



BE SMART, INNOVATIVE, OPEN AND ONLINE



## CITEK European MED Capitalization Project

### Action Plan for Social Economy Actors involvement in MED Smart Specialization Strategy

**COMPLETE VERSION**

October 2014





## INTRODUCTION

One of Citek's activities is the Med smart specialization strategies' implementation observatory.

In this activity, Citek developed an action plan to include additional target groups (as social economy actors and cooperatives) on Smart Specialization Strategies drawing up.

In the scope of the Inclusive growth principle of the EU 2020 strategy, the Citek observatory working group formed five focus groups of cooperatives, SMEs and regional administrations to discuss and draw up an action plan for the inclusion of the social economy actors in the MED regions' smart specialization strategies.

An online survey for the social economy actors was conducted and it provided valuable field information about the subject.

The present study is the result of this collaborative work.

Its aim is to contribute for a better inclusion of the social economy actors in the MED regions' smart specialization strategies, in the scope of the Inclusive growth principle of the EU 2020 strategy.

### **Action plan recipients:**

EU and national policy makers; EU regional governments' officers involved in Innovation and Internationalization strategies; politicians; Research Centers; Universities; Clusters; Associations of cooperatives; Think Tanks on innovation and social economy; cooperatives, Social economy actors and cooperatives, social enterprises, chambers of commerce and NGO's, among others.

A synthesis is also available

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# 1 Concepts of RIS3 and social economy

## 1.1 The Regional Smart Specialization Strategy in the framework for the new cohesion policy 2020

### 1.1.1 The policy context

In the last years, the European Union has been working to overcome the crisis and create the conditions for a more competitive economy. The European Union's growth strategy is called *Europe 2020*<sup>1</sup> and indeed is about delivering growth and better quality of life by concentrating on the long-term effects. The Europe 2020 strategy is intended to act as a framework under which all EU policies will operate over the coming period. A sustainable progress based on smart growth (through more effective investments in education, research and innovation), sustainable growth (thanks to a decisive move towards a low-carbon economy) and inclusive growth (with a strong emphasis on job creation and poverty reduction) are the key elements of the Europe 2020 strategy. These three mutually reinforcing priority areas create a strategic framework for the reform initiatives and actions of the European Union and for Member States.

The European Union and the Members States have designed seven flagship initiatives to take forward the Europe 2020 strategy. In this context, investing more in research, innovation and entrepreneurship is at the heart of Europe 2020 and a crucial part of European Union's response to the economic crisis: a strategic and integrated approach to innovation is crucial to maximize European, national and regional research and innovation potential. The flagship initiative of the European Commission for developing and delivering innovation policies is the *Innovation Union* flagship initiative<sup>2</sup>. Among the other action points, the Innovation Union comprises actions of specific relevance for regional innovation systems. Such points include developing knowledge and skills through the modernization of education and training systems and by encouraging innovative companies to improve the interoperability of products and innovative systems. Furthermore, with the aim of increasing social and territorial cohesion, structural funds will be targeted at innovation activities, e.g. by

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1 Europe 2020 - A strategy for smart, sustainable and inclusive growth [COM(2010) 2020]

2 Europe 2020 Flagship Initiative – European Union [COM(2010) 546 final]

financing innovation systems and Smart Specialization Strategies. An important initiative within the Innovation Union is the *European Innovation Partnerships*<sup>3</sup> that promotes collaboration between regional, national and European stakeholders involved all along the chain of research and innovation. Also, the flagship initiative *Digital Agenda for Europe*<sup>4</sup> is part of Europe 2020 and aims at delivering sustainable economic growth and social benefits from information and communication technologies (ICT).

As discussed in the communication Europe 2020 Flagship Initiative Innovation Union and the EU Budget review<sup>5</sup>, the smart specialization has been indicated by the European Commission as a central pillar of the Europe 2020 strategy. The operational potential of the smart specialization strategy is envisaged to represent a central theme in the reformed EU Cohesion Policy, as explained in Regional Policy Contributing to Smart Growth in Europe<sup>6</sup>. Within this policy, the argument is that regions will be asked to identify technological domains and sectors of likely competitive advantage, and then to focus their regional policies in order to promote the innovation in these fields. In particular, the argument is crucial for the regions which are not on a technology frontier. The concept of smart specialization is also promoted by the Synergies Expert Group established by the Commission's Directorate-General for Research and Innovation. Smart specialization encourages the design of research and innovation strategies at national and regional level in order to deliver a more targeted Structural Fund support and a strategic and integrated approach to foster smart growth and the knowledge economy in the regions. Furthermore, it plays an important role in ensuring synergies between Horizon 2020 (the Framework Programme for Research and Innovation<sup>7</sup>) and the Structural Funds, providing a path to the excellence and supporting capacity building.

In this context, the national and regional Research and Innovation Strategies for Smart Specialization (RIS3) in Member States are meant to focus the investments on key national/regional priorities, building on region's strengths, supporting technological and practice-based innovation, stimulating private sector investments, involving stakeholders and encouraging innovation and experimentation. RIS3 is therefore a key element for innovation policies and integrated, place-based economic transformation agendas, as a strategic approach to economic development by means of targeted support for research and innovation. Smart specialization, within the framework of Structural Funds, is then one of the main tools to implement the Cohesion Policy from the European Commission aiming at reducing differences between regions in Europe and to ensure growth. It suggests a strategy and a global role for every national and regional economy, including both leader and less

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3 [http://ec.europa.eu/research/innovation-union/index\\_en.cfm?pg=eip](http://ec.europa.eu/research/innovation-union/index_en.cfm?pg=eip)

4 A Digital Agenda for Europe – European Union [COM(2010) 245 final]

5 EU Budget Review. Communication [COM (2010) 700 final]

6 Regional Policy Contributing to Smart Growth in Europe [COM(2010)553]

7 Horizon 2020 - the framework programme for research and innovation [COM(2011) 808 final]

advanced territories. RIS3 comprehends a wider concept of innovation, including both investment in research and building competitiveness through design and creative industries, business models innovation, social and service innovation: in this context, all regions have a key a role to play in the knowledge economy.

