

## Impact case study (REF3)

<b>Institution:</b> Sheffield Hallam University		
<b>Unit of Assessment:</b> UOA17 - Business and Management		
<b>Title of case study:</b> Shaping the Praxis of Co-operative Social Entrepreneurship through the FairShares Model		
<b>Period when the underpinning research was undertaken:</b> 2014 – 2020		
<b>Details of staff conducting the underpinning research from the submitting unit:</b>		
<b>Name(s):</b>	<b>Role(s) (e.g. job title):</b>	<b>Period(s) employed by submitting HEI:</b>
Dr Rory Ridley-Duff	Professor	Aug 2007 - present
Dr David Wren	Senior Lecturer	Feb 2017 - present
Dr Jereme Snook	Senior Lecturer	Jan 2013 - present
<b>Period when the claimed impact occurred:</b> 2015 – 2020		
<b>Is this case study continued from a case study submitted in 2014?</b> No		

### 1. Summary of the impact

Research at Sheffield Hallam University, led by Ridley-Duff and in collaboration with the FairShares Association (FSA), has developed and operationalised the FairShares Model (FSM) of social enterprise. This research has underpinned the development of the FSM across 37 countries in Europe, Asia, Africa, North America and Oceania. The research challenges existing conceptions of wealth and value, and has influenced the design of more than 200 social enterprise projects. It has stimulated new thinking in social enterprise incubators to align consumer and worker interests in governance, ownership and profits; and promoted multi-stakeholder design principles and new conceptions of wealth. The research has influenced 150+ social entrepreneurs, six social enterprise incubators, 30+ social enterprise educators and promoted several legal innovations.

### 2. Underpinning research

The FairShares Model (FSM) is a coherent philosophy, underpinned by research, and supported by curricula and development tools. It enables four member groups (founder, labour, user and investor) to co-operate during the creation, conversion and development of social enterprises. The resulting sharing of power and wealth between stakeholders encourages mutuality and reciprocity, improving the governance and operation of these businesses. Research by Ridley-Duff and Wren into the history and application of the FSM has underpinned its ongoing development.

Ridley-Duff applied document analysis to trace the FSM's origins back to efforts to integrate consumer and producer traditions within cooperatives (**R1**). He also outlined the concepts and legal mechanisms by which stakeholder groups could share power and wealth under company law. Ridley-Duff then developed an argument for the adoption of the FSM - exploring the application of concepts to cooperative societies and non-profit associations, offering an education curriculum, and outlining model rules for companies, cooperatives and associations (**R2**).

Ridley-Duff published evidence and a theoretical analysis that the FSM was transforming from an 'espoused theory' to a 'theory in use' (**R3**). Based on teaching cases and the evolution of the FSA's own governance model, he found that variations in legal form were less significant than a 'pluralist turn' in social enterprise design principles. This promoted multi-stakeholder democracy, which enfranchises producers and consumers. The influence of the FSM spread beyond the UK, when entrepreneurs in the USA, Australia and Ireland also adopted model rules (**R2, R4, R5**). Ridley-Duff researched the cross-cultural impact of the FSM by comparing model rules sent to social entrepreneurs, with the Articles of Association they filed later with regulators. Deploying Giddens' structuration theory, he established an interplay between entrepreneurial agency and social systems that (re)constructed the FSM in new cultural contexts (**R4**). Five influencers of agency (personal philosophy, professionalism, entrepreneurialism, research skills and perceived

practicality) interacted with specific historical influences from cultural, legal, organisational, linguistic and economic institutions to stimulate innovation. These cases prompted six infrastructure organisations to secure Erasmus+ funding (2016-2019) to localise the FSM in entrepreneurial incubators based in Hungary, Germany, Croatia, Netherlands and the UK.

In 2017, Ridley-Duff published an update to the FSM, highlighting six forms of wealth creation. Wren co-edited five 'country context' reports and 20 'relevant practice' cases on the integration of blue economy concepts with the FSM. The idea of a blue economy goes beyond green economics, by using knowledge of nature to reduce waste and advance sustainable development without high taxes or raised consumer prices. After Wren assessed the FSM's alignment with the United Nations' Sustainable Development Goals (SDGs), they jointly published work examining the impact of the FSM on conceptualisations of wealth (**R5**).

Their critique of wealth evolved further in work aligning the FSM with SDGs (**R6**), shifting the FSM from its original focus on eradicating poverty, advancing equality and decent work (SDGs, 1, 5, 8, 10); to encompass wider welfare and environmental issues - such as hunger, education, water, sanitation, clean energy and responsible production/consumption, (SDGs 2, 3, 4, 6, 7 and 12). In **R6**, 'profit' is challenged as a viable measure of value and success, by setting out the case for accounting that communicates how each enterprise allocates and facilitates access to 'six capitals' (natural, human, social, intellectual, manufactured and financial). The ethical foundation of the FSM's multi-stakeholder model arises from its provisions for recognising and rewarding stakeholder groups whose members supply and generate each type of capital.

