Idncc Structure and VN Governance Tools

In order to achieve those goals, VN has been set up as an *idncc* (interactive, democratic network community company). Its cornerstones are fairness, effectiveness, transparency and democratic inclusion of the main production and consumption "functions".

Generally, the idncc provides for an effective, democratic and transparent *legal* and *economic framework* to *govern peer-to-peer producing community* where voding options (tasks, projects) are "independent modules" (Benkler, Wealth of networks, p. 90) and VN governance tools are the legal means to ensure that decisions are taken and wealth is distributed in a transparent, participatory and democratic – yet efficient – manner. In particular, the VN Governance tools are in place to decide in a collective, effective, transparent, participatory and democratic manner on the

*) distribution of wealth (important economic decisions; art X VN constitution),
*) long term direction (fundamental questions; art XI VN constitution), and
*) assessment of the performance of the management and of the level of (dis)satisfaction of the main production and consumption forces (performance polls; art XII VN constitution)

From a different perspective, the idncc structure allows for an effective, collective management of VN via VN governance tools by team beta tester and for the *channelling* and transparent, democratically legitimised *rewarding* of "interest investments" according to the *VN general reward formula* made by a global (peer producing) online community.
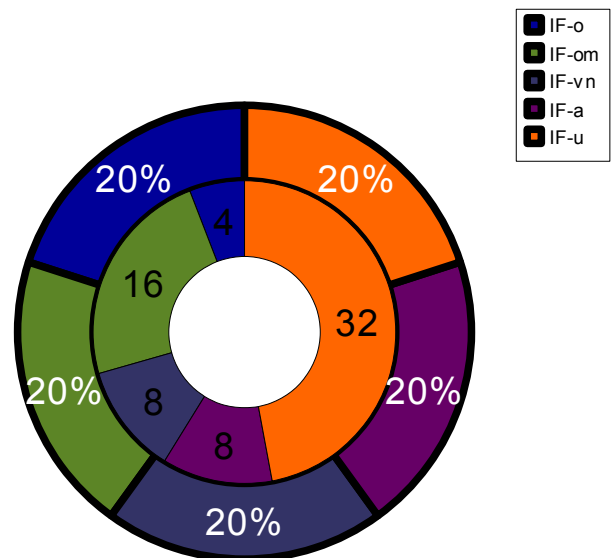
Team Beta Tester

Team Beta Tester consists of **5 interest fractions** (IF) representing the five main production and consumption functions on VN:

- IF-objectivity ("supervisory board")
- IF-open movement (OS, CC)
- IF-vn people (event organisers)
- IF-artists (musicians, script writers)
- IF-user

Each of those five interest fractions has a theoretical **20% voting influence** on important economic decisions, fundamental questions and assessing the performance of the management.

Team beta tester are the owner of VN and can be compared with a "parliament" in that:

- it represents five (diverging) production and consumption interests/functions (*interest fraction*),
- it has individual representatives;
- members are supposed to vote for what is in their **own** interest, and
- team BT has legislative/rule setting competences with the governance tools for the VN

community.

The assumption is that an entity which is built on compromise and participation is more stable than an institution that is build on conflict (labour – capital).

Main Points

- Individual BT is supposed to vote in **his/her best interest**
- IF-o member vote to their best knowledge in the interest of **objectivity/rationality**
- **20% voting/influence cap** for each IF
- Individual voting weigh **depends on amount of members of IF** (see table 1 below)
- **Dynamic amount of members**
- Ownership **open to anyone** who shares values of VN and actively supports (i.e. has earned Vodes) goals
- **Non-participation in vote supports "objectivity"** (*recommendation IF-o-x*) and not status-quo
- **Main Competences (Governance tools)**
  - distribution of wealth (important economic decision; article 10 VN Constitution)
  - long term direction (fundamental question; article 11 VN Constitution)
  - performance assessment of management (performance poll; article 12 VN Constitution)