## The RIS3, Cohesion Structural Funds and conditionality

The RIS3 approach is indeed consistent with the tools for economic, social and territorial cohesion listed in the Treaty on the Functioning of the European Union (TFEU), as well as with the main reform goals of the proposals for the EU Cohesion Policy 2014-2020<sup>8</sup>, which aims at maximizing the impact of EU funding through thematic concentration. Smart specialization is then driving regions towards strategic cross-border and trans-regional cooperation to achieve more critical potential and related variety. The importance of monitoring and evaluation within these strategies should be particularly highlighted, giving evidence of the link between smart specialization and the results-orientated approach of the Structural Funds in general. Indeed, RIS3 are evidence-based and include monitoring and evaluation systems for regional growth and innovation policy: within the new Cohesion Policy, smart specialization has been proposed as an *ex-ante conditionality* and indeed the smart specialization conditionality refers explicitly to the need for RIS3 strategies to include a monitoring and review system. It is extremely important for the cohesion policy to choose appropriate results indicators already at the level of the Smart Specialization Strategy, since it is the one of the essential keys for ensuring that all stakeholder incentives are correctly aligned<sup>9</sup>. This means that Member States and regions have to put such a strategy in place before they can receive EU financial support through the Structural Funds for their innovation measures. This conditionality applies specifically for thematic objectives 1 and 2 of the European Regional Development Fund (ERDF)<sup>10</sup>, aiming at strengthening research, technological development and innovation (R&I target), and enhancing access to and use of quality of ICT (ICT target). Furthermore, an important element of smart specialization is the active participation of innovation stakeholders and entrepreneurs, who are asked to play a fundamental role within the process in each Member State and Region. Their commitment is crucial for the identification of those priority areas and of key investments that will deliver growth and jobs in the regions.

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8 Brussels, 6.10.2011 COM(2011) 615 final

9 Barca, F., and McCann, P., 2011, Methodological Note: Outcome Indicators and Targets – Towards a Performance Oriented EU Cohesion Policy and examples of such indicators are contained in the two complementary notes on outcome indicators for EU2020 entitled Meeting Climate Change and Energy Objectives and Improving the Conditions for Innovation, Research and Development

10 Annex IV of the general SF draft regulation, [COM (2011) 615]

## 1.1.2 The concept of smart specialization

### Concept Origin

The concept of smart specialization emerged originally from the literature examining the *transatlantic productivity gap* since the 1990s, where the gap was identified as a more limited ability of EU industries to adopt new technology and innovations emerging from other sectors. The concept of smart specialization comes indeed from observations of the structural gap between Europe and the USA, resulting in a lower economic and technological specialization, as well as on less ability to prioritize and to concentrate targeted efforts at aregional level<sup>11</sup>.

The concept was initially introduced by Foray et al. [12] and developed along with other members of the *Knowledge for Growth Expert Group* working as policy advisers to the then EU Commissioner for Research, Janez Potocnik in 2009. The focus was initially on the role played by transatlantic differences in R&D intensity in explaining growth differentials, but more recently the focus has shifted also to issues related to differences in the ability to disseminate new technologies across the economy. In this productivity gap, an important role is played by the adoption of new ICTs. The expert group also observed that institutional context played a key role and that maximizing the spread of R&D ideas and innovations between sectors and firms could yield to a greater impact. In particular, the regions should maximize the opportunities for fostering entrepreneurial search processes internally by prioritizing the alignment of actions and interventions. To this end they proposed a smart specialization agenda, centered on finding ways to exploit knowledge in domains where regions had both existing strengths and also the potential for diversification into related sectors, activities, or technologies.

### Revealing the competitive advantage of a region

The smart specialization agenda is not meant to encourage sectorial specialization but rather to foster diversification around a core set of themes, focusing the attention of the regions on the potential for exploiting related variety, and developing inter/intra regionally connectivity between firms and institutions. Smart specialization indeed addresses the difficult problem of prioritization and resource allocation decisions by allowing entrepreneurial actors to demonstrate the most promising areas for future regional development

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11 Pontikakis, Kyriakou y Van Bavel (2009) "The question of R&D Specialisation: perspectives and policy implications"

through what has been described as an *entrepreneurial process of discovery*<sup>12</sup>. This process yield to the identification of the various elements where a region performs better in terms of R&D and innovation since industries and enterprises are best placed to know what they are good at producing. Therefore regions need to involve the entrepreneurial actors in a pro-actively way offering more incentives and measures for risk taking, since new business initiatives can be better approached and warranted when the market growth potential and competitors are known. By gathering and collecting such knowledge, the perspective on new opportunities can be better focused and targeted. In fact, the smart specialization is based on the concept of concentrating and linking resources to a limited number of priority economic activities. This kind of specialization allows regions to take advantage of scale and to better exploit knowledge as drivers of productivity, combining innovation with specific potentials and strengths of the regional economy and hence offering a greater chance of success. In short, smart specialization is about generating capabilities based on the region's distinctive industry structures and knowledge assets. Such assets include education institutions, research institutes, governmental bodies and society, mutually reinforcing within the strategy of smart specialization.

### 1.1.3 Priorities and strategic approach of RIS3

#### Existence of key factors for a RIS3 successful

The smart specialization concept can be used in all regions, independently from their capability in terms of knowledge production. However, the application of the smart specialization concept in a regional context has to be approached by taking in consideration the existing differences in regional and national economic and institutional contexts. In other words, a Smart Specialization Strategy needs to take into account several local peculiarities in order to generate growth in the region. Some aspects have indeed to be addressed when applying smart specialization to the regional context and when defining the strategic approach of RIS3<sup>13</sup> (<http://s3platform.jrc.ec.europa.eu/wikis3pguide/-/wiki/Main/PART+II - ftn3>), e.g. in relation to the density of innovators and entrepreneurs, and with the presence of sectors that can achieve critical mass leveraging on existing industries and on the socio-economic conditions. Moreover, smart specialization should link emerging

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12 Foray et al (2009) in "Smart Specialisation – The Concept", a Policy Brief of the Knowledge for Growth Expert Group advising the then Commissioner for Research, Janez Potočnik.

13 working paper by Phillip McCann and Raquel Ortega-Argilés (2001), "Smart Specialisation, Regional Growth and Applications to EU Cohesion Policy", Groningen University.

knowledge based industries by integrating policies based on market-driven considerations and making use of approaches like public-private partnerships.

## Differentiation, Monitoring and evaluation

In this context, the strategic approach of RIS3 consists of several elements based on the analysis of the potential for innovation and on the identification of priorities, integrated in roadmaps and action plans along with instrument for proper monitoring and evaluation. In particular, differentiation is one of the main assets where to base the analysis of the regional context and potential for: this means to understand the competitive advantage of a region and to identify localized knowledge base. Another important element is the participation of the key actors and stakeholders, involving regional actors spanning from public authorities to universities and other knowledge-based institutions, enterprises, government bodies and user representatives. This implies a shared vision on the economic development potential of the region and on the strategic positioning in the international context. Moreover, RIS3 helps facilitate the selection of the right priorities and targeting resources towards investments with the potentially highest impact on the regional economy. In addition, RIS3 helps define the right objectives based on potential and competitive advantages. Such potentials can be represented e.g. by technological or sectorial priority areas, Key Enabling Technologies or models for social innovation and they should be included in the planning process according to their contribution to the overall strategy goals on the basis of evidence on their effectiveness and relevance for the prioritized areas. Furthermore, a proper monitoring aims at verifying the planning of activities and at observing the correct allocation/use of resources while evaluation aims at assessing the effectiveness of the actions and of the measures for reaching the results. Monitoring and evaluation complement each other and are usually carried out respectively by subjects involved in the implementation and by independent experts. Indeed, they respectively provide the basis for evaluation and the potential need for improved indicators.

