conceptualization of citizenry not only could this issue be resolved, but a reconceptualization of the entirety of the economy as a commons becomes possible. Promoting a reconceptualization of the whole economy as a commons was one of the drives for Boyd’s work on the concept of a FairShares Commons as is illustrated by this statement:

“And if the economy is a Commons that is owned by all of society for the good of today and the future, businesses are building blocks of a commons and must themselves be Commons, and therefore cannot be owned-they have to be free. [...] Everybody who benefits has an obligation to care. Everybody who benefits and has an obligation to care has to have a voice and power in decisions [...] And so the work I'm doing with companies, we build in to my way of doing it, all of these principles around what makes a viable Commons into the Constitution of the company, into the statutes.” (Boyd Interview, 2019)

This also highlights that Boyd is clearly aware of the importance of democratic ownership for a viable structure, and hints at the complexities of doing this on the scale of the whole economy, as everybody (which for Boyd also includes future generations (Ibid.)) benefitting from this Commons construction would have to be enfranchised by it. As mentioned, we believe a lot of inspiration can be drawn from how we traditionally have thought of citizenry in how to do this on in practice, as it already contains the elements we see at play here. One example is the wedding of benefits and obligations that Boyd hints at in the quote above. The exact contours of a workable concept of citizenship with a FairShares Commons, or the economy reconceptualized as a commons is beyond
the scope of our work, however we feel confident that citizenry could be a valuable concept in these further developments, especially a workable citizenship concept could also develop the democratic ownership structures further. Similarly to the concept of democratic ownership, the idea of developing a citizenship concept applicable to the economy, whether structured as a commons or not, poses several contradictions. These contradictions need to be addressed in order for a workable concept to be feasible, and as far as possible resolved. We do not believe that they should be taken as proof of the infeasibility of the concept. Instead we suggest approaching these contradictions in a similar way to how we approached the contradictions in the idea of democratic ownership, as the point-of-departure for a dialectic on how to synthesis a concept that can encompasses these contradictions. One area from which we believe a copious amount of inspiration can be drawn in the vast literature on hybridization.

Finally, while we believe that well-implemented democratic ownership is a promising avenue for addressing the “tragedy of the commons” in a FairShares Commons. As democratic ownership gives all stakeholders a direct stake and say in the governing of the commons, the diffusion of power could conceivably limit the ability of short-term and selfish interest to exploit the openness of the commons. Further, if the educating effect of participation can be harnessed effectively, it is possible it could limit the human tendency to short-termism. However, as Hauck and Land argues, democratic ownership processes are unpredictable (2011), thus we should be careful in assuming that these naturally will evolve in optimal ways, rather we must maintain vigilance in order to ensure that our ownership structures, including democratic ownership structures, remain functioning as intended and does not produce an excess of unintended consequences.
Conclusion

The purpose of this project was to determine the level of democratic ownership embedded into the FSM. To contextualize this issue, we explored issues of enfranchisement and participation in relation to democratic ownership and measured the potential of the FSM to generate TSI. We conducted extensive research on democratic theory and developed the first matrix for visualizing the level of embeddedness and participation in democratic models. Additionally, we introduced the newly published 13 Principles of TSI, reconceptualized as a benchmark from which to compare to the FSM. Furthermore, we conducted interviews with three leading experts, all pioneers in their respective fields, championing for democratic ownership and advocating for institutional change. The application of critical theory allowed us to examine the underlying tensions of dominant institutions, including the normalization of shareholder primacy that capitalism perpetuates today.

Using our theories, we analyzed interview transcripts and the FairShares Company Rules V3.0. Using embeddedness and participation as variables, we operationalized a matrix of our own rendition to illustrate the level of democratic ownership evident in the FSM in comparison to other democratic models, like Anarchy and Competitive Elitism. We found that democratic ownership in the FSM is reasonably embedded and features a relatively broad level of participation. Additionally, we employed the 13 Principles of TSI as a benchmark and determined that the FSM, at least one at a FairShares Company with the level of democratic ownership present in the generic Company Rules, has high potential to generate transformative change. However, there were certain areas of concern for us, such as the Board’s discretion and lack of guidelines for setting Qualifying Contributions where the FSM must develop in order to fully embed democratic ownership.

