Exploring Organisational Ethics in Relation to the FairShares Model

FairShares Association

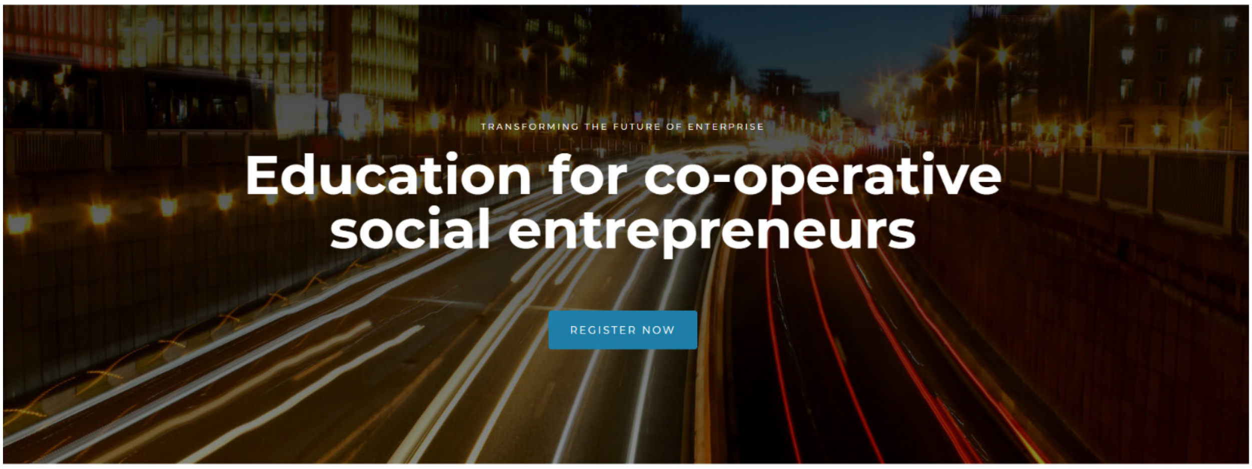
An essay by Eleanor Rose Hilton

This document includes a fascinating essay by Eleanor Rose Hilton, a student at Sheffield Hallam University, about a role play designed and developed by the FairShares Institute in Sheffield Business School. To help understand the background to the essay, this document includes:

- Two **role play exercises** Eleanor joined before writing the essay. These were used to prepare students for their assessment on a course in Organisation Ethics and CSR (OECSR).
- The **assessment questions and guidance** given to Eleanor to write the essay
- **Eleanor's essay** (which received a Distinction when it was assessed).

Eleanor kindly consented to sharing her work to show how engaging with the FairShares Model can enhance business education about solidarity co-operatives, CSR and sustainable development. It demonstrates how the FairShares Model can support responsible management education.

The essay describes the development and resolution of tensions during a role play. Students role played co-operative members as they considered a proposal to share intellectual property with housing groups. Eleanor's work shows how participation in decision-making improved her knowledge of FairShares, and how this knowledge countered selfish behaviour by, and anger towards, Founder members. She describes how worker, customer and investor members supported the proposal, and effectively countered both their own, and founder members', egoism.



FairShares Institute

You can access the learning materials at https://fairshares.education

Activity – Becoming Future Energy Ltd

Based on your participation in this role play, you will learn how to answer three questions.

1) What are the HR implication of creating a solidarity co-operative in the UK?
2) How can HR policies and practice be shaped under co-operative law?
3) How can HR policies and practice be shaped under company law?

Introduction

Future Energy is a fictional UK enterprise based on a real case study that occurred during a knowledge exchange project in 2011. In this fictional scenario, it has operated for three years as an unincorporated partnership whilst developing a new solar energy product and testing it in the domestic market. The founders have developed a business plan that envisages attracting both social investment and government funding to develop the enterprise. They need to change from an informal partnership to an incorporated enterprise to support the plan. Having taken advice, they have narrowed the choice down to becoming a co-operative society (under the Co-operative and Community Benefit Societies Act 2014) or a co-operative company (under the Companies Act 2006).

The Role Play Scenario

The founders of Future Energy have developed self-build renewable community energy technology. After three years, they are starting to generate a surplus from sales to private domestic customers. However, their goal is to increase the social impact of their product through working with partners committed to mutual aid principles. All founders want to form a solidarity co-operative but this has led to a heated debate on whether it should be a co-operative society or co-operative company. To date, one founder has strongly favoured incorporating as a co-operative society to emphasis member democracy. Another wants to incorporate as a company to keep options open for raising finance for future projects. The other two founders are still undecided. To help reach a decision, a consultant from Evolutesix has been hired to investigate the relative advantages and disadvantages of co-operative societies and companies in England and Wales, and any implications for HR practice.

Background

Future Energy's founding partners (three scientists and one businessperson) developed a low-cost renewable energy product whilst studying at university. Their partnership has piloted selling solar panels to domestic buyers and secured a viable income stream. Until now, they have worked with third party manufacturers, freelance salespeople and freelance installers (whenever they could do the installations themselves). Now they want to expand into new markets, they need to employ their own workforce, and possibly build their own manufacturing capacity.

A government fund exists for enterprises to develop their social impact in support of sustainable development. Together with a housing association and a community group, they want to bid for funds to adapt their product for large scale installations in housing associations. Advice from the funder confirms that only incorporated entities are supported. Future Energy is currently an unincorporated partnership. Conversion to an incorporated entity is needed to be part of the bid process.

Business Model

Future Energy currently has two revenue streams: hardware sales and service sales:

1) **Hardware:** private sales of solar panels to domestic customers have a 'mark-up' of 40% on the cost of manufacture). At the moment, an installation charge of £3,500 produces a nett surplus (after labour costs) of £500. The current business plan envisages expanding the market for domestic customers over 3 years to 20,000 customers, achieving £70m from hardware sales, netting £10m in surpluses.
2) **Services:** Maintenance contracts exist for all domestic installations (charged at the point of sale, drawn down at the rate of £180/annum for 20 years). For this fee, there is an annual inspection and free replacement of any defective panels for the lifetime of the installation. With 20,000 customers, the company expects to draw down £3.6m in fees each year, which (after labour costs) nets £0.6m/annum in surplus.