## Decisive contribution to social innovation

Another key element within the strategic approach of RIS3 is represented by *social innovation*. As described in the BEPA report “Empowering People, Driving Change: Social Innovation in the European Union”<sup>14</sup>, social innovation can be defined as the response to emerging social questions, with an impact on social interaction and

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<sup>14</sup> Bureau of European Policy Advisors report “Empowering People, Driving Change: Social Innovation in the European Union”, European Commission, 2011.

on the improvement of citizens' quality of life. The While traditionally innovation refers to the improvement of productive capacity by exploiting technological frontier, social innovation refers to the ability of creating value concerned with issues such as quality of life, cohesion and well-being. Social innovation can refer to social demand, addressing social issues traditionally not solved by market solutions or from existing institutions, often targeted towards vulnerable social groups. Traditionally, the European Social Fund is related to such type of social innovation. Moreover, social innovation can be focused on the society as a whole through the integration of social, economic and environmental aspects, as traditionally approached by programmes such as ERDF URBAN II. Finally, social innovation can refer to a more systemic change through process changes and organizational development, renewing the underlying processes and relationships between institutions and stakeholders, as programmes such as LEADER are already trying to introduce. The complex social and societal challenges addressed by social innovation require specific answers that must be found at local level, through the involvement of local actors, and indeed have to represent an important element within the RIS3 for all the regions.

#### 1.1.4 The quadruple helix (government, academia, business and social agent)

Different models and approaches can be found in the literature in relation to the Quadruple Helix concept. Some approach is similar to Triple Helix and others are completely different. Nevertheless, all Quadruple Helix models have in common that a fourth group of innovation actors have been added into the Triple Helix model.

##### Triple helix to quadruple helix model

Triple Helix partnerships include academia/educational institutions, industry and government. Government is usually represented by authorities from national, regional or local level and industry may be represented by private corporations, SMEs, or business organizations. In the Triple Helix the partners participate to create or discover new knowledge, technology, products or services in a process of mutually beneficial usage of resources. An key aspect of the Triple Helix model is that the approach is expert-driven and top-down model: while the Triple Helix with its representatives from government, academia and industry is a linear top-down model, the Quadruple Helix is non-linear and has a mix perspectives not necessarily expert-driven and including both top-down and a bottom-up approaches. Indeed, while Triple Helix is perceived as a model, the Quadruple helix is perceived as a space where user-oriented innovation involving different activities and actors in a multidimensional way, with a broad cooperation with end-users. Such users can be represented both by private

and public consumers of the products, services and new technology and knowledge. Robert Arnkil et al.<sup>15</sup> have found that the commonly used term in discussions regarding the Quadruple Helix model is “User-driven” innovation, giving a general definition of the Quadruple Helix model: *“it is an innovation cooperation model or an innovation environment in which users, firms, universities and public authorities cooperate in order to produce innovations. These innovations can be anything considered useful for partners in innovation cooperation; they can be, for example, technological, social, product, service, commercial, and non-commercial innovations.”* [14] In this context, a widely discussed approach is the user-driven Living Lab model. Living Labs are real-life environments where user experiences help designing, prototyping and validating innovative products and services. Users are strongly integrated in the co-creation process in order to facilitate new knowledge and innovation. Living Labs aim to be real life experimental environments which support business and civil society in creating innovative products and services together with other networked actors and stakeholders. The Living Lab model was first introduced at the MIT in Boston and then developed in Europe with a more territorial approach, until the establishment in 2006 of the European network ENoLL<sup>16</sup> with the Helsinki Manifesto, under the Finnish Presidency.

## Different models for innovation

In order to give a better understanding of the Fourth Helix, several ideas can be discussed in relation to the Triple Helix model or to other models for innovation. For instance, adding users to the Triple Helix means adding user information and hence to use it. The innovation process is owned by firms or universities and innovation is much driven by research and high-end technology. The user involvement indeed is not structured and efficient, although the products and services are produced for the user. Secondly, the firm-centered living lab model is based on innovation process owned by a firm or a group of firms. Within this model, innovation can arise from new technology combined with research and user knowledge, and users can play the role both of informants and of technical skilled actors working with R&D experts. Another approach is the public-sector-centered living lab model which also employs the users as both informants and developers. In this model, the innovation aims at developing public services and at improving quality/efficiency of new services and products. To this end, public organizations interview users making use of surveys, forums and living lab environments with citizens who can also participate in the development along with R&D experts. Finally, the only model where users drive the innovation is the citizen-centered model. In this model, citizens are the owners of the process and the focus of innovation is directed towards new products or services relevant for citizens. As such, public authorities, firms

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15 Arnkil, R., Järvensivu, A., Koski, P., Piirainen, T., 2010, Exploring Quadruple Helix Outlining user-oriented innovation models (Working Papers)

16 [www.openlivinglabs.eu](http://www.openlivinglabs.eu)

and universities do not lead the process but rather have a supportive role providing tools, information and the needed skills.

## 1.2 Understanding the role of Social Economy in Regional Development

### 1.2.1 Entrepreneurship culture and cooperative model

#### Generating social change

A significant portion of Europe's economy is structured to make profits not only for investors. The so-called "Social Economy", including cooperatives, mutual societies, non-profit associations, foundations and social enterprises, provides a wide range of products and services across Europe and generates millions of jobs. When policy-makers work to improve the business environment in Europe, they need to ensure that their efforts take into account the specific characteristics of the enterprises, especially SMEs, into the Social Economy<sup>17</sup>.

All entrepreneurs possess common traits that include passion, vision, perseverance, confidence, creativity, and commitment, amongst others<sup>18</sup>. Social entrepreneurs apply these characteristics to develop solutions to social problems, rather than concentrate only on profit.

A social business entrepreneur is someone who applies entrepreneurial principles to create and manage a business that face social problems in order to create social change. In a social enterprise, generating social change is the first priority, and profits are used to finance those efforts. The focus of social business entrepreneurs and traditional entrepreneurs has one main difference: the first one measures performance by furthering social and environmental goals, the second one by profits they generate.