Table 1: Interest Fractions and Individual Voting Weigh [§ 8 sec 2 (ii) VN constitution]

Overview (Voting Distribution and Voting Weigh Formula)

Interest Fraction	Amount	Individual Voting Weigh
Artists (IF-a)	a	$[(1/a)*100] * 0.2$
VN People (IF-vn)	vn	$[(1/vn)*100] * 0.2$
Open movement (IF-om)	om	$[(1/om)*100] * 0.2$
Users (IF-u)	u	$[(1/u)*100] * 0.2$
Objectivity (IF-o)	o	$[(1/o)*100] * 0.2$
	z	**100 %**

In order to determine the individual voting weigh, the amount of BT of each interest fraction is determined 14 days before the vote takes place (8 sec 2 lit (b)(ii).

What are VN Governance tools? (CG_1)

There are three governance tools working with the same "governance algorithm". VN governance tools allow a collective – team beta tester – representing the interests of the main production and consumption functions to effectively and democratically participate relating to the

1. **Administration of available wealth** (§ 10 Important Economic Decisions);
2. **Long term direction** (§ 11 Fundamental Questions) of the community; and
3. the **performance assessment or the management** (§ 12 performance polls).

In order to make the governance tools more effective and work in practice, the idncc governance structure provides for a strong role for the supervisory board (IF-o). The most important tasks of IF-o in the context of the governance tools are to:

1. "pre-filter" *important economic decisions* (with price range), *fundamental questions* (with direction options and pro-(con)sequence list), and *performance polls* (with negative list, numerical indicators);
2. critically review actions of the board with the negativelist (*performance polls*); and
3. recommend options ("recommendation IF-o-x").

Important Economic Decisions (Art 10 VN Constitution)

Important economic decision allow for a collective and effective administration and distribution of available wealth. From a theoretical perspective, each individual agent/BT (representatively) votes for the price which is in his/her best interest. Thus, the final price is *the result of an internal, "rational-democratic" bargaining poll between all involved production and consumption functions.*[1] Price setting is to a large extent de-centralised and bottom-up. The playground/framework (inclusion of production and consumption functions, voting power allocation) is, however, planned, fair, democratic and rational. The task of the IF-o to present a price range can also be regarded as a limited, "semi-centralised", objectivity-based planning.

Supporting Decision Making Tool

There is a "rational, reasonable" boundary (price range) as supporting decision making tool. The price range is determined by IF-o and sets the outer limits within which team Beta Tester make the final important economic decisions.

Examples

- **IED 1:** *What is the maximum VN should pay a CC musician for licensing a song for a VN video (VN tender content-music)?*
- **IED x**: *What is the maximum a Beta Tester should earn for the provision of a specific piece of information (IV-stat) that VN needs?*
- **IED x:** *What is the maximum the passive commitment of support (BT contribution) should be?*
- **IED x:** *What is the maximum the chairman should earn?*

Fundamental Questions (Art 11 VN Constitution)

Fundamental questions are non-numerical decisions and relate to the long-term direction of the community. This governance tool together with team beta tester as collective decision

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1   Such a democratic, internal bargaining poll system might be of interest in situations and a cheaper way to assess (interconnection) costs where markets fail (e.g. access to competitors networks, price of information goods with its specific cost structures)

making body might be of interest to well established communities like Wikipedia.

Supporting Decision Making Tools

There are two supporting decision making tools in the case of FQ:

1. *Direction Options*
2. *Pro-Con(sequence)list*

Regarding 1, the list of *direction options* shows in a very user-friendly manner the possible alternatives which team Beta Tester can vote for. As for 2, the list of *Pro-Con(sequences)* is a easy-to-grasp comparison between the expected positve and negative consequences which are most likely to be expected by the specific direction option and are prepared by IF-o.