Participant Guidance

Act in character throughout. Do not worry if you do not understand everything - the role play itself will help you clarify what you may not understand on first reading. You will be briefed on role playing before the role play begins.

About You

You are a founder member of Future Energy Ltd, which is currently structured as a partnership with each founder having 1 vote.

During the role play, at least three people (75% of founding partners) need to agree a change in the constitution of the partnership and authorise incorporation as a new legal entity. All partners currently agree that their preferred option is a solidarity co-operative that will ensure a high level of reinvestment, inclusive employment and strong customer relations. You are proposing to organise sharing of financial surpluses as follows each year:

- £1m of surplus is converted to co-operative capital (an indivisible collective reserve) to fund Future Energy's development plans.
- The remainder is paid out as follows: Employee members (35%), Customer Members (35%) and Investor Members (30%).

All founders would receive a share of the 70% of surplus paid out to employee members and customer members - all founders are customers and will become employee-directors on the conversion to Future Energy Ltd. One founder who provided seed funding will receive the 30% of surplus allocated to Investor Members until additional Investor Members are secured.

Having built a network of self-employed staff to handle sales and installations, incorporation will change founder members status. They will become employers for the first time. As employers (and employees), they have new legal obligations under employment law.

About the Decisions You Have to Make

The Evolutesix consultant has configured two legal templates (Articles of Association) from the FairShares Association – one accepted by the Financial Conduct Authority as a *bone fide* co-operative society and the other accepted by Companies House as a legal model for companies. The consultant has compared the templates and tested both of them using the FairShares Rules Generator (**https://fairsharesrules.org**). They are available to you for inspection. Evolutesix have provided the following advice.

Both legal templates will support the creation of an enterprise with founder, employee, customer and investor members. In both cases, the enterprise can pay out surpluses in excess of £1m per annum using the percentages proposed. In both cases, you have dispute resolution provisions to resolve disagreements on wage levels, or disagreement between members.

The Articles require you to decide on the 'qualifying contribution for membership' for Labour members. In practice, this means that once a person begins employment with Future Energy Ltd, there will be a mechanism embedded in their contract of employment that will lead to them becoming a member of the company (with rights to vote on key decisions, and to stand for election as a Director).

Whilst not essential to the process of conversion, **two founders want to agree the 'qualifying contribution' that will trigger an employee becoming an Employee Member before they agree to any conversion at all.**

The consultant also found some restrictions in co-operative societies on voting rights and financial returns for investor members.

1) In the co-operative society template, ordinary resolutions can be passed on a show of hands, or through a poll (with weighted voting). **However, weighted voting cannot be applied to special resolutions.** In practice, this means that whenever there is a special resolution, customer members would be able to outvote founder, labour and investor members easily. There are provisions for a multi-stakeholder audit

committee that can block resolutions before they go to a General Meeting, but once approved, a single stakeholder group could dominate voting if there is a special resolution.

2) The audit committee is a creative solution to the problem, but it would leave the co-operative vulnerable to capture by one stakeholder group (probably customers or investors). The company version is not affected by this, as **weighted voting during a special resolution is allowed under company law.** As founders, you can prevent any special resolution from passing if it threatens a stakeholder group.
3) Under both Company and Co-operative Society Law there are no restrictions on dividend payments made employee and customer members, providing sufficient funds are available. After setting aside £1m surplus for future investment activities, 35% of the remainder can be paid to employees and 35% paid to customers, with the rest going to investors.
4) Under Co-operative Society Law, however, there is a cap on 'interest' payable to Investor Members. Even if there is sufficient surplus to pay more, no more than 10% of the capital holding of each member can be paid out each year as interest. No such restriction applies under Company law.

The consultant, however, also found advantages to incorporating as a co-operative society. In both legal templates, the combined voting power of labour and customer members must be greater than the combined voting power of founders and investors. This is enforced by a 'sponsor' and the regulator of a co-operative society **without having to make any further changes to the model constitution**. If incorporating as a company, the democratic integrity of the co-operative could be challenged under Company Law because there is no statutory protection. Working out how to amend the rules to provide protection may require further legal advice (which raises costs).

One final difference of note is that Investor members are 'non-voting' under Co-operative Law. If choosing Company Law, investor members can have (capped) voting powers. Company Law is likely to be more attractive to social investors, and less attractive to government funders. Co-operative Law is likely be more attractive to government funders, and less attractive to social investors (except the few that preferentially invest in co-operative and mutual enterprises).

The debate amongst founders of Future Energy

The proposal is that Future Energy incorporates as Future Energy Ltd to achieve limited liability and qualify for a new government fund.

1. **Three founders need to agree which legal model to use** for incorporation and pass a resolution to authorise it.
2. **All founders need to agree the 'qualifying contribution' for membership** and begin outlining benefits of *membership* that exceed the benefits of being an employee.

Can you reach agreement?

About the proposed shareholder groups in the new constitution:

Founders: There were four founders of Future Energy (three scientists who did PhDs together and a former-GP who became a social entrepreneur). They formed Future Energy as a partnership supported by a £250k seed fund from the social entrepreneur. S/he wants a financial return on this within five years. All founders want to *provide low cost / free energy to as many people as possible*.

Employees – founders propose that newly recruited staff become members after 1 year. As members, employees will share in the surplus, elect Directors and be able to vote in General Meetings.

Customers – founders propose that domestic customers become members if they buy a maintenance plan. They will share in the surplus, elect Director and be able to vote in General Meetings.

Investors – founders propose an investment community of social and impact investors sympathetic to sustainable development. The offer to them is 0% return for 2 years, then 5-8% returns from Year 3.