A social enterprise, according to the above, is an economic entity managed in an open and responsible manner and, in particular, it involves employees, consumers and stakeholders affected by its commercial activities.

According with this approach, the main three characteristics of social enterprise are:

- social or company target of the common well-being is the reason for the economic activity, often in the form of a high level of social innovation;
- profits are mainly reinvested into the activity to achieving the social target;
- the organization or the ownership reflect their mission through democratic or participatory principles or focusing on social justice.

<sup>17</sup> <http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/>

<sup>18</sup> <http://heroeseconomy.com/social-business-entrepreneurs-vs-traditional/>

## Specific profile of social entrepreneur

Starting by these requisites, a specific profile of social entrepreneur has been defined within an interesting web blog (<http://heroeseconomy.com/blog/>) that highlight some of the following aspects :

- Social entrepreneurs aim to bring solutions to society's greatest challenges: hunger, poverty, environmental degradation, education and more. They use skills and ideas borrowed from business as a tool for change. Unlike traditional entrepreneurs, social entrepreneurs are innovators who focus on creating practical and sustainable solutions to the problems of the marginalized and the poor.
- Social entrepreneurs use some business logic but has a much broader mission. They aim to improve society. For a social enterprise wealth is not only measured through profit, but through the impact on all the stakeholders, including the environment, the workers and the community.
- Social entrepreneurs are change-makers and visionaries — they envision a better world for everyone. But they do more being active agents of change; implementing their vision to inspire improvement and solve problems.
- The motivation of social entrepreneurs is not solely profit, but providing a positive return to the community. They are concerned with social value over wealth, and realize money is a part of the process, not the main goal. Social entrepreneurs are motivated by profit, but often to reinvest it in the communities they serve.
- Social entrepreneurship allows people to help themselves and promote changes. It is not charity and does not simply give aid; it educates people on how they can solve problems in their own communities. It is inclusive and often creates sustainable income to fund its own social ventures. Social entrepreneurship allows change makers to empower the communities they serve.
- Social entrepreneurs are ambitious and patient at the same time. They cannot wait to change the world but, at the same time, they do not expect to do it overnight. They know they have to work long and hard to see the result of their actions.

Many are the specificities of the entrepreneurship culture and of the intervention model of Social Economy. Nowadays many non-cooperative enterprises have discovered that some of the basic ideas and approaches of cooperatives can give them competitive advantages. Networks, strategic alliances and franchising are examples of cooperation. In a high competitive context many companies are also seeking to gain customers' loyalty and generate a sense of belonging through forms of "membership" or to differentiate themselves from competitors through claims of social responsibility and ethics.

The success of these ideas is evidence of the importance of social economy vision and culture.

## 1.2.2 The importance of Social Economy for Regional Development

### New ways to face the crisis

The crisis of traditional social protection systems has long since invested all industrially advanced countries. Demographic, economic and organizational factors are the basis of challenges and transition paths to new social architecture.

Scientific, political and economic debates reveal high levels of interest in the capability of social enterprises and social economy in general to provide innovative responses to the current economic, social and, in some cases, environmental challenges by developing sustainable, largely non-exportable jobs, social inclusion, improvement of local social services, territorial cohesion, etc.

Social enterprises contribute to smart growth by responding with social innovation to needs that have not yet been met ; they create sustainable growth by their long-term vision; they are at the heart of inclusive growth due to their emphasis on people and social cohesion. In other words, their key aim is to effect social and economic transformation which contributes to the objectives of the Europe 2020 Strategy<sup>19</sup>.

Due to their specific way of doing business which associates economic performance, democratic operation and solidarity amongst members, they also contribute to the implementation of important Community targets, especially in the fields of employment, social cohesion, regional and rural development, environmental protection, consumer protection, and social security policies

Social enterprises are transforming lives and developing positive changes around the world and their scalable, replicable solutions to social and environmental problems support a more open, sustainable and prosperous future for all.

Whereas the role of social enterprise in social service provision and work integration is rather well recognized, its role in local economic development, especially in restructuring local economies in disadvantaged communities is not so much explored. Restructuring local economies has become an increasing need in the follow-up of economic crises as well as polarization together with social segregation processes all over Europe, and social enterprises play an increasing role in tackling these problems.

"Local economic development is a special self-help strategy originally invented by and for disadvantaged social groups and/or disadvantaged communities on local or regional level. It is mainly based on practical experience, improved by trial and error including learning from successes and failures of others. Therefore, networking became a crucial element in developing local economic strategies. It is important to notice that these strategies

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<sup>19</sup> The Social Business Initiative of the European Commission - [http://ec.europa.eu/internal\\_market/publications/docs/sbi-brochure/sbi-brochure-print\\_en.pdf](http://ec.europa.eu/internal_market/publications/docs/sbi-brochure/sbi-brochure-print_en.pdf)

have been invented or started in different parts of the world with totally different geographical, cultural and political background, more or less at the same time and not necessarily knowing from each other<sup>20</sup>."

## Principle for better impact on regional development

Many previous experiences demonstrated that different economic and social contexts may benefit of and encourage the development of different Social Economy models, doing business in specific sectors and territories. Although, we can identify a number of common underlying principles that highlight the importance of no profit making organization in Regional Development strategies and perspectives<sup>21</sup>:

### 1. Priority to the common well-being

First of all, all local economic initiatives are based on a strong local and/or community identity and commitment. The importance of this principle might be illustrated by the fact that it reappears as a key element in modern social capital theory: "Local economic initiatives understand their locality or community like a system as a coherent and independent economic system whose objectives are not individual aims, but what is called "social profit", "community benefit", or "for the common good" (Daly/Cobb 1990; Pearce 1996; Birkhölzer 2006).

### 2. An integrated holistic approach

The second most important principle is an integrated or holistic understanding of the terms "economy" or "economic". It includes not only the production of goods and services, but also the reproductive sphere of environmental, social and cultural activities. In this view the Local Economy is seen as a cyclic process of production and re-production, and if we neglect to reproduce our environmental, social and cultural resources we might end up with the breakdown of the locality and its community.

### 3. Serving unmet needs

The third principle is a shift of paradigm about the final aim of all economic activities: It is definitely not about making money. Money in the end is not a value in itself, but only a means for exchange. Therefore, all economic activity should be finally about serving needs. Most economic policy nowadays is dominated by a so-called "supply-side" approach, which means that all interventions focus on the aspect of marketing the produced goods and services in the most profitable way, while others with no or even lesser profitability should be left aside or removed from the market. Social Economy instead focuses on the "demand-side", especially by identifying and serving the so-called "unmet" needs.

### 4. Qualifying Local economic cycles

Cooperative approaches and networking attitudes are two fundamental characteristics of Social Economy. These represent nowadays two assumptions to shape and integrated Action Plan, based on participatory processes and able to re-establish local economic cycles.

