Solidarity co-operatives: An embedded historical communitarian pluralist approach to social enterprise development?

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In this paper, we explore antecedents of the *FairShares Model* of social enterprise to answer the question “how has the concept of a ‘solidarity co-operative’ developed in the UK?” Our research on the antecedents of the *FairShares Model* uncovers a history of attempts to integrate entrepreneurs, producers, service users and investors using multi-stakeholder approaches to social enterprise. We argue that this (hidden) history is rooted in a growing acceptance of communitarian pluralist principles in the social and solidarity economy, but remains marginalised in the UK due to a powerful US discourse on social entrepreneurship. The *FairShares Model* represents a fresh attempt to advance communitarian pluralism in social economy through advocacy of ‘multi-stakeholder co-operation in member-owned social enterprises’.

Keywords: communitarianism; social economy; solidarity co-operatives; social enterprise; multi-stakeholder governance.

**Introduction**

This paper examines the antecedents of the *FairShares Model* – an approach to creating solidarity co-operatives\(^1\) that integrate the interests of founders, producers, consumers and small investors. In doing so, we seek an answer to the question “how has the concept of a ‘solidarity co-operative’ developed in the UK’s social enterprise movement?” We are motivated by an interest in the way ‘new co-operativism’, and its focus on solidarity co-operatives, disrupts the logic of the common bond in ‘old co-operativism’.\(^2\)

By tracking the antecedent works of contributors to the *FairShares Model* between 1978 and 2013\(^3\) we uncover a (hidden) history of communitarian pluralist alternatives to neo-liberalism in the social enterprise movement. This ‘new co-operativism’\(^4\) is part of an emerging social and solidarity economy that departs from ‘old co-operativism’ by regarding the common bond as something that is actively forged through acts of solidarity. Our paper, therefore, contributes to knowledge by clarifying the historical shifts that have led to the emergence of a social and solidarity economy, and how those shifts were expressed in the UK during its formative years.
The *FairShares Model*, as presented by the FairShares Association⁶, comprises a set of brand principles, social auditing questions, management diagnostic tools and choice of model rules for ‘self-governing co-operatives, mutuals and social enterprises’ consistent with an international definition of social enterprise⁶. We retrieved documentation created by the association up to May 2013⁷ to examine how its founder members’ commitment to “multi-stakeholder co-operation in member-owned social enterprises” developed over time.⁸

The paper is divided into five parts. We begin by building a theoretical framework to distinguish unitary and pluralist applications of communitarian philosophy in business. This provides us with proxy indicators to identify unitarist and pluralist forms of ownership, governance and management. Secondly, we review a range of secondary sources that reveal divergences in the co-operative movement between 1820 and 1970. We argue that different strands of co-operativism developed to emphasise the collective interests of consumers, workers and the wider community. We show how developments at Mondragon established the viability of multi-stakeholder (solidarity) co-operatives through its approach to banking, retailing and education. In the third section, we switch to primary sources to track how these historical influences shaped the work of founder members of the FairShares Association prior to publishing the *FairShares Model*. Lastly, we link the assumptions in antecedent model rules to the *FairShares Model*, then conclude by setting out the implications for social enterprise theory.⁹

**Communitarian Pluralism**

Communitarian pluralism is a distinct strand of thought within communitarian philosophy.¹⁰ Kant was amongst the first philosophers to lay the foundations for communitarian philosophy by arguing that people are profoundly influenced by social, cultural and historical processes, and that these shape their thoughts, desires, narratives of action and capacity for agency.¹¹ Communitarian philosophers critique the ontological assumptions of liberalism¹² by pointing out that individuality is a product of the social relationships within which it is expressed. Personality ‘traits’ are not innate as they are intimately linked to the cultures that shape individuals’ development.¹³
Driver and Martell\textsuperscript{14} identify three justifications for communitarianism: a sociological justification that people are primarily social beings, not isolated individuals; an ethical justification that ‘community’ is ‘good’ because collective provision secures individual well-being, and; a meta-ethical justification that because goodness and virtue are not fixed, they have to be discursively agreed and refined through dialogue within a community. This last point is particularly important because it suggests a system of dynamic development over time guided by democratic institutions. Table 1 shows Driver and Martell’s meta-theoretical framework for comparing ‘unitarist’ and ‘pluralist’ variants of communitarianism.

Table 1. Dimensions of Communitarian Philosophy Identified by Driver and Martell\textsuperscript{15}

<table>
<thead>
<tr>
<th>Conformist (Unitarist)</th>
<th>Pluralist</th>
</tr>
</thead>
<tbody>
<tr>
<td>More Conditional (rights conditional on responsibilities)</td>
<td>Less Conditional (rights not conditional on responsibilities)</td>
</tr>
<tr>
<td>Conservative (socially conservative)</td>
<td>Progressive (socially liberal)</td>
</tr>
<tr>
<td>Prescriptive (enforcement of social norms)</td>
<td>Voluntary (loose networks with varying social norms)</td>
</tr>
<tr>
<td>Moral (driven by religion / ideology)</td>
<td>Socio-Economic (driven by ‘relations of production’)</td>
</tr>
<tr>
<td>Corporatist (rights / responsibilities apply to organisations)</td>
<td>Individualist (rights / responsibilities apply to individuals)</td>
</tr>
</tbody>
</table>

A unitary form of communitarianism encourages conformity: it is socially conservative, encouraging self-discipline from community members in accordance with ideological or religious norms. Normative values apply to ‘legal persons’ as well as ‘natural persons’ creating an expectation that corporations will accept legal and social responsibility for community well-being. A pluralist form of communitarianism retains aspects of liberalism by favouring voluntary associations that permits a diverse range of social and political norms, loosely connected through networks and trading relations.