Guidance to Instructors

Future Energy is a partnership of four people who want to create a co-operative together. Their vision is to create a legal entity with Founder, Employee (Labour), Customer (Users) and Investor members who each hold shares and have voting power that is exercised in General Meetings. They desire a workplace culture in which one-member, one-vote principles apply, but which also prevents power imbalances and demutualisation by ensuring special resolutions require a majority vote in ***every*** *stakeholder group.*

Ideally, you want a constitution with weighted voting as follows for ordinary resolutions.

Founder members (no vote).

Labour members – 35% voting power

User members - 35% voting power

Investors members - 30% voting power

For a special resolution, each member group (including Founders) would need secure a majority vote in favour in addition to 75% of all members voting in favour.

The instructors/facilitators should not participate directly in this role play. They can, however, act as the Evolutesix consultant to help founder members during their deliberations.

The instructor's primary role is to facilitate discussion amongst members so they can deliberate effectively and reach an agreement.

Role Play – Part 1 - Guidance (40 – 50 mins)

Preparation

Welcome	5 minutes (Facilitator welcomes guests and explains the format)
How to Role Play	5 minutes briefing – LARP expert
Role Play Refresher	10 minutes (chance to re-check/re-read role play briefing documents)

Live Action

Founder groups discussions	20 minutes - divide into groups of four, debate the issues and seek agreement.
Feedback	10 minutes – each group reports whether agreement was reached, and – if they did – why they chose their legal template? What will be the qualifying contribution for employee members?

Role Play - Part 2 – Questions (20 – 30 mins)

You have now agreed your constitution.

In your groups, discuss the implication of having employee-owners for HRM / HRD (30 mins).

1. How will HR policies and processes change as you take on employee-owners?
2. What training and development will help *members* participate as co-owners?
3. What strategic decisions will the workforce participate in voting?
4. What are employee members *entitled* to as members of the FairShares Company/Co-operative?

See Clauses 19 to 25 (General Meetings) and Clauses 29 – 32 (Director Meetings) for more details in the Company / Cooperative Template (on Blackboard).

Activity – Licensing IP to Housing Groups – FairShares Live Action Role Play

Based on your participation in this role play, answer the following three questions.

1) How do the *interests and ethics* of the stakeholder groups differ?
2) What *ethical justification* can you offer for the way you voted on the proposal?
3) Based on this experience, what aspects of the FairShares Model can you apply to change HR policy and foster *inclusive sustainable development*??

Introduction

Future Energy Ltd is a fictional company based on a real case study that occurred during a knowledge exchange project in 2011. Future Energy Ltd is a specialist in renewable energy production that has established itself as a supplier of solar panels to the domestic (private consumer) market. After a government funded venture/collaboration with a network of community groups in deprived urban areas, Future Energy Ltd is now debating whether to enter into an agreement with a housing association to license its self-build solar panel technology to community groups.

The Role Play Scenario

Future Energy has developed self-build renewable community energy technology. Now the government funded project is complete, the partners have found a *housing association* that wants to offer roof space (on blocks of flats and semi-detached homes) as well as internal infrastructure (piping and plumbing etc.) in exchange for income from electricity generation. They would provide sites to install the solar panel technology created by Future Energy Ltd and the *community groups* would organise the labour required to install the self-build systems in housing association properties. Their goal is the skill up apprentices in electrical and renewable energy technologies to help them get jobs.

Background

Future Energy's founder members' (three scientists and one businessperson) created low cost renewable energy products whilst studying at university. The company has built its market selling solar panels to domestic buyers. After the company participated in a government funded experiment on skilling up community groups to install and maintain solar panels, the groups have secured the support of a housing association to expand the scheme. Under the scheme, solar panels were sold at cost (to support social goals) and income was derived by selling electricity back to the national grid. The current proposal is to expand the scheme and share income 50/50 between the housing associations and Future Energy Ltd.

Business Model

Future Energy currently has two revenue streams: hardware sales and service sales:

1) **Hardware:** private sales of solar panels to domestic customers have a 'mark-up' of 40% on the cost of manufacture). At the moment, an installation charge of £4,000 produces a nett surplus (after labour costs) of £700. With 42,000 domestic customers, the company has earned £92m from hardware sales, netting £29.4m in surpluses. In the last accounting period, hardware sales produced an £3m surplus.
2) **Services:** Maintenance contracts exist for all domestic installations (charged at the point of sale, drawn down at the rate of £200/annum for 20 years). For this fee, there is an annual inspection and free replacement of any defective panels for the lifetime of the installation. With 42,000 customers, the company draws down £8.4m in fees each year, which (after labour costs) nets £2.1m/annum in surplus.

This proposal would add a third revenue stream.

3) **Energy:** If the company receives 50% of the energy savings and income from generating electricity for the national grid in exchange for providing solar panels at cost price, it would earn (with public subsidies) £2,430/property over 20 years (roughly £121 per year, per property). The housing association has between 7,500 – 10,000 properties capable of supporting solar panels. The expectation is that Future Energy Ltd would earn between £454,750 and £610,500 a year from the new arrangements.

Participant Guidance

Act in character throughout. Do not worry if you do not understand everything - the role play itself will help you clarify what you may not understand on first reading. Experienced role play and FairShares experts will brief you before the role play begins.

About You

You are a member of Future Energy Ltd, which is structured as a FairShares Company. You are being asked by the housing association and community groups to supply panels and share engineering skills to make the panels efficient. They are proposing that all partners contribute time and technology without making 'up-front' labour charges, and that costs savings and Feed-In Tariff payments will be shared when energy is generated.[1]

During the role play you will exercise your right to vote on major business proposals that could change the company's turnover by more than 12.5% in an accounting period.