### 5. Building and improving social capital

<sup>20</sup> The Role of Social Economy Enterprises in Local Economic Development - [http://www.emes.net/uploads/media/ECSP-T09-17\\_Birkh\\_lzer.pdf](http://www.emes.net/uploads/media/ECSP-T09-17_Birkh_lzer.pdf)

<sup>21</sup> Practice and potential for the future of territorial pacts - [www.technet-berlin.de](http://www.technet-berlin.de)

Localities or areas of economic crisis are usually characterized by the lack of physical and financial resources. Therefore, the most important resources are the capacity of the community, its knowledge and abilities. It is striking that especially in localities or areas of economic crisis these capacities of the local people are often underemployed and even neglected. Social Economy plays an important and qualified role in empowering and activating meta-resources that can contribute to the social, economic and environmental development of the territories.

### 1.2.3 Social Economy Drivers

There are many factors driving social economy to engage with their regions.

#### Sustainability

1. First of all, the theme of sustainability. **Social Economy provides and contributes to development paths**, capable to ensure the harmonization of four aspects :
  - Economic sustainability
  - Environmental sustainability
  - Social sustainability
  - Institutional sustainability

#### Global change

2. **The strengths**, pointed out in the Small Business Act for Europe<sup>22</sup>, in order to face the challenges arising out of globalization, rapid technological change and global economic downturn, that highlight the importance of **Social Economy** :
  - It **contributes to a more efficient market competition** and encourages solidarity and cohesion.
  - It's, by nature, part of a stakeholder economy, whose enterprises are created by and for people with common needs, and accountable to those they are meant to serve.
  - It runs in accordance with the principle of **solidarity** and **mutuality** and **managed by the members** on the basis of the rule of "**one man, one vote**".
  - It's **flexible** and **innovative** (they meet changing social and economic circumstances).
  - It's based on **active membership** and commitment.

<sup>22</sup> <http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/>

## Measurement

### 3. The Social Impact Measurement :

Social impact measurement will not only be mainstream in the social economy, amongst social enterprises, charities and associations; there will be mounting expectation in both public and for-profit sectors too. Social impact measurement and reporting will become fundamental drivers to evaluate the result that all organizations reach on a Social Impact Spectrum, affecting the way decisions are taken.

## Network

### 4. The improving of Complex Network for social Economy improvement :

The increasing interconnectivity of social entrepreneurs will also see a trend of highly networked micro social enterprises, collaborating across international boundaries. Strong connections will be made to tackle a specific social issue and will then dissolve again for new connections to be made: crowdsourcing expertise and capacity as well as funding. For young people in particular, this direct, collaborative approach to solving local and global problems will become an attractive alternative to organized active participation<sup>23</sup>.

## Competitive advantages

### 5. Specific competitive advantages are also derived from the vision and mission of social economy organizations :

- They help build social capital and a vigorous community life, by developing opportunities for significant decision-making and effective action at the local level.
- They provide opportunities for mutual aid and cost-effective service provision tailored precisely to people's needs.
- They encourage local and individual self-reliance and thereby offer significant alternatives to globalized, investor-driven businesses.
- They lead to the self-conscious redesigning of organizations around users' needs.
- They have a positive impact on the environment, by placing less emphasis on strategies such as short-term profit maximization. They encourage sustainable development by helping communities build a better life from their own local resources.
- They have often proved to be extremely efficient and cost-effective in circumstances where other forms of business find it hard to survive.

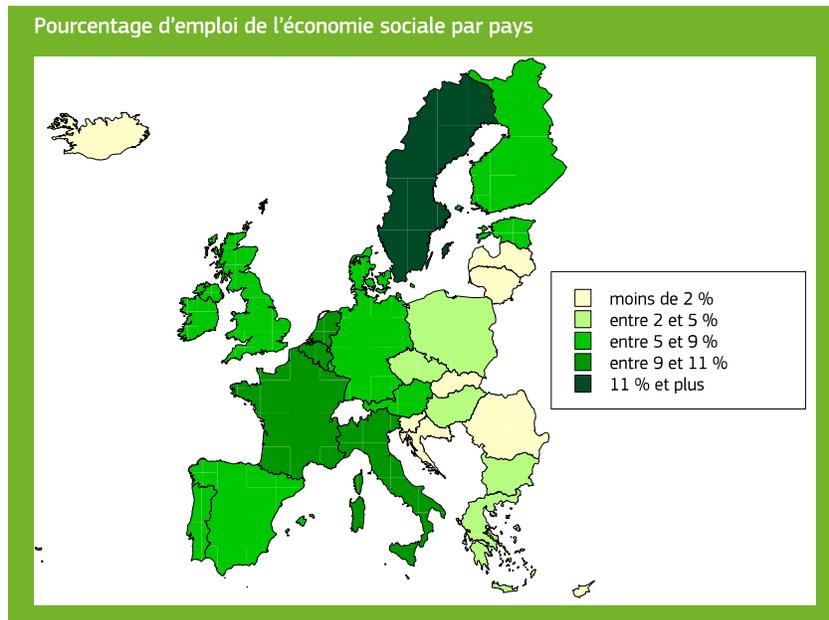
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<sup>23</sup> [www.britishcouncil.org/europe/our-work-in-europe/social-enterprise](http://www.britishcouncil.org/europe/our-work-in-europe/social-enterprise)



- 20% of 500 million Europeans are volunteers in a structure of social economy,<sup>25</sup>

**Organizations of the social economy are present in the majority of economic sectors and areas.**



### Social Economy in MED Area : a wide variety

Countries	% of total employment
Cyprus	1,32%
Spain	6,74%

<sup>25</sup> Statistical data from CIRIEC International Report – 2012 « The Social Economy in Europe »

France	9,02%
Grece	2,67%
Italy	9,74%
Malta	1,02%
Portugal	5,04%
Slovenia	0,73%
Croatia	0,59%

Countries where the concept of social economy is widely accepted: Spain, Greece, Portugal, France and Italy.

Countries where the concept of social economy has a medium level of acceptance: Malta and Cyprus.

Countries where the concept of social economy is not well recognized or not recognized at all: Croatia and Slovenia.