### 3. References to the research

- R1.** Ridley-Duff, R. and Bull, M. (2014). Solidarity Co-operatives: An Embedded Historical Communitarian Pluralist Approach to Social Enterprise Development? Keynote to Social Innovation and Entrepreneurship Research Colloquium, RMIT University, Melbourne. <http://shura.shu.ac.uk/9890/1/V2.1 - Solidarity Co-ops - RMIT Keynote - Article.pdf>
- R2.** Ridley-Duff, R. (2015). *The Case for FairShares: A New Model for Social Enterprise Development and the Strengthening of the Social and Solidarity Economy* (CreateSpace). <https://shura.shu.ac.uk/10198/1/TheCaseForFairSharesV1.2-SHU.pdf>
- R3.** Ridley-Duff, R. J. (2015). The FairShares Model: An Ethical Approach to Social Enterprise Development? *Econviews - Review of Contemporary Economic, Entrepreneurship and Business Issues*, 28(1): 43-66. <https://hrcak.srce.hr/ojs/index.php/ekonomski-vjesnik/article/view/3157/2013>
- R4.** Ridley-Duff, R. (2018). The Internationalisation of FairShares: Where Agency Meets Structure in US and UK Company Law, in Boeger, N. and Villiers, C. (eds), *Shaping the Corporate Landscape*, pp. 310-32. <http://shura.shu.ac.uk/19008/1/Ridley-Duff%20%282018%29%20The%20Internationalisation%20of%20FairShares.pdf>
- R5.** Ridley-Duff, R. and Wren, D. (2018). Social Enterprise, Sustainable Development and the FairShares Model, *Japanese Journal of Human Welfare Studies*, 11(1): 23-42. <http://shura.shu.ac.uk/25337/2/Social%20Enterprise%2C%20Sustainability%20Development%20and%20the%20FairShares%20Model%20%28Final%201.0%29.pdf>
- R6.** McCulloch, M. and Ridley-Duff, R. (2019) To Profit or Not to Profit? That is the Wrong Question. Paper to 7th EMES International Research Conference on Social Enterprise, Selected Papers Series. <https://emes.net/content/uploads/ESCP-7EMES-14-McCulloch-Ridley-Duff.pdf>

R3 and R5 are articles, which were rigorously peer-reviewed prior to publication in leading journals in the field. R1 and R6 are papers from esteemed international conferences. R2 is a monograph, while R4 is a chapter in a book, published by Hart Publishing. All of Hart's books are peer-reviewed at proposal and manuscript stage by respected academic specialists, who provide rigorous independent scrutiny of their quality.

#### 4. Details of the impact

The FSM goes beyond theoretically rethinking capitals. It is a practical approach to restructuring organisations, to recognise contributions made to value creation by different capital providers. The cumulative impact is summarised by the founder of VME Co-op and Co-operative Exchange:

*"It was February 2018. I didn't know about multi-stakeholder coops at this point. I bought...The Case for FairShares... I studied the websites to see how I could build this in [and to] see if there would be something interesting to the International Cooperative Alliance (ICA)... And that's what led to it being presented to the ICA Board [in Geneva, 2019]... Co-op Exchange has very, very big ambitions, which is the eradication of poverty."*

Steve Gill, VME Coop, Interview 24/09/2019 (E1, pp.9,12,14)

Mr Gill's testimonial (E1) reveals the FSM's impact pathway. It begins with reading articles that lead to the discovery of supplementary resources (e.g. websites, educational materials). In this case, they were applied to enterprise development at VME Coop, then shared with the International Cooperative Alliance for a new project to support sustainable development called the Co-op Exchange (SDG 1 - 'No poverty'). His testimonial identifies four distinct elements: i) adoption by social entrepreneurs (E1-E4), ii) embedding in development bodies (E5-E7), iii) active use of educational materials (E8-E9), and iv) legal innovation (E10).

##### Impact 1 – International Adoption of the FSM by Social Entrepreneurs

Steve Gill is an example of an adopter who changed his thinking from single stakeholder ownership to a multi-stakeholder cooperative model (E1). In 2016, other early adopters such as Rob Jameson at AnyShare (US) and Sam Tolands at Resonate (Ireland) **incorporated multi-stakeholder companies and cooperatives using FairShares model rules (R2,E2)**. In 2017, more adopters started advocating use of the FSM to pursue SDGs (R2, E3, E4). For example, Graham Boyd started UniOne Ltd, then published a book on creating FairShares Commons Companies that steward resources for future generations (E3). James Perry listed LocoSoco Group plc on the Weiner Borse exchange in Austria with a prospectus promising to create networks of FairShares eco-enterprises (E4, pp.12-23).