As a member, you share in the distribution of surpluses each year which are allocated as follows:

- £1m is converted to co-operative capital (an indivisible collective reserve) to fund Future Energy's development.
- The remainder is paid out as follows: Employee members (35%), Customer Members (35%) and Investor Members (30%)

About the Decision You Have to Make

A consultant has worked out that a household participating in a scheme will – on average – save £226/year in energy costs and generate a payment of £81/year for exporting surplus energy to the national grid. The proposal is that the housing association reduces the energy bill to tenants by £1,500 (£75/year) over 20 years and treats the remaining £1,212 of cost savings plus £1,620 from electricity sales as revenues. These will be shared 50/50 with Future Energy Ltd so that over the life of the project, there would be earnings of £232/annum per property.

The housing association in this project has 20,000 properties, but only 7,500 are 'south facing' and fully suitable for installation. A further 2,500 might be suitable if the housing association does some work before installation work begins. This means that the scheme can save *at least* £562,500 a year in energy costs for residents and generate *at least* £1.74m of additional revenue to be divided equally between the housing association and Future Energy.

Future Energy would normally charge £4,000 per installation, but after training community members in the self-build technology, it estimates the cost will drop to an average of £1,600 per installation (for the solar panels themselves and transportation costs). Currently, the cost of producing solar panels is falling at about 30% every 5 years.

The consultant estimates that each household can generate an average 3,454 kWh of energy, cut CO^2 production by 1,061 Kg/year and earn £6,140 in revenues over its lifespan (20 years). Of this amount, £1,500 goes to the household in energy cost savings. This leaves £4,640 to be split between the housing association and Future Energy Ltd. The total earnings (based on 7,500 homes) would be a half share of £34.8m (£17.4m), rising to £46.4m (£23.2m) if 10,000 installations can be made.

However, Future Energy Ltd would spend £12m in materials and transport costs so the nett return is between £5.4m (7,500 homes) and £7.3m (10,000 homes). The consultant estimates that working capital of £2m will be needed from (social) investors to initiate the programme. As a FairShares Company, the first £1m of surplus is allocated to reserves. The rest is split between Investors (30%), Employees (35%) and Users (35%). Over the life of the project this would generate:

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1 The government's feed-in tariff scheme has now ended, but the Energy Saving Trust provides a 'Solar Energy Calculator' to calculate likely benefits, **http://www.pvfitcalculator.energysavingtrust.org.uk/**

1. Between £1.32m and £1.89m in earnings for Investor Shareholders (30% share of nett surplus).
2. Between £1.54m and £2.21m for both Labour and User Shareholder (35% share of nett surplus).

The proposal to members of Future Energy Ltd

A scheme has been proposed in which Future Energy Ltd licenses its technology for this and *other community groups and housing associations* to use on a non-commercial basis (i.e. they are not allowed to sell the technology or anything based on it without Future Energy's permission).

You have to decide whether to support the proposal.

You will be allocated to one of four shareholder groups. Discuss the proposals with other members of your group and decide how to vote.

You vote as an individual, not as a group, and you are also free to refine the proposal, or suggest a different proposal.

About the shareholder groups

Founders: There were four founders of Future Energy Ltd (three scientists who did PhDs together and a former-GP who became a social entrepreneur). They formed Future Energy Ltd to bring the scientists' research to market. The social entrepreneur provided seed funding. Whilst each wants some financial return for their efforts, they are motivated by *providing low cost / free energy for everyone*.

Employees become members of Future Energy Ltd after 1 year of service. There are trainers, engineers, sales representatives, administration and technical support staff alongside social marketing experts. As members, employees share in the surplus and vote on key decisions. Although most are sympathetic to the pursuit of sustainable development (which is checked at recruitment), most are principally interested in advancing their career and ensuring a quality lifestyle for their families.

Customers: Domestic property customers become members when they buy their solar panels. They receive all cost savings and income from electricity generation. The new scheme would add housing associations as a second type of customer member, and the proposal is that each association would have two member representatives (one elected by tenants, one appointed by their Board of Directors) who would attend and vote in Future Energy General Meetings.

Investors: Future Energy has an investment community of social and impact investors who collectively made an initial £5m investment. Whilst they are all sympathetic to sustainable development, most are under an obligation to achieve a 5% or better return on the financial capital stakes they have made (either in the form of dividends or increases in the share price).

Guidance to Instructors

Future Energy Ltd is a FairShares Company with Founders, Employees (Labour), Customers (Users) and Investors who each hold shares and have voting power that is exercised in General Meetings. Normally votes are taken on a simple one-member, one-vote basis, but there are provisions in the constitution for a Special Resolution that must be passed by majority vote in ***every*** *stakeholder group.*

Weighted voting, if invoked, is as follows: Founder members (no vote). Labour and User members have 35%, each, and Investors cast the remaining 30%.

The instructors/facilitators should participate in the role play, presenting themselves as consultants or executives who have helped to prepare the proposal. They act as facilitator(s) (or provide expert opinion providers) to help members deliberate and cast their votes.

Role Play Guidance (90 - 100 mins)

[If online, check in first]:	10 minutes (Name + location only, do not give further background)

[If face to face, no check in required]

---- Preparation ----

Welcome:	5 minutes (Facilitator welcomes guests and explains the format)
How to Role Play:	5 minutes briefing – LARP expert
Role Play Refresher	10 minutes (chance to re-check/re-read role play briefing documents)

---- Live Action ----

Stakeholder Discussions	20 minutes (+ each group elects a spokesperson if there is a fishbowl)
Fishbowl or Mixed Discussion	20 minutes
General Discussion/Plenary	10 minutes
Voting + Results	10 minutes

Stakeholder discussions – these are meetings of members (shareholders) in each stakeholder group.

Mixed discussions – these are group comprising at least one person from each stakeholder group. It offers a chance to hear what other stakeholder groups think about the proposal.

Fishbowl, if role playing online, this may be easier to organise than have many mixed discussion groups. Get each stakeholder group to elected one person to represent them when they converse with other elected representatives. All other participants mute themselves, watch and listen to the interactions between the elected representatives.

(The fishbowl can also used in a face-to-face learning setting, if preferred).