FIELD OF ACTIVITY OF SOCIAL ENTERPRISES	
Social Services	16,70 %
Employment and training	14,88 %
Environment	14,52 %
Education	14,52 %
Economic, social and community development	14,34 %
Culture, the arts and recreation	7,08 %
Health	6,90 %
Housing	2,72 %
Business associations	2,00 %
Law, advocacy and politics	1,63 %
Other	4,72 %
	100 %

Data including all observations across all countries (N=181) [www.relusi.eu](http://www.relusi.eu)

### 1.3.2 Italy

#### Statistics : a biased indicator for measuring the third sector in Italy ?

In Italy, as it is the case in a strong majority of southern European countries, social enterprises form a diversified and complex picture. The organizational model of the non-profit organization is the most widely used. At the same time, cooperatives are also an important milestone of the ecosystem in Italy, alongside with moral and religious bodies and foundations. In the research of Venturi and Zandonai(2012<sup>26</sup>), the authors come to the conclusion that a series of non-profit organizations - the organizational model designated as their primary legal form - could be considered as social enterprises because they directly fit into the main characteristics defined by the Italian law - 'in terms of mission, activity sector, governance structure and accountability'. Therefore, in the field of non-profit organizations, you have a strong potential of social entrepreneurship that could rise to the surface but which are yet deprived from the official legal status of a social enterprise. A commercial enterprise can be considered as a social enterprise if it fills the required characteristics defined by the law for instance. All things considered, the Italian pattern is closely similar with the French one in the sense that the law defines the general characteristics applicable to the social enterprise and draws a moving boundary between the social enterprise and the rest. In the latter, we should not *underestimate* the latent high quantity of all unregistered social enterprises.

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<sup>26</sup> Executive Summary of the Research, Edited by Paolo Venturi and Flaviano Zandonai 'Social Enterprise in Italy. Plurality of models and contribution to growth' Iris Network Report. 2012

### Social cooperative - Italy

The social cooperative well exemplifies the social enterprise model, in that it combines a businesslike style of operation with a profound attachment to social goals. What distinguishes it from a standard cooperative is the aim and its multi-stakeholder governance. In Italy, social cooperatives are defined as follows, according to law 381/91:

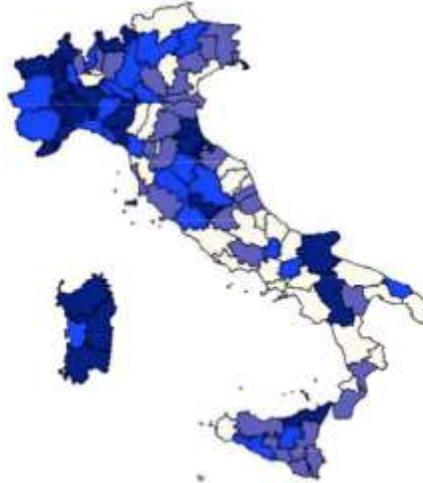
- the objective is the general benefit of the community and the social integration of citizens (type A social cooperatives provide health, social or educational services; type B social cooperatives integrate disadvantaged people into the labour market). The categories of disadvantage they target may include physical and mental disability, drug and alcohol addiction, developmental disorders and problems with the law;
- various categories of stakeholder may become members, including paid employees, beneficiaries, volunteers (up to 50% of members), financial investors and public institutions. In type B cooperatives at least 30% of the members must be from the disadvantaged target groups;
- the cooperative has legal personality and limited liability;
- voting is one person one vote;
- no more than 70% of profits may be distributed, dividends are limited to the bond rate and assets may not be distributed.

This form of cooperative was pioneered in Italy and has grown most impressively there, although it is also strong in Spain. Other European countries have also created special legal forms of this type (e.g. the SCIC in France).

*Extracted from the Europe Social Guide / Vol 4 p.*

The geographical distribution of social enterprises employees can be mapped. In 2010, the biggest share of those employed by social enterprises is located in the North of Italy, higher in Piedmont, Liguria, parts of Lombardy and Emilia-Romagna, Tuscany, Umbria and Sardinia whereas the center does have a huge percentage share of employees.

Percentage share of employees in social enterprises out of total employees on 31/12/2010



Source: Unioncamere - Ministry of Labour, Excelsior information system, 2011

## The North/South Divide

We observe the dispersed mushrooming of workers employed by social enterprises in the South of Italy - the Mezzogiorno. It is a region which represents 40% of the area surface of the peninsula and 36% of the total population. The unemployment rate is relatively high. Then you have the region situated at the center of Italy (Tuscan, Emilia Romagna and Venetia) and in which small and medium enterprises export textiles goods. Finally, the northern region is where the biggest companies and a vast majority of small and medium enterprises are located. Social enterprises also seem to be particularly well established in the industrialized North. Open on the Mediterranean Sea and Europe, the triangle Genoa-Milan-Turin is fundamentally strategic and concentrates the automobile and chemical production. The geographical composition of Italy divided into three distinct regions is inherited from the past and history.<sup>27</sup> Some columnists even talk - rightly or falsely - about a 'North-South Divide' in Italy which revolves around cases of embezzlement and corruption of public funds, radical and antagonistic political conceptions, an industrialized North and impoverished South. To put it differently, according to these journalistic conceptions, there is a so-called two-tier society in Italy,

<sup>27</sup> Informations extracted from a french article 'Crise(s) à l'italienne' in Clés pour comprendre les enjeux stratégiques. Note hebdomadaire d'analyse de géopolitique available here <http://notes-geopolitiques.com/crise-italienne/>



and health care sector, inclusion of disadvantaged individuals and education activities. As a result, social enterprises in Italy are a fundamental complement to the public action and the state.

*'5 million users took advantage of services offered by social enterprises in 2010. Out of these, 60,6% used social welfare and health services and specifically 26,6% benefited from social welfare services alone (...) the educational sector is also important (around 780,000 beneficiaries, 15,5% of the total) and services aimed at integrating disadvantaged subjects into employment (around 956,000 users, 19,1%). Over 2 million users, equal to 48% of the total, used services from social enterprises operating in northern regions, while 32,5% used the services in central regions and 19,5% in southern and island regions'. (Unioncamere<sup>31</sup> survey and Iris Network Report 7:2012)*

What is worth noticing is that, keeping in mind the declining demography of the South of Italy, the wealth produced by small and medium social enterprises seems to be paradoxically higher in the southern and island regions than in the North. '66.3% of the enterprises (compared to 55.1% in Central Italy and 44.2% in Northern Italy) produced a value inferior to 250.000 euros and just 7.9% exceeded 1 million euros (compared to 17.8% of organizations located in northern regions)' Although the Italian southern workforce fades away, social enterprises still matter in this region in terms of production value. Social entrepreneurship, small and medium enterprises are particularly a well-suited business model for a strained demographic and economic backdrop. For instance, in Portugal, a local development association called the Centre of Entrepreneurial and Social Initiatives (IEBA) is located in a small municipality named Mortagua - a rural territory where the population density is very low (40 inhabitants/km<sup>2</sup>). Some eco-neighborhoods and social initiatives also born out of nowhere. We can multiply these examples of social enterprises whose purpose is to regenerate some crumbling or deserted areas in times of budget and demographic scarcity. If we refine our analysis, from an accountant standpoint, the study also reveals that it is 'mostly social enterprises operating in the education sector that show the biggest problems in reaching a positive operating result' whereas 'businesses that integrate disadvantaged people into employment, showed the best performances in 2010, with 59.8% showing a profit at the end of the year, plus 12.1% effectively breaking even.' The authors conclude that the bigger the size of the business in terms of value of production is, the more positive the financial result would be. Too big to fail? Nevertheless, given that social enterprises are mainly endowed with a small and medium size, the authors note that among them, 'investing is not a