Through our analysis, we sufficiently answered all three of our research questions. We concluded that democratic ownership is embedded into the FSM, however in practice, the level of embeddedness can vary depending on context due to possible alterations in Company Rules. As enfranchisement is a stated goal of the FSM and, to us, a prerequisite of democratic ownership, we demonstrated how the FSM enfranchises stakeholders, through challenging shareholder primacy and democratizing IP ownership. Lastly, we determined that the FSM possesses high potential to facilitate TSI because the FSM addresses most of the TSI Principles and also embeds democratic ownership.

Finally, in our discussion, we critiqued both our matrix and our benchmark as analytical tools and suggested improvements for enhancing their explanatory power. Additionally, we
recommended further areas of research, primarily on the educating effect of participation and the relationship between democratic structures and transformative social change. We also speculated on how the concept of a FairShares Commons may be developed and how this could be a significant step towards reconceptualizing the economy as a commons, an idea we believe could resolve many of the contradictions in capitalism today. We also envisioned democratic ownership and the concept of citizenship as valuable tools for resolving the "tragedy of the commons". However, due to the unpredictable nature of democratic ownership and its unknown long-term implications, exactly how democratic ownership unfolds in the FairShares Model across contexts, remains to be seen.


Creative Commons. (2019). ‘Homepage’ [Webpage]. Available at: <https://creativecommons.org/licenses> [Accessed 03 May 2019].


Appendix A

A. Below is a visual diagram of the different branches that co-operatives have evolved into. Figure 1 - Historical Influences on the FairShares Model

(Ridley-Duff & Bull, 2019)
Appendix B. Figure 2. The FairShares Model:

(FairShares.coop, 2018)
Appendix C. List of Abbreviations

Abbreviations
CC - Creative Commons
Co-op - Co-operative
FSM - FairShares Model
ICA - International Co-Operative Alliance
ICT - Information Communication Technology
IP - Intellectual Property
LLC - Limited Liability Company
LLP - Limited Liability Partnership
NPM - New Public Management
SE - Social Enterprise
TSI - Transformative Social Innovation

Appendix D Definitions
“the Act” means the [Companies Act] and any amendments in force, including those enacted in the
[Subsequent Companies Act Revisions].
“Cash” includes cheques, electronic fund transfers, IOUs, promissory notes and money orders.
“Member” a holder of a Labour, User, Investor or Founder Share.
“Beneficiary” a service user, member holding only Investor Shares, or organization listed in Clause
54 as a beneficiary of the community dividend.
“Qualifying Contribution” means a commitment to trade with the Company in a way that meets
the criteria for membership. Qualifying contributions are set for Labour Shareholders and User
Shareholders only.
“Quorum” a meeting in which a sufficient number of people are present to take decisions.
“Ordinary Resolution” means a proposal accepted by a majority of votes cast on a one-shareholder,
one-vote basis, irrespective of shareholder class, subject to any adjustments provided for in Clause
23 and 24 of these rules.
“Class Resolution” means a proposal accepted by a majority of votes cast in one shareholder class on a one-shareholder one-vote basis.

“Special Resolution” means a proposal accepted by a majority of votes cast in each shareholder class separately, on a one-shareholder one-vote basis, plus at least [75%] of all members irrespective of shareholder class on a one-shareholder one-vote basis.

“Reserves” exclude the current year's profit and loss account.

“Labour Shares” are shares owned by a member who makes qualifying labour contributions in the Company, entitling her or him to participate in Company governance and receive a share of surplus. For the purposes of clarity, any person recognized in UK Employment law as a ‘worker’ will qualify for Labour Shares if they make a qualifying contribution.

“User Shares” are shares owned by a member who makes a qualifying contribution through their trading or usage of the Company’s products / services, entitling her or him to participate in Company governance and receive a share of surplus. For the purposes of clarity, any person recognized as a beneficiary or a customer of the organization will qualify for User Shares if they make a qualifying contribution.

“Investor Shares” are shares owned by a member who invests unremunerated labour or equity capital entitling him or her to a share of the Company's assets and surplus.

“Founder Shares” are shares owned by a Company founder, entitling them to govern the company.

“IPS” is a former Industrial and Provident Society, now a Cooperative Society

“CIC” is a Community Interest Company.

Definitions adapted from Clause 1 of the model FairShares Company rules (Ridley-Duff, 2015, pp. 126–127)