---- Closure ----

Participant Views/Check out	10 minutes

OE&CSR 2020/21 Module - Assessment Guidance

Notes	Your performance in this module will be assessed via a reflective essay on the live action role play that took place in Week 9. This will provide you with a chance to complete the learning outcomes of the module. The assignment provides an opportunity to think through and to demonstrate an understanding of ethics, and their application to business in support of sustainable development. In particular, we ask you to consider the implications for HR theory and practice. You should select an appropriately broad range of papers and discuss them critically to achieve a good mark.
Individual/Group working	This assessment is based on **individual work but …** • *You can discuss your ideas with others but your write-up must be in your own words and not show up as a match on Turnitin.* • *We suggest that you discuss ideas, can even share useful models / theories / books / journal articles with each other but do not show others your written work.* • *See the universities advice on Academic Conduct (via ShuSpace)*
Weighting:	100%
Submission Date:	Thursday 13th May 2021 by 3.00pm GMT - Week 42
Feedback opportunities:	Formative Feedback in the last seminar – bring ideas for feedback.

Assessment Brief and Extra notes for your guidance:

Based on your experience of the live action role play in Week 9, write an essay that addresses the following questions:

1. How do the *interests and ethics* of each stakeholder group differ?
2. What *ethical justification* can you offer for the way **you** voted on the proposal?
3. Based on this experience, what aspects of the FairShares Model can you apply to change HR policy and foster *inclusive sustainable development*?

To construct a great answer, you need to demonstrate that you have done the following:

- Selected appropriate theories, models, concepts and topics from the module content and applied them to a discussion of ethical behaviours arising throughout the role play.
- Undertaken your own desk research on the issues and topics arising from the role play, and integrated your findings into the assignment (using both material on the reading list and articles, journal papers and book chapters you have found yourself).
- Have developed your own voice and ideas, supported by arguments that are backed by references to academic literature, theories and secondary research.
- Demonstrate an ability to move beyond description of an issue by applying theories that enable you to develop critical insights and establish the 'so what?' behind issues that arise.
- Demonstrate that you can widen the argument and link it to contemporary challenges within wider society. Another aspect of this could come from comparing and contrasting the case study to other examples (either for similarity or dissimilarity).

Exploring Organisational Ethics in Relation to the FairShares Model

A Reflective Essay on a Co-Operative Proposal Roleplay

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MSc International Business & HR Management

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Introduction

There is a growing emphasis within human resource management (HRM) literature on the importance of ethics and sustainable development (Guerci, Shani & Solari, 2014; Stahl et al., 2020). VanBuren and Greenwood (2013) believe that such debates should be more heavily encouraged within HRM teaching to provide students with a broader ethical understanding of stakeholder concerns and divisions of wealth, for example. These are factors of business management that can be understood within the realm of social enterprise; a general term for economic activity guided by social purpose (Ridley-Duff & Wren, 2018). Co-operative and mutual enterprises (CMEs) are forms of social enterprise that generate social, human, and intellectual wealth by bringing communities together to satisfy mutual interests and enhance members skills (Bull, 2018; Ridley-Duff & Wren, 2018). The FairShares Model was first developed as an action research programme to advance democratic governance in associations, co-operatives and social businesses (SHU, 2014; Ridley-Duff & Wren, 2018). Maintaining a set of core principles, the model can be widely applied to support multi-stakeholder co-operations within member owned social enterprises (Ridley-Duff, 2015).

The following essay will reflect upon participation in a roleplay activity debating – and voting on – a new business proposal for fictitious renewable energy specialists Future Energy Ltd (see https://fairshares.education/larp-2/). Following the success of a government funded collaboration with community groups in deprived urban areas, Future Energy Ltd.'s new proposal would agree to license its self-build solar panel technology to community groups on a non-commercial basis via a local housing association. Participating in the decision to implement this proposal were four stakeholder groups: founders, investors, employees, and customers. The interests and ethics of each stakeholder group will now be explored, before ethical justification of independent voting behaviour is considered, and the FairShares Model is applied in regard to changing HR policy and fostering inclusive sustainable development.

Key Distinctions in Stakeholder Interests and Ethics

Individual ethical compasses can be influenced by a multitude of external factors. Ethical values arise via aggregated value systems considered to be paradigms; a way of looking at the world through a particular set of principles, stories, or symbols (Drobnic, Toros & Weis, 2020). These compile to constitute normative systems of institutionalised behaviours, often informed by cultural upbringing and experience (Laasch, 2014). Values are subject to change, and within business this often occurs via coercive, normative, or mimetic isomorphism. That is, values are forced onto organisations by external parties, as by-project attempts to professionalism, or by mirroring admired behaviour (Greenwood & Meyer, 2008). The extent to which values change within business is dependent upon the level of subjectivity versus objective, personal interest. The depth of an individual's independent value can inform whether their decision making is self-oriented, or driven by what is beneficial for the community (Richmond, 2001; Ridley-Duff, 2005). Northouse (2021) encapsulates this idea within a spectrum of ethical leadership, covering ethical egoism, utilitarianism, and altruism. The latter demonstrates high concern for the interest of others, whilst ethical egoism describes individuals with higher concern for self-interest (Overall, 2016; Northouse, 2021). Liberal theories suggest that utilitarianism is the most ethical form of leadership, maintaining a focus on maximising the greatest good for the greatest number of people (Hayry, 2013). Many working professionals adopt a deontological approach to organisational ethics; normative behaviour is generally followed, but ethics are rooted in individualism (VanStaveren, 2007).

Within multi-stakeholder enterprises, ethical positioning can be highly variant depending upon the weighting of stakeholders, their motivation, and their reward prospects (Laasch, 2014). During the roleplay discussion regarding the licensing of solar panel technology to a housing association, Future Energy Ltd (FE) was represented by four stakeholder groups: founders, investors, employees, and customers. Every FairShares enterprise recognises these four groups as member classes (Ridley-Duff, 2017). In terms of ethical capital and the sustainability equilibrium, FE would categorise as Level 3; the business is for-profit but operates ethically and practises social responsibility (Bull et al, 2011). Therefore, it can be generally assumed that across the stakeholder groups, a common interest in social enterprise and sustainable development is held.