In the field of business, Bamfield views flour and bread societies as one of the earliest examples of a communitarian alternative to the individualism of free-markets\textsuperscript{16}. Co-operatives are characterised as enterprises with members who have a ‘common bond’ and who act collectively to
intervene into markets to protect and develop their economic, social or cultural interests. Bamfield represents them as a part of Thompson’s ‘moral economy’ committed to local ownership, socially-oriented markets, focussed on local (community) needs rather than export markets. The logic of the common bond is succinctly described by Parnell:

Members of the common bond group are those the enterprise was established to serve…for example: in a consumer co-operative, the common bond will be that they are all consumers; in an agricultural co-operative, all are farmers; in a credit union or building society, all savers and borrowers; and in a tenants’ housing co-operative, all are tenants.

This single-stakeholder conceptualisation of the common bond has oriented Anglo-American cultures towards a unitary form of co-operativism based on common ownership. This is evidenced by the slowness with which Co-operatives UK has recognised multi-stakeholder cooperatives in its guidance on co-operative identity. And yet, in Franco / Latinate cultures, the principles of solidarity co-operatives have spread. There are have been examples of practice for 50 years resulting in statutory legal frameworks about 20 years ago. Savio and Righetti described ‘cooperatives as a social enterprise’ after social co-operatives became a legal form in Italy (1991), and Quebec followed with a law for solidarity co-operatives a few years (1995). These events prompted Lund to describe ‘solidarity’ between two or more stakeholders as a new business model.

This pluralist turn slowly began to influence English language works on communitarianism. For example, Tam argued that communitarian enterprises can:

…treat workers, suppliers and customers, as well as their senior management and shareholders, as members of a shared community…Cooperation in this context does not mean bargaining to secure the best advantage for one's own group with minimal concession to others, but to developing shared values and long-term goals.

It is worth noting Tam’s key argument: it is possible to design enterprises so that multi-stakeholder principles become the norm, in which “workers, suppliers and customers…senior managers and shareholders” seek solidarity with each other by ‘developing shared values and long-term goals’. Both Lund and Tam argue that the impact of conflict between stakeholders is not always destructive – it depends largely on whether stakeholder can resolve their differences through
co-operative inquiry in democratic institutions. Where they can, their decision-making is superior to single-stakeholder enterprise because they secure the well-being of a wider range of stakeholders and create efficiencies that are impossible in single-stakeholder enterprises.

[Author 1] (between 2003 – 2012)\textsuperscript{22} and Coule (from 2007 – 2013)\textsuperscript{23} have produced studies that pinpoint the ownership, governance and management practices that (re)produce unitary and pluralist cultures in social enterprises.\textsuperscript{24} Drawing on these works, Table 2 sets out proxy indicators that help with interpretation of business practice:

Table 2. Dimensions of Communitarian Philosophy in Social Enterprise Theory and Practice

<table>
<thead>
<tr>
<th>Proxies for a Unitary Culture</th>
<th>Proxies for a Pluralist Culture</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ownership</strong></td>
<td></td>
</tr>
<tr>
<td>Single class of shareholders / members</td>
<td>Multiple classes of shareholders / members\textsuperscript{25}</td>
</tr>
<tr>
<td>Common ownership</td>
<td>Joint ownership / co-ownership\textsuperscript{26}</td>
</tr>
<tr>
<td>Owners / trustees from one stakeholder</td>
<td>Owners / trustees from multiple stakeholders\textsuperscript{27}</td>
</tr>
<tr>
<td><strong>Governance</strong></td>
<td></td>
</tr>
<tr>
<td>Centrally controlled governing bodies</td>
<td>Loose network of governing bodies\textsuperscript{28}</td>
</tr>
<tr>
<td>Representative democracy</td>
<td>Direct democracy / sociocracy\textsuperscript{29}</td>
</tr>
<tr>
<td>Single beneficiary group</td>
<td>Multiple beneficiary groups\textsuperscript{30}</td>
</tr>
<tr>
<td><strong>Management</strong></td>
<td></td>
</tr>
<tr>
<td>Dominant stakeholder prioritised</td>
<td>Reconciliation / negotiation of political interests\textsuperscript{31}</td>
</tr>
<tr>
<td>Line management / reporting</td>
<td>Matrix management / dual reporting\textsuperscript{32}</td>
</tr>
<tr>
<td>Employment / Individual entrepreneurship</td>
<td>Member relations / culture of cooperateurs\textsuperscript{33}</td>
</tr>
</tbody>
</table>

In the next section we use secondary sources cited in background documents retrieved from the FairShares Association, informed by our own additional literature review. This enables us to present an interpretation of the foundational influences on the *FairShares Model* based on historical developments between 1820 and 1978 (Figure 1).

**Collective Interests in the Co-operative Movement**

Robert Owen is identified as the person who shaped early developments in co-operative principles and his followers developed both producer and consumer co-operatives. He lived from 1771 - 1858 and rose to prominence through the creation of co-operative communities at New Lanark and New Harmony\textsuperscript{34}. Owen was regarded by Marx and Engels as ‘utopian’ for believing that poverty and
inequality could be replaced by co-operative societies within a ‘prosperous and harmonious community’\textsuperscript{35}. After some limited successes in the UK and US, Owen's writings on the formation of character through educational and working practices were overshadowed by the writings of Marx and Engels. However, Owen’s works formed an important strand of communitarian thought that resurfaced in later projects to build co-operative communities\textsuperscript{36}.