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<sup>31</sup> The Unioncamere is the Italian Union of the Chambers of Commerce. The authors rely their observations on the Excelsior survey whose datas are available on the following website : [www.excelsior.unioncamere.net/en/](http://www.excelsior.unioncamere.net/en/)

generalized choice because it concerns just under half of the social enterprises (45%)'. It is explained by the fact that social enterprises - in a vast majority - carry out a self-financed investment. Being sustainable, not indebted, matters.

## Workers, behavioral dynamics in Italian social services sector

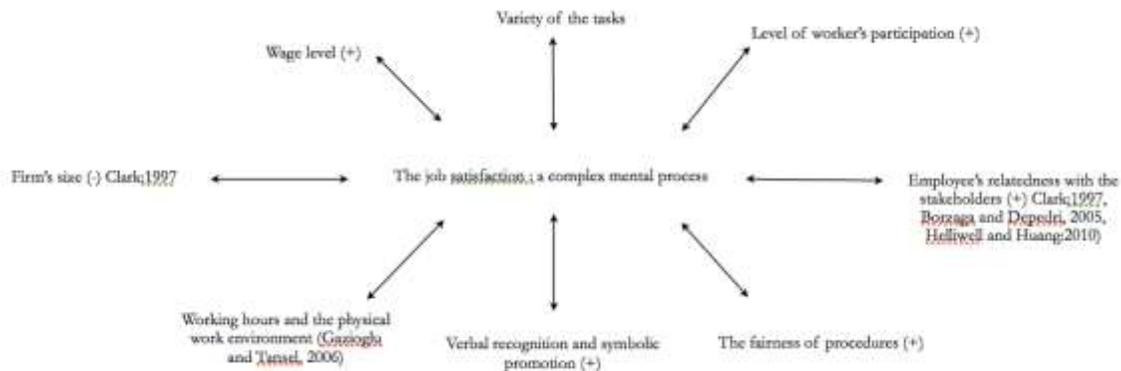
Last but not least, in Italy, through academic resources, we can eventually identify that the potential of social enterprises is lodged in the strength of the relationship between the different stakeholders. A successful social entrepreneurship also goes hand-in-hand with a strong relational basis within the organization. When we observe our European backdrop, there is the risk of a 'Brazilianization of the West'<sup>32</sup> and of western societies according to the expression of Ulrich Beck, with the emergence of a underclass, self-organized civil society at the bottom and a new elite at the top disconnected from the day-to-day realities. Despite the general deterioration of workers' conditions, we observe that in the Italian social enterprises worker satisfaction remains high for several reasons. The traditional governance structure and all the characteristics of a social enterprise, both in Italy and elsewhere, are strong non-monetary incentives for increasing the worker involvement. From this simple premise, in 2011 three Italian scholars from the University of Trento and Brescia<sup>33</sup> have carried out a fine-textured and econometric analysis on the well-being and satisfaction of the Italian workers in the social services sectors. Data on workers' behavioral dynamics was collected in 2006 with an investigation concerning 4.134 workers in 320 Italia social enterprises (a representative sample). Across the findings, we understand that in the framework of an employment relationship and the organizational performance, we have to take into account the psychological and non-monetary factors, the intrinsic and extrinsic motivations of workers that go beyond the simple monetary incentives ('physiological needs, needs of security, self-esteem, self-realization and involvement') Wage is not the sole explanatory variable for understanding the worker satisfaction. After defining what a job satisfaction is and what are the exogenous variables that are positively (+) or negatively correlated (-) with it (see the following graph), the authors also underline 'the homogeneity of perceptions and attitudes of workers within organizations'. When individuals face the same institutional

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<sup>32</sup> Ulrich Beck, *The Risk Regime in 'The Brave New World of Work'* Cambridge: Polity Press. p.67-92 (2000)

<sup>33</sup> 'Feeling Satisfied by Feeling Motivated at Work : Empirical Evidence in the Italian Social Services Sector' Depedri Sara, Tortia Ermanno and Carpita Maurizio. p.136-54 *New Opportunities for Co-operatives: New Opportunities for People*. University of Helsinki (2011)

constraint and economic backdrop, they tend to act in a similar and mutually influenced manner. Therefore, the empirical results on the workers' well-being in the Italian social enterprises can - according to us - partly be extrapolated to the rest of social enterprises across Europe.



As a whole, as an innovative, horizontal and interactive division of labor, social enterprises perform particularly well in filling all these variables and directly increase the worker's job satisfaction, especially in terms of extrinsic aspects (work hours, flexibility of work hours, job security, work environment and social security), a little bit less in terms of intrinsic aspects (involvement in the decision-making process, transparency of procedures, recognition, professional development, autonomy in decision-making, self-realization and variety of the job) whereas the expected and/or achieved career prospects are the less satisfied variable in average among the interviewed workers.

**Table 1.** Satisfaction with different aspects of the job

Satisfaction with ...	No of observations	Average (1-7)	Standard deviation
<b>Extrinsic aspects</b>			
Work hours	4035	5.35	1.58
Flexibility of work hours	3966	5.41	1.55
Job security	3984	5.34	1.69
Work environment	3985	5.32	1.59
Social security	3946	5.49	1.61
<b>Intrinsic aspects</b>			
Involvement in the decision-making process	3999	4.29	1.67
Transparency of procedures	4027	4.90	1.69
Recognition of his/her work by the co-operative	4019	4.81	1.70
Professional development	3971	4.64	1.59
Autonomy in decision-making	3986	5.07	1.48
Achieved and expected career prospects	3861	3.83	1.71
Self-realization	3947	4.92	1.63
Variety and creativity of the job	3991	5.20	1.49