When evaluating the interests of different stakeholder groups, it is important to consider the value they each obtain from their role within the co-operative. The founders of FE seek financial return, but are motivated by making low-cost energy accessible to everyone. A focus on providing for the community whilst maximising financial profit suggests a utilitarian ethical standpoint; founders balance the profit they seek for themselves with the good they want to provide for others. During discussions surrounding the new proposal, founders suggested alterations to the current stakeholder surplus shares which would increase their profit return, and decrease that of the other stakeholder groups (See Table 1 for a breakdown of the current shares and proposed alterations).

Table 1. Distribution of Shares amongst FE Stakeholder Groups

Stakeholder Group	Current Share	Founders Suggestion	CEO Suggestion
Founders	n/a	35%	10%
Employee members	35%	25%	30%
Customer members	35%	25%	30%
Investor members	30%	15%	30%

It is important to note that these shares are distributed once the first £1m surplus is converted to co-operative capital (an indivisible collective reserve to fund FE's maintenance and future developments). Employee, customer, and investor members made it clear throughout this discussion that, were these shares distributions to be implemented, they would not vote in favour of the licensing proposal. Whilst such changes in shares would require a special resolution to pass, the founders maintained their position. The shift in focus displays financially driven motivation, and does not reflect true utilitarianism. Whilst the founders' ethical standpoint may have initially settled in the middle ground between concern for the self and for others, recent developments imply higher levels of self-interest and ethical egoism.

FE Investors would be most impacted by the founders proposed changes to shares distribution. Each contributing an initial £5m investment, the investors come from a social impact investment community focussed on sustainable development initiatives. They have an obligation to achieve a minimum 5% return on their financial capital stakes, but choose to invest in eco-focussed businesses. Naturally, this is liable to individual differences; some investors may do so purely for their own financial benefits, whilst others may simply want to take advantage of opportunities to do communal good and encourage sustainable development. In this case, the former demonstrates a traditional economist approach to ethical egoism (Pless, Maak & Woldman, 2012; Northouse, 2021), but the latter is a form of altruism.

Within social enterprise, investors are less likely to involve themselves in an initiative based on power or transaction turnover; investors – and other stakeholders – becoming members of a co-operative creates public value by internalising external effects so as not to export the negative costs of business operation. Within the FairShares Model, this enfranchises stakeholder members (Ridley-Duff & Wren, 2018). During discussion of the licensing proposal, investors were keen to remind other stakeholders of their importance in the proposal's success; £2m working capital is required from investors to initiate the project. Without the investors input, this would be opened to the public, a method of building shares that could delay the proposal significantly. This threat of power, and the adamance that investors would not provide such working capital were their shares weighting to reduce, suggest that investors interests are more likely guided by concern for self and ethical egoism.

It is fair to assume that employees may have initially been attracted to FE due to the social action that the company promotes. However, employees work for profit, and have much more financial dependency on their role at FE than founders and investors do. If employees interest resides in maintaining consistent income, the long-term nature of the proposal may deter them; the proposal requires all members to contribute time and technological support without upfront labour charges. It is estimated that the proposal will be profitable via cost savings and feed-in tariff payments once energy is generated. In terms of career progression, employees are being asked to transition from engineers to trainers under the new proposal. This could be perceived as a step back, or an unwanted change for employees that are principally interested in advancing their career and ensuring a quality lifestyle for their families. This type of self-interest could be considered within a liberalism ethical frame of reference (Darwall, 1999; Friedman et al., 2013), where shareholder value is maximised in an individualistic manner. This can be objectively transactional – employees are motivated to work solely so that employers will provide their wages (Friedman, 2013).

Receiving cost savings and income from electricity generation, customers become members when they buy their solar panels from FE. The current proposal would add housing associations as a second form of customer, with each association electing two member representatives to attend FE general meetings and vote on key matters. This would reduce existing customers share of surplus dividends, so may impact the voting behaviour of this stakeholder group. Whilst many customers install solar panels to generate renewable energy, there is an increasing number of customers seeking solar panel instalment as a form of investment; the upfront cost of installation is an investment for future cost savings and income from electricity generated and not used. It is difficult to predict the ethical reasoning of an entire customer base, as individual differences play a significant role in the morals and core values that impact voting behaviour.

Ethical Justification of Independent Voting Behaviour

Considering the above discussion of stakeholder interests, there is room for debate regarding the weight – and voting power – that each member group should be provided. If the ethical reasoning behind voting decisions differs between groups, evenly distributed voting power may not achieve inclusive growth. It is tempting to take the view that those most committed to sustainable development and collective good should contribute the heaviest weighted votes, but this in itself would be unethical. Despite the potential to promote inclusive growth, all stakeholder groups within a co-operative retain the right to vote on central decisions, regardless of their ethical reasoning. Founders, whilst included in ordinary and special resolutions, often do not contribute to the weighted vote due to their lack of surplus shares dividends. This is the case with the current proposal; voting results are adjusted to represent the weight of votes without founders' input.

As an employee member at FE, a multitude of factors impacted my individual voting behaviour. Initially, I felt confident that I supported the proposal; I am passionate about sustainable development and the community focus of the project. The government funded venture trialling the scheme was successful, and I believe that the project would provide good press for FE, eventually attracting more customers and building the company, increasing profit for everyone. I like to think that this was an altruistic ethical standpoint; utilitarianism (Laasch, 2014) was driving my vote. Following discussion with my colleagues and seniors, however, my viewpoint was not so clear cut. During an initial discussion amongst fellow employees, the change in our role was highlighted. I had to consider whether transitioning from being an engineer to a trainer is something that I wanted. A change in career path is substantial without a promoted salary; the third revenue stream generated by the proposal would be a split profit. I found myself falling away from my altruistic starting point. The founder's proposal for shares distribution amendments caused further conflict within my own rationalisation of how to vote. In a learning log entry written following the proposal discussions, I wrote:

> "I don't even think it's about the loss of 10%, it's the fact that this suggestion made me lose faith in the founders. These people set up a co-operative solar panel company; they should care about the sustainability, social action, etc. Proposing they take 35% told me that they care more about the money in their own pocket - do I trust the founders with this initiative if that is their driving force?"