Owen inspired the Rochdale Pioneers (to whom the Co-operative Group and the International Co-operative Alliance trace their history). Charles Howarth, the author the first Laws and Objects of the Rochdale Society of Equitable Pioneers, and James Daly - the society's first secretary - were leaders of the ‘Owenites’ in Rochdale.\textsuperscript{37} Rochdale Principles, however, go beyond Owen’s vision of productive cooperation within an educated working class to more fundamental reforms based on one-person, one vote principles. They also advanced a new arrangement for sharing surpluses based on individual payments that reflected production and consumption activity. The 1944 film about The Rochdale Pioneers, based on George Holyoake’s histories, portrays Charles Howarth discovering the innovation of dividend payments in proportion to trading.\textsuperscript{38}

Cathcart notes that Owen influenced John Spedan Lewis\textsuperscript{39} who sought to create his own ‘co-operative society of producers’ in the 1930s. In this endeavour, he made ‘partnership’ a more important principle than ‘employment’ to encourage a culture that shared gains, information and power\textsuperscript{40}. He spoke out vehemently against both nationalisation (which he regarded as a pathway to soviet-style communism) and a private economy of "absentee-capitalists who [get] excessive reward for their function of saving and lending".\textsuperscript{41} Following bitter arguments with his father\textsuperscript{42}, JSL argued that owners should not receive more compensation than the professionals they hire to run companies.\textsuperscript{43}

The John Lewis Partnership (JLP) is now frequently cited as a model for both private and public sector reform.\textsuperscript{44} Following the transfer of ownership to the workforce, staff joined and became ‘partners’ and beneficiaries of an Employee Benefit Trust (EBT). It was the Chair of the EBT, rather than individual workers, who owned the shares in John Lewis Department Stores and Waitrose until
the formation of a trust company. Initially some partners held shares, but over time a trust acquired them and partners received profit-shares through the trust rather than individual dividend payments based on capital holdings.\textsuperscript{45} The constitution permitted the workforce to elect 80\% of the Partnership Council responsible for social development, and 40\% of the board responsible for commercial decisions. As a Trust owned enterprise, JLP technically became a commonly owned rather than jointly owned enterprise, but its governance and management systems are underpinned by communitarian pluralist assumptions (loose network of governing bodies; negotiation of political interests; sociocratic (circular) self-organising; matrix management / dual reporting; member-relations within a co-operative culture).\textsuperscript{46}

The Co-operative Retail Society (now part of the Co-operative Group)\textsuperscript{47}, in contrast, developed a system of individual membership based on Rochdale Principles (formalised in 1957). Unlike John Lewis, UK consumer co-operatives adhered to the tradition of members providing share capital. However, many societies have not updated the value of early shareholdings. The £1 share contribution paid today is worth less than 1/500\textsuperscript{th} the contribution of co-operative shareholders in 1844.\textsuperscript{48} As co-operative societies (both consumer and worker owned) were initiated by member contributions, they were \textit{jointly owned} enterprises that created both individual and cooperative capital\textsuperscript{49} for members and which was divided between individually owned member accounts and commonly owned capital reserves.

Rochdale Principles and Owen’s interest in producer co-operation were important to Fr. Arizmendi at Fagor\textsuperscript{50}. Arizmendi is credited with co-creating the Mondragon co-operatives with his students in the Basque region of Spain\textsuperscript{51}. He drew on Owen’s writings about education and the Rochdale Principles of one-person, one-vote and surplus sharing.\textsuperscript{52} In adapting them, Mondragon’s founders developed single-stakeholder industrial (worker) co-operatives and solidarity co-operatives in banking, retailing and education.\textsuperscript{53} Fagor, as outlined by Molina\textsuperscript{54}, was instigated by Arizmendi to reinforce Christian ideals for a new entrepreneurial order that valued work over capital, and solidarity between workers and the wider community. The amounts invested by - and distributed to -
individual members were much higher than the Co-operative Group. Nevertheless, the system retained the co-operative principle of member contributions, interest on capital and an entitlement to a share of surpluses. However, at Mondragon, member’s initial capital contributions are divided: 20% goes to an indivisible reserve while the other 80% is retained in personal accounts. This system of joint ownership (in personal accounts) and common ownership (in collective funds) result in a socially liberal form of communitarianism. It reinforces individuals interest in exercising their ‘voice’ in governing bodies whilst delegating some decision-making power to elected officials.

It is the evolution of systems for promoting solidarity at Mondragon (particularly in banking, retailing and education) that we see as significant to the later development of solidarity co-operatives. After 1960, a community bank (Caja Laborale) provided capital for new co-operative enterprises by raising funds from the local community (until neo-liberal banking reforms required it to diversity its sources of capital\textsuperscript{55}). While John Lewis and Mondragon’s industrial co-operatives were employee-owned, and the Cooperative Retail Societies were consumer-owned, the Caja had features of both. Bird reports that a sophisticated system for joint worker and consumer membership developed\textsuperscript{56} \textsuperscript{57}. Governing councils elected both worker and consumer representatives. Within the bank, the distribution of surpluses to workers was designed to encourage solidarity in another way: it was based on the profitability of the bank’s co-operative business customers, not on the profitability of the bank itself.\textsuperscript{58}

The models of solidarity at Mondragon represented an early intersection between communitarian philosophy and pluralism in ownership, governance and management, and this co-operative model was first communicated to an English-speaking audience through Oakeshott’s book on worker co-operation in 1978.\textsuperscript{59} The application of communitarian pluralism at Mondragon resulted in business models with indivisible collective capital and divisible individual capital, accompanied by a wider distribution of capital and higher levels of democratic participation.\textsuperscript{60} In front-line co-operatives (banking, retailing, education) multi-stakeholder principles were applied to ownership and governance. Even in single-stakeholder industrial co-operative, the governance
system is pluralised by having management, social and governing councils within each firm. Firms are ‘member-owned’, not ‘investor-owned’, committed to socialisation\(^{61}\) rather than privatisation by ensuring that capital holdings and dividends are widely dispersed and based on a member’s activities.

There is, however, another trajectory in history that we need to consider if we are to understand the intellectual antecedents of the *FairShares Model*. This comes from the conscious effort of founders and worker-owners engagement in entrepreneurship that has a positive impact on the well-being of people and the environment. In the next section, we consider how this has led to the field of social entrepreneurship and the emergence of social enterprise as a business concept.