This is a small sample of the **150+ social entrepreneurs who have used the FairShares Rules Generator** to design multi-stakeholder companies, cooperatives, associations and partnerships (E2) across the world (Africa - 5, Asia - 3, Europe - 13, North America - 3, Oceania - 2). Each completed project (re)distributes voting power and trading surpluses amongst founder, labour, user and investor members. The financial impact can be significant. Steve Gill (E1, p.15) estimated that over GBP500,000 per year will be allocated amongst 35 members of VME Co-op once they have settled the debt for the purchase of VME. The workforce should collectively benefit by approximately GBP7,500,000 over 20 years.

*"[Paying off the debt] depends on the success of the business. It could be as long as 10 years. It could be as short as 3... It [also] depends on whether the business decides to list investor shares and use that to pay off the debt as well... We are looking at the long term - a 20-, 30-year strategy, as opposed to short term gains."*

Steve Gill, VME Coop, Interview, 7/10/2020 (E1)

##### Impact 2 – Multi-Stakeholder Model Embedding in Development Bodies

In 2016, the FSM's multi-stakeholder approach grew when infrastructure **organisations in Germany, Hungary, Croatia, Netherlands and the UK secured funding to create social enterprise incubators called FairShares Labs (E5, E7)**. This catalysed the creation of the FairShares Institute (FSI) at Sheffield Hallam in early 2017 (E6). With €336k of Erasmus+ funding, six project partners led by VSBI ([vsbi.eu/](http://vsbi.eu/)) and Social Enterprise International ([sei.coop](http://sei.coop)) adopted the multi-stakeholder model and embedded its concepts in web-based software (FairShares Platform and FairShares Planner). Materials have been translated into Hungarian, Croatian,

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German and Dutch (E5, E8). Between 2016 and 2019, **15 FairShares Labs and 55 FairShares projects were created** (E5, p.5) following the partners' methodology described in E7.

A German participant from Yvette en Vogue describes the impact of the methodology:

*"The workshops ran for three days and opened up topics surrounding business models, user-centric design methods, marketing, as well as financing around our key topic, fashion. [It] offered us ways to involve four students and two more labels within the FairShares development process."*

FairShares Lab, Newsletter #6, September 2019, Participant Report. (E5, pp.31-34)

Yvette en Vogue launched a range of responsibly produced kimonos in 2018 (SDGs 12, 13, 15), with an inclusive enterprise design that contributes to a circular economy (SDGs 8, 9, 10).

LocoSoco Group plc, trainers during the FairShares Labs project, listed for €12.9m on the Wiener Borse stock exchange in 2018 (E4, pp.3-5) and now supply eco-refill 'zero waste' stations (SDGs 12, 13) and eco-websites that sell high-quality, sustainable, eco-friendly products (SDGs 8, 9) (E4, pp.3-5).

### Impact 3 – Metaphor Switching in FSM Educational Materials in 19 Countries

The FairShares Labs embraced a change in thinking, switching the metaphor of Osterwalder's 'business canvas' (painting a picture) to a 'FairShares canvass' (democratic consultation). In 2018, the FairShares canvass was updated twice by Sheffield Hallam's FSI to ensure that the FSM's multi-stakeholder model was operationalised through 26 sub-questions that identify six forms of wealth creation (R5, R6, E8). This canvass's rejection of 'profit' as a success indicator in favour of new conceptions of wealth is embedded in the FairShares Platform, Planner and Course curricula (R5, R6, E8, E9, p.2). This became central to the education undertaken by 30 FairShares trainers and 100+ participants in 15 FairShares Labs (E5), culminating in **the creation of new curricula:**

*"Students will use a range of FairShares auditing and diagnostic tools to gather information needed to develop a plan for a FairShares enterprise. In the final stages...students will learn how to use a FairShares canvass to prepare for the creation of a new social enterprise."*

Source: <https://fairshares.education/courses>, (E9, p.1)

In 2019, the FSI at Sheffield Hallam supported this process by hosting final versions of courses online in multiple languages. An **additional 60 students from 19 countries enrolled to study the FSM's wealth creation framework** (<https://fairshares.education/>) and eight achieved Certified FairShares Practitioner awards (E9, pp.6-15). Each award, issued jointly by the FairShares Association and Social Enterprise International Ltd, affirms a participant's ability to explain, analyse and design multi-stakeholder enterprises that follow the FSM.