Evidently, I was disappointed that the founders shed light on their priorities within the business. Given the nature of the cooperative, I naively believed that other stakeholders held the same values as my own, and this realisation shifted my perspective; if the founders care primarily about profit, should I prioritise that for myself too?

Upon reflection, I find it interesting how quickly my opinion changed; it seemed part of my ethical standing was rooted in trust for other members of the co-operative. This made me question the rigidity of my own values, and the extent to which I understand how I ethically evaluate situations. In many cases, individuals believe that they are more ethical than they truly are (Tenbrunsel et al., 2007); some critics argue that capitalist societies have shifted ethical frames of reference, but this is a phenomenon denied by many individuals (Wray-Bliss & Parker, 1998; Bishop, 2000). Society pulls us towards individualist, self-concerned decision making, but we maintain the altruistic narrative that we wish to believe (Tenbrunsel et al., 2007). Kalmi (2007) noted that mutuality and cooperative thinking is declining due to today's emphasis on top-down solutions. The founders' behaviour, however, could relate further back to ethical theories of individualism.

Kant's (1785) categorical imperative states that morality is derived from rationality, implying that all moral judgements are rationally supported (Davis, 2009). This form of deontology emphasises that regardless of consequences (or the greater good), it is the act or behaviour itself that is either right or wrong (Engstrom, 2009). Guided by three maxims, the categorical imperative argues that we should judge our own behaviour by questioning whether it would be universally acceptable, and whether it manipulates means to achieve the end result (Kitcher, 2004). Kant's theory of ethics was paramount to initial understanding of moral codes and ethically guided behaviour (Davis, 2009), but it has received heavy criticism for its inflexibility (Hutchings, 2013). Consequentialism opposes the categorical imperative by arguing that ends justify the means; unethical behaviour may be ethical if the outcome is a positive one (Driver, 2011). This can be applied at an individual level, or with a broader perspective (White & Taft, 2004). 'The greater good' is pushed by the aforementioned concept of utilitarianism, a sub-set of consequentialism that qualifies actions as morally right only if they maximise the good – or minimise the bad – for the greatest number of people (Wagner-Tsukamoto, 2007).

Within the current proposal, it is clear that the founders were not guided by the categorical imperative. Earlier it was suggested that the founders were utilitarian, bordering on ethical egoism. Their introduction of shares adjustments shows individual consequentialism; they are justifying the consequences of their means by arguing how the end result will benefit them. Throughout discussions with other stakeholder groups, I began to question my voting behaviour and reflect the same self-interest. Ultimately, however, this did not affect my final vote. Upon the conclusion of stakeholder discussions, I voted in favour of the FE licensing proposal. For me, the positive impact that the proposal promises overrides any individual concerns regarding career progression or profit. Perspective played a large role here; I already have a solid job with a steady income, whilst the community groups that will benefit from training within the program are still aspiring to that. I would personally prefer to generate quality outcomes for a wider population, promoting the company and enjoying an additional revenue stream, despite the change in role for myself: a truly utilitarian decision. I am confident that the founders' [proposed] shares distribution changes would not pass a special resolution, were they to be formally proposed in the future.

My voting behaviour paralleled that of my fellow employees, with each of us favouring the proposal. Overall, 11 members (out of 15) voted for, with 3 founders voting against. Had this been a special resolution, this would fail to meet the 50% per member group requirement. However, the ordinary resolution is weighted in adjustment of class vote share, excluding founder members. The results of this poll concluded that the resolution was passed on the grounds of a weighted vote for 93%. Once the session ended, I felt proud of my participation. I enjoyed discussing the proposal with other stakeholders and becoming more attuned to my own ethical grounding.

Application of the FairShares Model

Ferdig (2007) describes anyone who takes responsibility for understanding and acting on sustainability challenges as a sustainable leader, regardless of their formal organisational position. In many observations, it is younger generations that are taking the most action against the pressing climate crisis (O’Brien, Selboe & Hayward, 2018). As public debate – and understanding – surrounding sustainability continues to increase, emphasis on the role of businesses and corporations grows (Renwick, Redman & Maguire, 2013). The fact that a market economy is incompatible with ecology and consistently fails to provide a social welfare function (Blewitt, 2012) is not a new concept; many environmentalists argue that capitalism has encouraged a relentless corporate pursuit of economic self-interest, and has objectified nature into existing solely for the purpose of human exploitation (Borland, 2009; Blewitt, 2012). The ‘triple bottom line’ acknowledges the interconnectedness of profit, people, and the planet (Jackson, Ones & Dilchert, 2012), but simple recognition within economic frameworks is not enough to reduce the impact business has on our planet. The introduction of corporate social responsibility (CSR) and green human resource management (GHRM) has provided a space for professionals to encourage eco-friendly attitudes, behaviours, and policies in the corporate world (Sanders, 2009).

GHRM is a continually expanding field of research, but many organisations fail to employ the full range of GHRM practices available (Renwick, Redman & Maguire, 2013). HR departments can be increasingly influential in promoting sustainable growth via the implementation of eco-practises that are geared towards the needs of a low carbon economy (DuBois & DuBois, 2012). Sanders (2009) found that three in four corporate executives cited at least one internal sustainability programme with strategic implications within their companies. Such sustainability programmes could address a multitude of HRM challenges. Recruitment and selection can focus on actively employing candidates with an eco-focus; knowledge on sustainability can be included in employee requirements on job descriptions. Companies that adopt GHRM practices can do so as a form of employer branding, advertising their green policies to become more appealing to jobseekers who care about corporate environmental impact (Renwick, Redman & Maguire, 2013). Many researchers argue that fostering sustainable development begins with having the right people on board (Jackson, Ones & Dilchert, 2012), and it is HR that can push to collate a workforce of likeminded, eco-focussed employees with matching passion and potential (Sanders, 2009).