*Social Entrepreneurship*

Since the early 1990s, entrepreneurial action in pursuit of social goals has been actively developed as an academic discipline.\(^{62}\) Alvord *et al*, argue that social entrepreneurship has been theorised in a multitude of ways: as business practices that make social organisations viable\(^{63}\); as action that improves the well-being of marginalized communities\(^{64}\), and as the reconfiguration of existing resources to improve welfare.\(^{65}\) Recently, more focus has been placed on the value propositions of social entrepreneurs\(^{66}\), the ‘shared value’ they create\(^{67}\) and the social innovations that sustain them.\(^{68}\)

Whilst the US discourse is frequently linked to Muhammad Yunus’ notion of private sector support for entrepreneurially driven social businesses, Yunus himself identified a ‘second type’ that marries community action with a co-operative model of ownership and control. This model of solidarity and co-operation is designed to ensure that “social benefit is derived from the fact that dividends and equity growth...benefit the poor, thereby helping them to reduce their poverty or even escape it altogether”.\(^{69}\) Significantly, it was the second model, and not the first, that underpinned the Grameen Bank in 1976\(^{70}\) (a project that led to Yunus winning a Nobel Prize in 2008). This consumer-owned bank is now owned by its producer members. The bank lends money to members to fund their production (not their consumption) activities. In this way it mirrors the logic of the *Caja Laborale* at Mondragon, but at a micro rather than a mezzo or macro level.\(^{71}\)
Robert Owen, the Rochdale Pioneers, John Spedan Lewis, Fr. Arizmendi (and those that followed them) also engaged in the creation of ‘second type’ social businesses by using knowledge of entrepreneurship and ownership arrangements instrumentally to ensure dividends and equity were spread widely throughout the communities on which they depended. Their social entrepreneurship is expressed through social innovations in the constitution of organisations to secure solidarity and well-being for founders, producers, consumers and small investors. Indeed, their work reframes who a ‘primary stakeholder’ is by redefining the role and rights of capital, criteria for enterprise membership, and the arrangements for decision-making.

However, we cannot complete this early history without integrating the work of Jaroslav Vanek. He argued that Yugoslav labour-managed firms bridged a social divide by removing the incentive for managers to distance themselves socially from production workers. The logic of Vanek’s argument is used to explain the achievements at Mondragon and John Lewis (see Ellerman, Turnbull and Erdal). They each argue that removing the employment relationship (within the firm) removes the mechanism by which labour is impoverished. The idea of a market economy in which firms are organised as member-owned enterprises is a key departure from existing norms in the private, public and charity sectors. Moreover, Golja and Novkovic state that the arrangements in the former Yugoslavia oriented its social economy toward a multi-stakeholder model, not the single-stakeholder model popularised in Anglo-American settings. This being that case, it provides a “platform for multi-stakeholder participation (workers, producers, sellers and buyers)”.

In Figure 1, we summarise our interpretation of these secondary sources to show how consumer, worker and solidarity co-operatives represent different strands of development within the wider co-operative movement.
Identifying a Multi-stakeholder Orientation in the UK Social Enterprise Movement

We now turn to our attention to primary sources to examine the period 1978 – 2013, and how the integration of worker, consumer and societal interests became a theme in the early development of social enterprise in the UK. 78 In the next section, we integrate findings from interviews and correspondence with founders of the FairShares Association, cross-referenced with documentation retrieved between Feb – May 2013.

Southcombe - one of six founders of the FairShares Association - describes social enterprise as a reaction to the collapse of industries in the 1970s:

For me, social enterprise emerged from the community enterprise movement that had rejected capitalist, state and charitable solutions to problems caused by the collapse of traditional industries chiefly in the north of England and Scotland [late 1970s/early 1980s]. I probably include a rejection of traditional community development in this – seeing the community economy and the ownership of assets as key rather than a group work approach that puts the emphasis on individual development. It came too from a frustration with the cooperative movement not being able to give us the models or tools to work with – and so we had turned to
creating Companies Ltd by Guarantee and holding companies to increase the democratic nature of our enterprises. This allowed communities to own the assets but workers and volunteers to own the enterprises. The community could use the power of landlord to impose social goals – hence the start of social auditing.79

The reference to the start of social auditing enables us to date the shift in attitudes. The first Social Audit Toolkit (which also contains the earliest English language definition of social enterprise80) was published by Freer Spreckley in 1981.81 It captures work on social auditing that started at Beechwood College in 1978.82 Importantly, one of the UK’s most influential social enterprise advisers (Jim Brown) served as Principal Trainer at Beechwood from 1981 – 1984, then went on to publish a book and journal article on equity capital for co-operative and social enterprises.83

In this study, therefore, we corroborate that social enterprise activity in the UK aligned with international support for solidarity co-operatives in Spain84, Italy85, Canada86 and Bangladesh87. In 2010, we interviewed Geof Cox about his Stakeholder Model rules. He described how his thinking developed in the mid 1980s. We found further evidence of attempts to develop solidarity in interviews with Morgan Killick (ESP Projects Ltd), Linda Banks (Co-operatives UK), and [Author 1]: all were all involved in writing module rules for multi-stakeholder social enterprises.

We examine those interviews further to collate the influences that became the direct antecedents of the FairShares Model. Specifically, we examine:

1) Stakeholder Model Ltd devised by Geof Cox Associates (mid 1980s – 2010);
2) NewCo Model devised by Morgan Killick and Bill Barker at SCEDU (mid 1990s – 2013);
4) Co-operative CIC Model devised by Co-operatives UK (2002 – 2007);

Each set of model rules restructured capital to represent different collective interests. As such, they represent early UK attempts to develop solidarity co-operatives. However, in three of the four antecedents, the interests of social entrepreneurs have been protected and equity investments are permitted. In line with ‘new co-operativism’ each model “did not necessarily have tight links to
older co-operative movements [or spring from] pre-existing co-operativist sentiments”\(^{88}\). Table 3 shows the capital structures devised and authors’ accounts of academic and practitioner influences.