Examples

- **FQ I:** *Should VN accept on-line advertising?*
- **FQ x**: *Should VN offer the sale of bonds and shares in entertainment content?*

Direction Options for FQ I

Yes
No
Only for non-members

Pro-Con(sequence)list for FQ I

Yes		No		Only for non-members	
Pro[2]	Contra	Pro	Contra	Pro	Contra
Increases income of the foundation	Threat to loose independence if one single, big advertiser	More independence	Less income	Increases incentives to become members More income compared to "NO"	Less income compared to "YES"

Performance Polls (Art 12 VN Constitution)

Performance polls provide for an effective, democratic an transparent mechanism to assess the performance of CTVN (management). Equally important, the outcome of the poll *measures* rather accurately the *level of (dis-)satisfaction among the five production and consumption functions*. Knowing rather precisely which interest fractions are to what extent (dis)satisfied and addressing those issues is most likely having a positive impact on the stability of the community over time.

Beta Tester have to answer the question:

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2   For each entry that makes it on the list of *direction options* and *Pro-Con(sequences)*, the member who has suggested it on the BT forum gets one ID-V-IF-o accredited.

on a scale from "1" (very bad) to "8" (excellent).

Supporting Decision Making Tools

The three supportive decision making tools for performance polls are:

1. Positivlist
2. Negativlist
3. Numerical Indicators

Due to its weaknesses, members of IF-o are invited to comment on and improve the tool to measure the performance of CTVN. The *positivlist* is presented by management and includes a maximum of eight positive things/facts which are in all likelihood caused by actions from management. The *negativlist* is presented by IF-o and includes a maximum of eight negative things which are in all likelihood caused by actions from management. In preparing the negative list, IF-o is not bound strictly to its obligation to be objective, but there members are rather required to be (over)critically-objective. The goal is to provide a list which is the counterpart to the positive list.

A third supporting decision making tool are *numerical indicators* such as (increase of) amount of members, amount of agreements with companies as well as investment of time and knowledge into VN measured in labour and information vodes.

Example: IED_1 (VN Governance Tools Voting Procedure) (EXAMPLE_1)

Part III illustrates the general workflow of a VN governance tool and the price setting mechanism in particular. The basic three step procedure is the same for all three governance tools: There is a
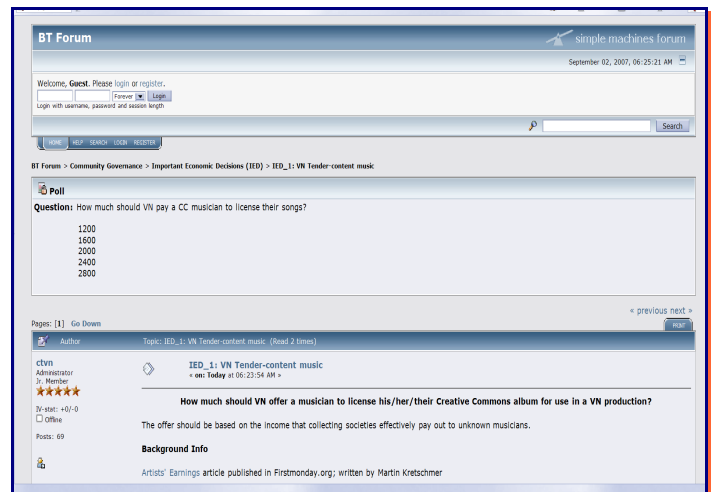
    i.   preparation of *supporting decision making tools* for <u>Fundamental Questions</u> (Direction Options; Pro-Con(sequence)list) and <u>performance polls</u> (positive, negative list; numerical indicators) and calculation of the recommendation-IF-o-x by IF-o,

    ii. on which the other four IF can easily make an informed decision which is in their best interest in accordance with the voting weigh formula (<u>table 1</u>),

    iii. followed by an *announcement* of the results.

Step 1 (IED_1): Preparation of an objective price range by IF-o

All the price range suggestions we collect from IF-o members are averaged out and divided in price options (120, 160, 200, 240 €) and one recommendation IF-o-10 (average)[3] is calculated.