Regardless of pre-existing passion for sustainability, education is key to equip employees with adequate understandings of the environmental impact of their company's operations, and how this can be reduced (Bansal & Roth, 2000). HR teams can introduce compulsory training on green issues to ensure their workforce is knowledgeable and can actively participate in the implementation of green policies (DuBois & DuBois, 2012), such as office waste, energy and paper reduction (Sanders, 2009). Trade unions across Europe have begun to offer environmental training initiatives, allowing for employees to participate in green development courses outside of their workplace (Renwick, Redman & Maguire, 2013). In order to achieve a 'trickle-down' effect of attitudes and behaviours towards GHRM, training and development should additionally focus on those in management roles. It is managers responsibility to lead the organisation's sustainable development, whilst HR ensure management fulfil this role (Starkey & Crane, 2003).

Passionate, engaged employees lead to a positive corporate culture (Fernandez et al., 2003). Within HRM, generating an organisational culture that embraces environmentalism is a key target (Renwick, Redman & Maguire, 2013). Social enterprises and co-operatives are commonly associated with positive corporate cultures due to the equality amongst stakeholder members and the motivational drivers of such projects (Pasricha, Singh & Verma, 2018). The FairShares Model supports multi-stakeholder co-operations within member-owned enterprises, and promotes a set of co-operative values and principles (Ridley-Duff, 2015; Ridley-Duff & Wren, 2018); wealth and power sharing amongst primary stakeholders, specification of social purpose and auditing of impact, ethical reviews of the choice of goods and services offered, ethical reviews of production and retailing processes, and social democratic ownership, governance, and management (Ridley-Duff, Southcombe & Picken, 2017). Social enterprises adhering to these principles can contribute to both sustainable and inclusive economic development as they operate in awareness of their impact (Ridley-Duff, 2015; Munro & Arli, 2020).

As a starting point for making businesses more likely to embrace sustainable development, aspects of the FairShares Model could be adopted. Ethical reviewing of the goods and services offered – and their production and retailing processes – could provide generous insight into where businesses can begin to alter potentially harmful operations. The ethical review process encourages enterprises to think carefully about the impact of their goods and services for people, society, and the environment. This is a triple-bottom line approach to consideration of the entire supply chain (Ridley-Duff, Southcombe & Picken, 2017). Central to the current climate crisis is overconsumption, and querying whether or not goods and services offered generate positive outcomes can reduce cases of over-production and unethical consumption patterns (Landrum & Ohsowski, 2018). This is an example of genuine sustainable development; making real changes to business rather than using green corporate branding and 'greenwashing' – the concept of selling a product or brand as sustainable when it is not (Watson, 2017) – to appear ethical.

FairShares enterprises encourage social democratic ownership and governance; all stakeholders have the right to participate in decisions regarding how the capital they contribute is managed (Ridley-Duff & Wren, 2018). This may not seem like an environmental issue, but moving away from a capitalist market economy and manufacturing patterns of ethical, socially democratic business is essential to nurturing sustainable development (Blewitt, 2012). Replacing mass consumerism with society-focussed co-operative initiates is a solid step towards a low-carbon economy (Landrum & Ohsowski, 2018). Even within large corporations, HR can begin to consider the different types of wealth provided and generated by their employees, and ensure that each type of capital is compensated for fairly and equitably (Ridley-Duff, 2015). Alternatively, [HR can] ensure stakeholder inclusivity by being transparent about streams of wealth and their distribution (Enderle, 2021). German automotive corporation Daimler's first step to becoming a more sustainable organisation was publishing an honest environmental ethics and sustainability report for its colleagues annually (Jackson, Ones & Dilchert, 2012).

Borland (2009) describes strategic sustainability as the integration of the principles of sustainability with corporate strategic management process, enabling competitive and functional level strategies of sustainable development. Functional strategies require short-term goals to maintain motivation (Engert & Baumgartner, 2016). Kakabadse, Kakabadse and Lee-Davis (2009) outline three stages of CSR implementation: the decision-making stage sees leaders acknowledging the need for organisational movement towards CSR, the adoption stage involves policy implementation and adoption of positive attitudes and behaviours, and the commitment stage achieves established changes to business processes and operations, as opposed to temporary alterations. These stages act as a guide for businesses that strive for sustainable development, in line with Carroll's (1991) pyramid of CSR, which outlines the different levels of corporate responsibility. Organisations are required to be profitable, lawful, and ethical, but to be a good corporate citizen contributing to sustainable development is simply desired. As awareness of the climate crisis continues to grow, we begin to understand that for sustainable development to be achievable, this is not a desire, it is a necessity.

Conclusion

Co-operative and mutual enterprises are leading the way for responsible business; fuelled by social purpose, they create social wealth and consider the environmental impact of business operations in an otherwise consumerist corporate world. Future Energy Ltd. (FE) is a fictitious renewable energy company considering a new project licensing its self-build solar panel technology to community groups on a non-commercial basis via a local housing association. Applying theoretical frameworks of ethical reasoning and moral code, this essay discussed the perspectives of varying stakeholder groups involved in the voting of this proposal. As a hypothetical employee at FE, I voted in favour of the licensing proposal, due to the positive social impact the project will bring to local communities. This decision was rooted in utilitarianism. Considering the FairShares Model and it's five key principles, strategies for encouraging corporate sustainable development were discussed. Green HRM was introduced as a concept to encourage implementation of eco-policies concerning recruitment, training, and leadership, for example. Social enterprises and their ability to promote inclusive, sustainable growth were additionally discussed; extensive cultural, economic change is required to generate prominent developments towards a low-carbon, socially democratic economy.

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