**Table 3 – Direct Influences on the Antecedents of the FairShares Model.**\(^{89}\)

<table>
<thead>
<tr>
<th>Model</th>
<th>Practitioner influences cited</th>
<th>Theoretical influences cited</th>
</tr>
</thead>
<tbody>
<tr>
<td>Stakeholder Model Ltd offers:</td>
<td>- Kermase Food Co-operative / Fair Trade Movement (1980s)</td>
<td>- Co-operative journals / readings. (1980s/90s)</td>
</tr>
<tr>
<td></td>
<td>- New Labour debates about the retention of ‘Clause 4’ and common ownership. (mid 1990s)</td>
<td>- Paul Golan and Anthony Jensen’s writings on industrial relations. (^{90}) (1990s)</td>
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<td></td>
<td>- Lippy People (David Tomalin)</td>
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</tr>
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<td></td>
<td>- North East Music Co-operative Ltd</td>
<td></td>
</tr>
<tr>
<td>Co-operative CIC devised to ‘consult’:</td>
<td>- Co-operative Legal Services</td>
<td>- Rochdale Principles. (^{91})</td>
</tr>
<tr>
<td></td>
<td>- Society Law (IPS)</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Member consultations (2003 – 2007)</td>
<td></td>
</tr>
<tr>
<td>NewCo Model devised to offer:</td>
<td>- Sheffield Community Economic Development Unit (Bill Barker / Dave Thornett) – (2002 / 3)</td>
<td></td>
</tr>
<tr>
<td>Surplus Sharing Model devised to offer:</td>
<td>- Democratic Business Ltd (Gavin Boby) – 1999 - 2001</td>
<td>- Readings on ‘political economy’, particularly work by Karl Polanyi. (^{92}) (1990s)</td>
</tr>
<tr>
<td></td>
<td>- Sheffield Co-operative Development Group (Alan Dootson) - 2001</td>
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<tr>
<td></td>
<td>- Employee Ownership Association (under David Erdal) – 1999</td>
<td></td>
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<tr>
<td></td>
<td>- School Trends Ltd (Peter Beeby and Rick Norris) – 2002 - 2005</td>
<td></td>
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<tr>
<td></td>
<td>- Mondragon Corporation (field visit hosted by Mikel Lezamiz) - 2003</td>
<td></td>
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<td></td>
<td>- Dr Poonam Thapa – 2006</td>
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Cox’s model is of particular interest because it shows the conscious shift to multi-stakeholder principles but also opposition from established members of the co-operative movement who sought to retain single-stakeholder models based on common ownership. Similarly, the Cooperative CIC (Community Interest Company\(^{95}\)) is of interest because it shows Co-operatives UK responding to debates initiated by New Labour’s strategy for social enterprise in 2002. However, this time the
sentiments have been reversed. In the 2000s, it was the government who considered and rejected statutory rules for multi-stakeholder governance (unlike the governments of France, Italy and Quebec). Co-operatives UK - which had admitted worker co-operatives into its governing bodies after the Co-operative Commission reported in 2001 - shows receptivity to the idea of multi-stakeholder governance, even as it still resists the idea of multi-stakeholder ownership.96

All other antecedents promoted multi-stakeholder ownership. Before 2007, each evolved independently, influenced in different ways by the history set out in Figure 1. After 2007, as a result of meeting at networking events and social enterprise conferences, conscious convergence began. [Author 1] evidences the interactions between the authors of different models by citing the influence of the NewCo model and Stakeholder model on the Surplus Sharing model97. By 2010, the Stakeholder Model, NewCo Model and Surplus Sharing Model had fully evolved multi-stakeholder systems of ownership and governance that attempted to enfranchise consumers and workforce members without completely marginalising social entrepreneurs or third-party investors.

Stakeholder Model used ‘Stewardship Shares’, the NewCo model used ‘Class A Shares’ and the Surplus Sharing model uses ‘Founder Shares’ to secure recognition and voice for social entrepreneurs. Similarly, the same three models (unlike the Cooperative CIC) includes share types that capture market value in a share price. Producers were enfranchised by Partnership Shares in the Stakeholder Model, Class C Shares in the NewCo Model and Labour Shares in the Surplus Sharing model. The latter two converged by adopting co-operative share characteristics (par value with dividend rights, but not capital growth rights)98. However, both retained capital growth rights in another share type (Class A/B shares in the NewCo model and Investor Shares in the Surplus Sharing Model). Holders of co-operative shares could acquire asset / dividend rights normally associated with ordinary shares in a private company. The Stakeholder Model adopted a different but similar approach. Stewardship Shares acquired only voting rights while Partnership and Investment Shares acquired dividend and capital growth rights.
These antecedent models, therefore, embedded a range of rights and rewards for entrepreneurs, producers, employees, customers, service users and small investors. Two even revive the voting approach of the 1862 Companies Act. Toms point out that it was common for Companies to use a show of hands in decision making (one-member, one-vote) up to 1900, and that Table C provided model articles for one-shareholder, one-vote in all decisions. After 1900, law handbooks started to recommend the abandonment of one-shareholder, one-vote to serve the interests of larger shareholders. The Co-operative CIC and Surplus Sharing Models return to the pre-1900 norm by opting for company law (for flexibility), low denomination shares (to encourage widespread member-ownership) and ‘one shareholder, one vote’ principles. All these preferences have been carried forward to the *FairShares Model*.

The Surplus Sharing model ([Author 1]) was also influenced by Major’s work on ‘value-added’ sharing. This differs in an important way from profit-sharing because it shares out the increases in market value, not just trading (cash) surpluses. Major suggested that non-voting value-added shares (NOVARS) could be distributed to ensure producers capture some of the capital gains their work creates. The Surplus Sharing Model carried forward this principle and in the *FairShares Model* it is extended to include consumers. The process was updated to issue Investor Shares to people who work in (or use the services of) the social enterprise in proportion to ‘qualifying contributions’ devised by members. However, co-operative principles are still retained because no additional votes are acquired by Investor Shareholders (one-shareholder, one-vote principles still apply). They gain entitlements to share capital gains and surpluses, but do not have increased voting power.