Step 2 (IED_1): Final Price Setting on BT Forum by four IF

Once the price range options have been calculated and published on the BT forum and the recommendation IF-o-10 has been calculated, the other four IF vote on the price options and determine the final price. In the example below, recommendation IF-o-10 is 160 €. This is the value which is selected by members who do not participate in the vote. Recommendation IF-o-x is not published until the end of the voting period.

(a) Results IF-a

According to § 11 sec 5 VN Constitution, the price option ("*Total"*) which **surpasses 50% from the top to the bottom** (at least 31 members in the example) is the result. Thus, two factors determine the final price $P_{IF-a\_IED\_1}$ ("offer") within the objective range set by IF-o:

    1. the amount of Beta tester who poll for a specific price option, and
    2. the price they vote for.

Example:

The final offer is determined from the *top to the bottom* (people who would pay 240 also pay

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3   The "10" in *recommendation IF-o-10* refers to article 10 of the VN constitution. There are also recommendations for non-voters in the case of article 11 (fundamental questions) and article 12 (performance polls).
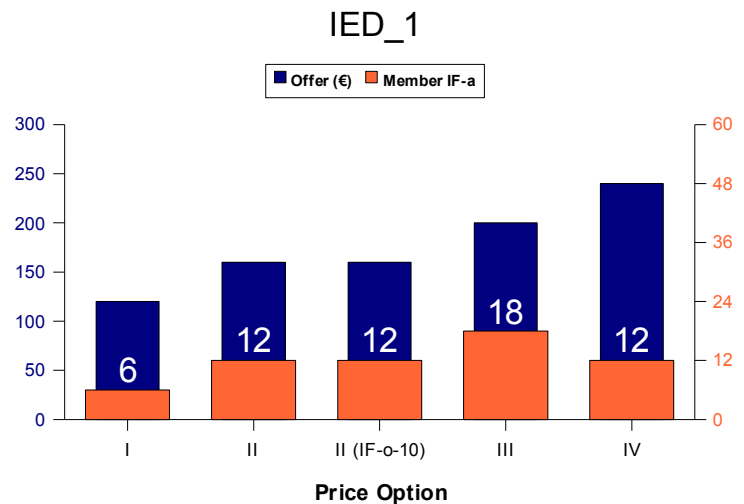
120) until a 50% threshold has been surpassed:

- <u>Price Option IV</u>: 12 members (20%) would pay 240 € or less; Total: 20%
- <u>Price Option III:</u> 18 members (30%) would pay 200 € or less; Total: 50%
- <u>Price Option II:</u> 12 members (20%) would pay 160 € or less; Total: 70%
- <u>Price Option II (IF-o-10):</u> for 12 members (20%) who didn't participate in the poll recommendation IF-o-10 (160 €) is selected; Total: 90%
- <u>Price Option I:</u> 6 members (or 10%) of IF-a would pay 120 € or less.

Total (IF-a): Price option II; **160 €** (54 members)

(b) Other Results of IF

Results of the other three interest fractions are determined the same way and all five results are added up and divided by 5 resulting in a 20% voting influence of each IF.

Price Option	Value (€)	Member IF-a
I	120	6
II	160	12
II (IF-o-10)	160	12
III	200	18
IV	240	12
Total		60

IED_1

Total Result IED_1:

$$160 \text{ (IF-a)} + 200 \text{ (IF-vn)} + 180 \text{ (IF-om)} + 120 \text{ (IF-u)} + 160 \text{ (IF-o)} / 5 = 164$$

Step 3 (IED_1): Tender-content Value Set in Voding Option

Once the value of the VN tender(content)-music has been decided by team Beta Tester, it is added for each <u>musician</u> in the *Missing (CV)* field whose music VN uses in a VN production. Subsequently, BT and fans can fund this musician and distribute their membership fee/donation on this voding option.