### Impact 4 – Embedding Multi-Stakeholder Governance through Legal Innovations

Operationalising the FSM is supported by legal innovations for companies, cooperatives, associations and partnership - so that voting power and surpluses are (re)distributed amongst founder, labour, user and investor members (R2, E10). Model rules published by Ridley-Duff (R2) were transformed into user-configurable model rules during the FairShares Labs project (2016-2019). Google forms and document templates have been used 232 times by 150 people across five continents up to November 2020 (E2).

After attracting an academic commentary from law and corporate governance scholars in 2018, Rory Ridley-Duff, Snook and Wren applied to the Financial Conduct Authority to register their innovations as model rules for FairShares Cooperatives (E10). After two rounds of revisions, **UK regulators accepted FSI model rules in September 2018**. A key issue was a legislative requirement under the Co-operative and Community Benefit Societies Act 2014, which frustrated the goal of equitable voting rights amongst different member classes during a special resolution. This was overcome through the introduction of a multi-stakeholder audit committee:

*"[By] requiring that the text of special resolutions is approved by a multi-stakeholder audit committee, [we] ensure that each member class is represented adequately, and there are*

*powers to block special resolutions if affected member groups have not approved the text of the resolution.”*

Sheffield Hallam’s response to Financial Conduct Authority lawyers, July 2018 (E10, p.23).

These provisions are **the first accepted by a UK regulator** that provides each stakeholder in a cooperative with a veto to stop special resolutions dismantling multi-stakeholder governance. The changes were added to model rules for FairShares Companies, shaping discussions with VME on their incorporation of a FairShares Worker Coop (E1, E3).

## 5. Sources to corroborate the impact

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- E1. Steve Gill, VME Coop, News and Background Interviews.** This news report, with corroborating interviews, confirms Steve Gill’s work with SHU Professor Rory Ridley-Duff on the conversion of VME Retail Systems to VME Coop.
- E2. Use of FairShares Rules Generator (November 2020).** This summary report shows the reach of the FairShares Rules Generator created by FSI staff (at SHU) to support the FairShares Lab project, showing instances and locations of social entrepreneurs generating governing documents for multi-stakeholder FairShares enterprises.
- E3. Graham Boyd, Evolutesix, FairShares Commons (UniOne).** This document shows Graham Boyd integrating Prof Rory Ridley-Duff’s work into his FairShares Commons project, evidenced in UniOne Ltd’s 2019 incorporation documents.
- E4. James Perry, LocoSoco Products, Prospectus and Listing.** This source shows the products, prospectus and listing for LocoSoco on the Weiner Borse exchange. It confirms use of ‘a tool built by Prof Rory Ridley-Duff of Sheffield Hallam University’ to create agreements for multi-stakeholder community-owned business.
- E5. FairShares Labs – Newsletters and Final Conference Report.** This source shows EU FairShares Lab project leader, Roger Schmidtchen, claiming the creation of 15 FairShares Labs, 55 FairShares Projects, 100+ FairShares Platform registrations, 30 trainers and impact reaching the African continent (Nigeria). Newsletters corroborate.
- E6. FairShares Institute - Project Outcomes.** This project brochure evidences the creation of the FairShares Institute (FSI) at SHU supported by HEIF. It includes information on the earliest adoptions and international panels of academics and practitioners.
- E7. Book on Creating Social Enterprises in FairShares Labs.** Published March 2020 through an update to IO1 of the Erasmus+ project ‘European FairShares Labs for Social and Blue Innovation’, Prof Rory Ridley-Duff and Dr David Wren co-authored and edited this book on the FairShares methodology. The cover pages confirm Sheffield Hallam University’s role.
- E8. FairShares Canvass - Social Enterprise Incubation Questions.** This source contains the planning document and final version of the FairShares Canvass co-authored by Prof Rory Ridley-Duff and Dr David Wren. The FSI’s work profoundly influenced the development of the FairShares Platform, Planner and Course curricula.
- E9. FairShares Education - Course Curricula, Users and Certificates.** This source shows the curriculum hosted on Moodle by the FSI at Sheffield Hallam University and its impact on the first Certified FairShares Practitioners. The list of self-registered users on the Moodle platform confirms the reach of the FSM.
- E10. Acceptance of FairShares legal innovations by the Financial Conduct Authority.** This source contains documentation confirming that the Financial Conduct Authority (FCA) accepted legal innovations for FairShares Co-operatives prepared by Prof Rory Ridley-Duff, Dr Jereme Snook and Dr David Wren. Innovations are detailed in responses of SHU staff to the lawyers who reviewed the innovations for the FCA.