In Figure 2, we show our interpretation of the way attitudes to consumer, worker and solidarity co-operatives (in Figure 1) led to the principles (and share types) adopted in Stakeholder Model, the Cooperative CIC, NewCo and Surplus Sharing Model (Table 3). We also set out how these were adopted in the *FairShares Model* (further details are provided in Table 4).
This shift from a unitary communitarianism based on single-stakeholder cooperative / mutual models to a pluralising form of communitarianism is seen by Southcombe as the *continuation* of what he and his peers started at Beechwood College in 1978.

For me, FairShares emerges as a direct continuation of our original movement – a bit like a ship out of the fog powered by the latest engineering – reminding us about the founding values of the movement (the desire and the need to build our wealth creation machinery on a small scale, socialised, enterprises co-operating and co-existing with each other trying to answer the big question about what sort of world we all want to live in).\(^{104}\)

To complete our interpretation of findings, Table 4 summarises the principles in the antecedent models that were carried forward and adapted in the *FairShares Model*. To show the links with communitarian pluralism we organise these using the proxy indicators set out in Table 2.
Table 4 – Communitarian Pluralism in Antecedent Models and FairShares Model

<table>
<thead>
<tr>
<th>Proxy Indicator (from Table 2)</th>
<th>Terminology in Antecedent Models</th>
<th>Terminology in FairShares Model</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Ownership</td>
<td></td>
</tr>
<tr>
<td>Multiple share classes</td>
<td>• Stewardship / Class A / Founder</td>
<td>➔ Founder Shares</td>
</tr>
<tr>
<td></td>
<td>• Partnership / Class B Shares</td>
<td>➔ User Shares</td>
</tr>
<tr>
<td></td>
<td>• Partnership / Class C Shares / Labour</td>
<td>➔ Labour Shares</td>
</tr>
<tr>
<td></td>
<td>• Investor / Class A Shares</td>
<td>➔ Investor Shares</td>
</tr>
<tr>
<td>Joint / co-ownership</td>
<td>• Co-ownership (individual / organisational members)</td>
<td>➔ Founder, user and labour shareholders acquire investor shares.</td>
</tr>
<tr>
<td>Owners from two or more stakeholders</td>
<td>• At least three classes of shareholder (stakeholder) at incorporation.</td>
<td>➔ 1 class at incorporation (founders), with constitutional provisions for creating the other classes in the first 3 – 5 years.</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Network of governing bodies</td>
<td>• Preference for unitary boards elected from each class of shareholder</td>
<td>➔ Main/sub boards elected by shareholder classes (elections triggered by a member threshold fixed at incorporation).</td>
</tr>
<tr>
<td>Direct democracy / Sociocracy</td>
<td>• All stakeholders have a route to membership</td>
<td>➔ All stakeholders have a route to membership, plus explicit protection of minority interests (special resolutions) and mediation to resolve member conflicts.</td>
</tr>
<tr>
<td>Multiple beneficiary groups</td>
<td>• Limited protection of minorities</td>
<td>➔ Founder, User, Labour and Investor Shareholders; “community dividend” as an 'asset lock' for public/charitable grants.</td>
</tr>
<tr>
<td></td>
<td>• Stewards / Partners / Investors</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Class A, B and C shares</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Founders, Labour and Investors</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Reconciliation / negotiation of political interests</td>
<td>• Electoral college in general meetings</td>
<td>➔ One member, one vote for ordinary and special resolutions; electoral college when a poll is called; one class, one-vote for special resolutions.</td>
</tr>
<tr>
<td>Matrix management / dual reporting systems</td>
<td>• Employees holding a balance of power</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Shareholder classes with the same rights in general meetings.</td>
<td></td>
</tr>
<tr>
<td>Member relations / culture of associative entrepreneurship/democracy</td>
<td>• Mix of entrepreneur(s) as main decision-maker(s) and dual reporting to executives and shareholders.</td>
<td>➔ Accountability to executives, shareholder classes and IP creators.</td>
</tr>
<tr>
<td></td>
<td>• Mix of member-ownership culture with strong board, and user / producer representation.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Entrepreneurial culture moderated / constrained by member-ownership</td>
<td></td>
</tr>
</tbody>
</table>

Conclusions

We have gone some way to answering the question “how has the concept of a ‘solidarity co-operative’ developed in the UK’s social enterprise movement?” We started by showing how the co-operative movement favoured single-stakeholder enterprises that enabled workers and consumers to intervene into the market to protect their interests. However, in the 1960s/70s some co-operatives...
in Spain integrated workers and consumer in their ownership and governance to express solidarity. Our study finds that the first 20 years of the social enterprise movement in the UK (before links to the charity sector and private sector were strengthened at the initiation of the New Labour government) was aligned with developments in France, Italy, Canada and Asia to advance solidarity and a ‘new co-operativism’.

After the 1990s, multi-stakeholder models have thrived outside the UK, notably by acquiring political and legal support in Italy, France, Canada and North America. However, in the UK the government consultation of 2002 / 3 signalled a shift to US model of social entrepreneurship to satisfy funders of the voluntary and charity sector. Nevertheless, this study shows that multi-stakeholder social enterprise models did not stop developing, but were marginalised by a government initiated discourse.

By 2012, Co-operatives UK responded to the marginalisation of multi-stakeholder co-operatives by updating their classification system for co-operative identity signalling that they now accept solidarity co-operatives as a legitimate form. This occurred at the same moment that social enterprise theory was updated to encourage to recognise the distinction between single-stakeholder ‘social purpose enterprises’ and multi-stakeholder ‘socialised enterprises’. This opens up new avenues for researchers to investigate whether the Anglo-American sphere of influence is weakening and the continental model favouring solidarity co-operatives is recovering.

