#WeAreTwitter and the FairShares Model

by Rory Ridley-Duff, Sheffield Business School

The recent *Guardian* article ("Here's my plan to save Twitter: let's buy it", 29th Sept) by Nathan Schneider argues for the transformation of Twitter into a platform cooperative. It has caught the imagination of supporters because 2,000 of them have signed a Change.org campaign to "Free Twitter from Wall Street". Klint Finley has now added some substance ("Let's build the next Twitter like the Green Bay Packers", *WIRED*, 7th Nov) by affirming that Twitter could thrive under an ownership model similar to Barcelona FC in Spain. However, in identifying that Schneider's plan has precedents and some support amongst key Twitter owners, he states that "No one is really sure what a cooperative Twitter would look like ... or exactly how to make it happen."

That's not strictly true.

The FairShares Association—a project backed by Social Enterprise Europe and created by students and lecturers at Sheffield Business School in the UK—has published a FairShares Model to help companies, co-operatives and associations prepare for the transition. It is a model of social enterprise development that has attracted both platform cooperators and EU funders who are keen build a more social economy.

What's more, it has already been used to reconstitute a privately owned US company called Mass Mosaic as a multi-stakeholder platform coop called AnyShare Society. A key innovation in the FairShares Model is the use of company law to reconstitute a private company as a cooperative over time by writing the transition pathway into its constitution.

In 2015, I published what was known about the FairShares Model in a book called *The Case for FairShares*. There has been a 35 year gestation period assembling the knowledge on which it is based. Options for converting private companies into cooperatives are well understood. In the FairShares Model, it is facilitated by converting common stock into a special class of Investor Shares, then issuing new classes of stock to enfranchise entrepreneurs, employees and customers.

After reconstituting the company, a Board of Directors uses the powers it has been granted to issue *par value* shares to founders, labour and user members. These grant voice and income rights to stakeholders who are normally excluded from ownership, and which gradually establishes a cooperative governance system that shares power and wealth equitably across all member groups. The company's market value remains visible to members through valuations of Investor Shares.

This is described in Part 1 of *The Case for FairShares* (see p. 52-54 for specifics). Moreover, its application to web-based social networks was envisaged in the association's previous publication—a novella called *The Dragons' Apprentice*. In this, user-led takeovers of Facebook and LinkedIn are described as part of a 'silent revolution' to stimulate platform cooperativism.

Here's how the transition works:

1. Identify if there is a dominant interest group who would back the transition to a platform cooperative (if not, create it by aggregating existing holdings in a new association).
2. Write a constitution based on model rules for a FairShares Company and ensure that it permits the issue of Founder shares to each entity or person who backs the transition to a cooperative company.
3. Write new 'objects' into Clause 5 and register a new company.
4. Convene a General Meeting and use the powers available to the Founders to appoint a Board (which can be the same Board as the 'old' company if its supports the transition).
5. Use the valuation process in Clause 13 to calculate the value of the existing private company (including the 'Fair Price' at which shares will start to trade).
6. Organise a transfer of undertaking to formally transfer contracts, assets and staff from the old company to the new one.
7. Issue Investor Shares to all existing common stock holders at the Fair Price in proportion to their existing stock holdings.
8. Establish and publish the 'qualifying contribution' for Labour and User Shares (to enfranchise employees and customers).
9. Issue Labour and User shares to employees and customers who meeting the qualifying contribution (they will not earn anything until the company is profitable).
10. At the end of each accounting period (i.e. 1 year after the transfer and annually thereafter), allow Labour and User shareholder to purchase Investor Shares.
11. Apply Clause 15 so that half the 'value added' each year is allocated to Labour and User shareholders as additional Investor

shares (this gradually dilutes the holdings while maintaining the Fair Price of existing shares).

12. As the company builds its business, apply Clauses 10 and 12 to create trusts, charities, associations, cooperatives and/or further FairShares companies to which existing members can sell their shares to ‘exit’. This way, members’ shareholdings become mutualised as they realise the value of their investment.

So, is the FairShares Model a match made in heaven for the #WeAreTwitter movement?

Dr Rory Ridley-Duff *is Associate Professor of Co-operative and Social Enterprise at Sheffield Business School in England where he is Chair of the Principles of Responsible Management Education Group. He is also a board member of the UK Society for Co-operative Studies, Social Enterprise Europe Ltd and the FairShares Association Ltd.*