As Southcombe suggests, communitarian pluralism – as envisaged in the FairShares Model – represents a new chapter in the conscious break with voluntary sector philanthropy by making commitments to joint ownership and participatory management. It also breaks with the public sector norm of common ownership by seeking to add share classes that facilitate co-ownership. Lastly, it revives the egalitarian tradition of one-shareholder, one-vote principles that were popular when company law was first established, but which continued mainly through co-operative societies.

Given all this, we believe that a re-interpretation of social enterprise history is needed. Theorists who have come to define social enterprise by its commitments to asset locks and
philanthropic sentiments do so on the basis of institutional commitments in the late 1990s, rather than the late 1970s. The conscious attempt to break with past traditions in the period 1976 – 1979 that set the social enterprise movement on a course consistent with the solidarity co-operatives of Italy, Spain, UK and Bangladesh – needs to be distinguished from the historical pursuit of single-stakeholder enterprises linked to a unitary communitarianism. We see a distinction between a communitarian discourse that is reactionary in its attempt to restore norms from an early period of history (or limit multi-stakeholding only to governing body appointments), and the communitarian pluralist discourse that developed in the late 1970s that encouraged solidarity amongst shared ownership amongst producers, consumers and their supporters.

By developing a set of proxy indicators for communitarian pluralism in the field of social enterprise, we provides a new way for scholars and practitioners to distinguish ‘old’ and ‘new’ co-operativism. The emergence of the FairShares Model contributes to the paradigm of new co-operativism in the field of social enterprise through its focus on solidarity between founders, producers, consumers and small investors. It reshapes the concept of a common bond as something that emerges from the joint endeavour of creating a social enterprise.

Word Count: 7,460 (excluding notes/references), 9,288 (with notes/references).

Notes

1 Lund, ‘Solidarity as a Business Model’.
3 Prior to the formation of the FairShares Association.
5 FairShares Association Conference, 1st July 2014, Sheffield
6 [Author 1] et al., 2013, p. 4. See also, http://www.socialenterprisecoeurope.co.uk/what-is-social-enterprise/.
7 This is possible because the association’s policy of publishing all its documentation with a Creative Commons Licence.
8 The strapline was agreed by its members and supporters on Loomio.org, Sept 2014. For evidence of application see http://www.fairshares.coop.
12 Avineri and Avner de-Shalit, ‘Communitarianism and Individualism’.
ibid, pp. 29-33.

16 Bamfield, ‘Consumer Owned Flour and Bread Societies’.
17 Birchall, J., ‘People-Centred Businesses’.
18 Parnell, ‘Co-operation: the beautiful idea’, p 13. Edgar Parnell is the former CEO of the Plunkett Foundation which supports community co-operatives.
19 Atherton et al., ‘Practical tools for defining co-operative and mutual enterprises’. Multi-stakeholder cooperatives were added as a category in membership policy guidance only in 2012.
21 Tam, ‘Communitarianism’, p. 10.
24 See REF Impact Case, 2014 on [Title] at [URL].
26 Gates, ‘The Ownership Solution’; Brown, ‘Co-operative Capital’; Reeves, ‘CoCo Companies’
30 Vinten, ‘Shareholder versus Stakeholder’; [Author 1], 2007; Chadwick-Coule, ‘Social Dynamics and the Strategy Process’.
31 Amin, ‘Social Economy’; [Author 1] and [Co-Author], 2011; Smith and Teasdale, ‘Associative Democracy and the Social Economy’.
32 [Author 2] and [Co-Author], 2006; [Author 2], 2007; Catcl, ‘Directing Democracy’, ‘Paradoxes of Participation’.
37 Wilson, Shaw and Lonergan, ‘Our Story: Rochdale Pioneers Museum’
38 Holyoake, ‘Self-Help by the People’ and ‘The History of Co-operation’
39 Lewis, ‘Partnership for All’ and ‘Fairer Shares’ cited in Cathcard, ‘Directing Democracy’
40 Lewis, ‘Fairer Shares’ (Part 1).
42 Cathcart, ‘Directing Democracy’. She highlights an argument after JSL’s father drew a dividend larger than the annual wage bill for his 300 staff.
43 Paranque and Willmott, ‘Co-operatives: Saviours or Grave-Diggers of Capitalism?’; Lewis, ‘Fairer Shares’.
44 A Google search for the term "John Lewis Economy" (exact match) yielded 66,600 hits, while the terms "John Lewis State" (exact match) yielded 730,000 hits on 1st July 2013.
45 Spedan-Lewis, ‘Fairer Shares’.
46 Erdal, ‘Beyond the Corporation’; [Author 1], 2012.
47 Created out of the merger of the Co-operative Wholesale Society and Co-operative Retail Society in 2000.
48 See Toms, ‘Producer co-operatives and economic efficiency’ for evidence of widespread working class ownership of producer co-ops in North West England. The Rochdale Pioneers Museum contain evidence that weekly wages dropped below £1 prior to 1844. A £1 share cost more than most members’ weekly wage. In April 2013, the ONS estimated the median weekly salary in the UK was £517.
49 Brown, ‘Equity Finance for Social Enterprises’.
Molina, ‘Fagor Eletricodomésticos’


[Author 1], 2010.

Molina, ‘Fagor Domésticos’.

Bird, ‘Co-operation and business services’

Bird, ‘Co-operation and business services’. This personal communication on 24th June 2013 after reading Alex’s book chapter on Mondragon in a Co-operative and Mutuals Wales publication. By 2013, 43% of the bank was worker-owned, and 57% consumer owned.

Based on field notes collected by [Author 1] during a field visit on 5th/6th March 2003. During the trip, it was explained by Mikel Lezamiz that workers were more interested in long term planning, justifying their presence on the board.

Whyte and Whyte, ‘Making Mondragon’; Davidmann, ‘Co-op Study 7’;

http://www.solhaam.org/articles/mondra.html

Oakeshott, ‘The Case for Worker Co-operatives’.

Restakis, ‘Humanising the Economy’. He reports that Italian co-operative limit worker ownership (often to around 20% of the workforce) ostensibly to limit the influence of the Mafia. At Mondragon, membership by workers is typically above 80%.

[Author 1] and [Co-Author], 2012; [Author 1], 2012.

Harvard University established its social enterprise initiative in 1993.

Alvord et al., ‘Social entrepreneurship and societal transformation’; Emerson and Twerksy, ‘New Social Entrepreneurs’.

Dees, ‘Enterprising Non-Profits’; Nicholls, ‘Social Entrepreneurship’.

Uphoff, ‘Reasons for Success’.

Martin and Osberg, ‘Social Entrepreneurship: The Case for Definition’; Chell, ‘Social Enterprise and Entrepreneurship’

Porter and Kramer, ‘Creating Shared Value’.


Jain, ‘Managing credit for the rural poor: lessons from the Grameen Bank’.

At Mondragon, money was lent by members of the community to fund production in industrial worker co-operatives (often a scale). In contrast, the loans at the Grameen Bank initially funded individual or household production. The logic, however, is similar. Producers owned the bank (as consumers of the banks services).


After the Yugoslav wars, Yugoslavia divided into: Croatia, Slovenia, Macedonia, Bosnia and Hertzegovina and the Federal Republic of Yugoslavia (Serbia). In 2006, Montenegro separated from Serbia.

Ellerman, ‘Entrepreneurship in the Mondragon Co-operatives’ and ‘The Democratic Worker-Owned Firm’

Turnbull, ‘Stakeholder Democracy’, ‘Innovations in Corporate Governance’ and ‘A New Way to Govern’


See Arthur et al., ‘Developing an Operational Definition of the Social Economy’.

Email from Cliff Southcombe (MD, Social Enterprise Europe Ltd) to John Parman (PhD candidate), 5th August 2014. Copied to [Author 1] in his capacity as a non-executive board member of [Organisation]. The author has granted permission to quote his emails.

See [Author 1] and [Co-Author], [Title to be supplied on publication]

And the 2nd edition was co-authored with Southcombe in 1994.


Brown is also the author of the Institute of Leadership and Management course in Social Enterprise Support and the strategic adviser to the UK’s Community Shares Unit (source: LinkedIn). For academic contributions see ‘Co-operative Capital’ and ‘Equity finance for social enterprises’.

BBC, ‘The Mondragon Experiment’.

Savio and Righetti, ‘Cooperatives as a social enterprise’
Lund, ‘Solidarity as a business model’.
Jain, ‘Managing credit for the rural poor: lessons from the Grameen Bank’.
See Cases 7.1 - 7.4 in [Author 1 and Author 2], 2011. Chapter 7 includes a comparison of the cases. In [Author 1, 2012], an updated comparison of three of the antecedent models is provided. In the 2012 paper, mention is also made of Somerset Rules that evidence multi-stakeholder designs under IPS law.

Gollan and Jensen, ‘What’s Next for IR in Australia?’
Holyoake, ‘The History of Co-operation’.
Polanyi, ‘The Great Transformation’.

Major, ‘Solving the Under-Investment and Degeneration Problems of Worker Co-ops’, ‘The Need for NOVARS’; Major and Boby, ‘Equity Devaluation, The Rarity of Democratic Firms, and Profit Shares’. Major and Boby presented their findings in a conference on Vanek’s work, and also make specific mention of The Democratic Firm by David Ellerman as a key source.

Coad and Cullen, ‘The Community Company Model’.

See http://www.cicregulator.gov.uk/cicregulator/about-us for further information on CICs.
Further evidence of this resistance at Co-operatives UK comes from the activities of Somerset Co-operative Services who sought the approval of Somerset Rules in 2009 on the basis that Co-operatives UK had no model available permitting more than one class of member. See http://www.somerset.coop/p/somerset-rules-registrations.html.

[Author 1]’s model rules include a revisions history that provides brief details of changes made between November 2007 and June 2010. This evidences the sharing of materials with the Common Cause Foundation established by Geof Cox and changes introduced after discussions with Morgan Killick.


Major, ‘Solving the under investment problems of worker co-operatives’.
The difference can be large. At Gripple (an employee-owned firm based in Sheffield with over 300 employee-owners), the value of the firm is calculated as 30x the previous year’s dividend to employee owners. Therefore, each £1 of ‘dividend’ represents £30 of ‘value-added’.

Major, ‘The Need for NOVARS (Non-Voting Value Added Sharing Renewable Shares)’.

“Member Shares” in the FairShares Model V2.0 are allocations of Investor Shares to Labour and User Shareholders that represent 50% of the capital gain after a 30% deduction for reserves. The other 50% updates the ‘Fair Price’ of Investor Shares.

Southcombe, email as MD of Social Enterprise Europe Ltd to John Parman (PhD candidate), 5th August 2014. The author has given permission to quote.


See Teasdale, ‘What’s in a name?’ for an account of the drift away from the co-operative model.

[Author 1], 2007.

Atherton et al. ‘Practical tools for defining co-operative and mutual enterprises’.

[Author 1] and [Co-Author], 2012; Birchall, ‘A Member-Owned Business Approach’.

Vieta, ‘The New Co-operativism’
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Chadwick-Coule, T. M. ‘Social dynamics and the strategy process: Bridging or creating a divide between trustees and staff’, *Non-Profit and Voluntary Sector Quarterly*, 40 (2011): 33-56.


Paranque, B. and Willmott, H. *Cooperatives - saviours or gravediggers of capitalism? The case of the John Lewis Partnership*, Paper to Interdisciplinary Centre of Social Sciences, University of Sheffield, 8th May, 2013.