<b>Wage satisfaction</b>	4072	3.80	1.70
<b>The job as a whole</b>	3989	5.46	1.32

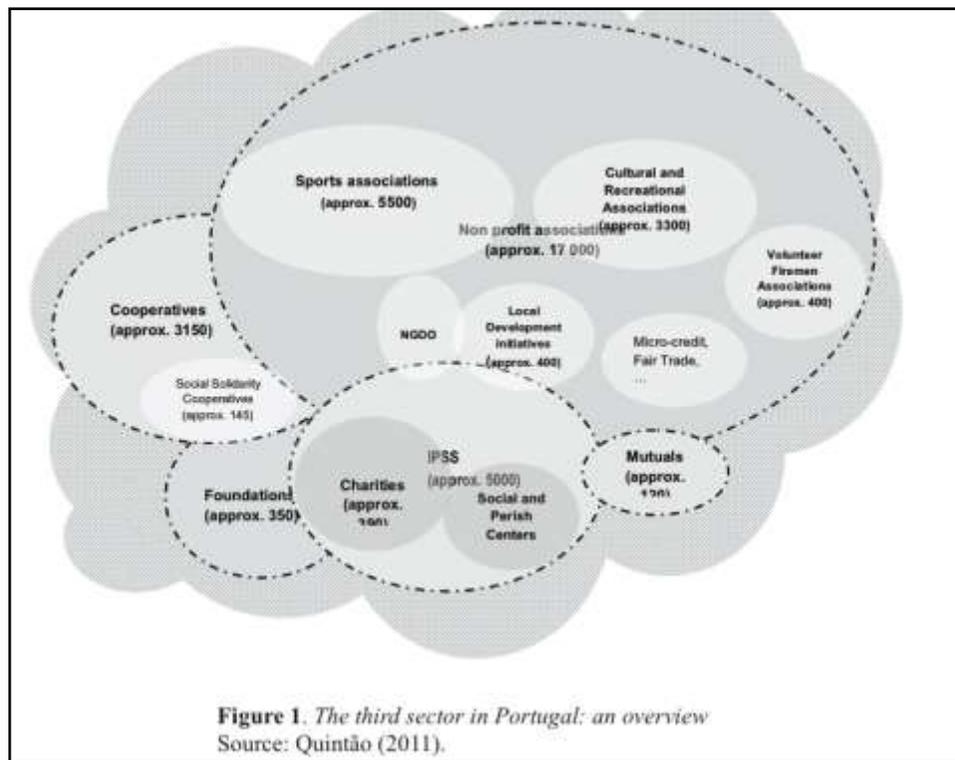
Source: ICSI 2007 database. Questions D13, D21, D25, D32, and D63 in the original ICSI questionnaire.

All things considered, according to the authors, ‘though the degree of wage satisfaction is low, the overall degree of job satisfaction is fairly high and this shows the ability of these firms to fulfill workers’ expectancies and needs on most dimensions of their activity’. Social enterprise is here a positive sum game for workers and the sustainability of their conditions and relationships. The organizational and business model of a social enterprise is also a way to save individuals from the rigid contractual relationship we find in large-scale firms. Through this short description of Italian social enterprises, we conclude that recognition is the key ingredient supplied by the cooperative organization. Axel Honneth, who has been working on the notion of recognition, said that ‘the demand to be recognized in ever more dimensions of one’s own person leads to a kind of inter-subjective

conflict whose resolution can only consist in the establishment of a further sphere of recognition'<sup>34</sup>. Finding an institutional compromise to this struggle for recognition is located within the social enterprise. Facilitating the general emergence of an ethical and social entrepreneurship also furthers the expansion of a sphere recognition in which - hopefully - human beings become valued and can unlock their particular potential.

### 1.3.3 Portugal

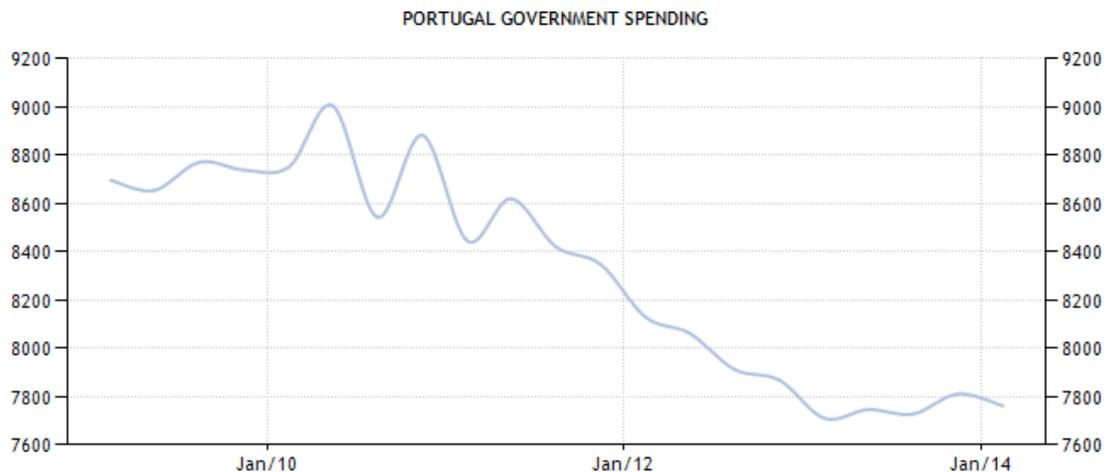
In the case of Portugal, a descriptive graph of the social economy sector captures the diversity of social enterprises (Quintão:2011).



<sup>34</sup> The quote is extracted from the paper 'Axel Honneth and the Struggle for Recognition' of Onurhan Pehlivanoglu, 31st January 2011 available here [www.academia.edu/1004486/Axel\\_Honneth\\_an\\_Interpretations\\_on\\_the\\_Struggle\\_for\\_recognition](http://www.academia.edu/1004486/Axel_Honneth_an_Interpretations_on_the_Struggle_for_recognition)

We first know that a social enterprise ‘is an endogenous response of society to the failures of the market and the shortcomings of public policies’ (Guide Social Europe/Vol.4 p.17). Therefore, the organizational diversity of the social economy sector in Portugal but also in Europe as a whole, simply reveals the presence of various market failures and public policies’ limitations. As a relay of the state, social entrepreneurship naturally is born out of the civil society and can be institutionalized, such as for instance the CASES public interest cooperative (regulated by the Cooperative Code and a special 1984 law 31/84) accountable for the development of the cooperative sector in Portugal. For identifying its practical forms and understanding the specificities of the Portuguese society, we have used few academic resources based on a sample of 100 interviewed social enterprises.

From a first hindsight, as a semi-periphery southern country, Portugal has been directly affected by the 2008 financial crisis. After the bailing out the private banking sector and the budgetary discipline impelled by the European Troika (International Monetary Fund, European Commission and European Central Bank), we observe in the graph the sharp decline of the government spending and now understand the crucial role of the social entrepreneurs.



SOURCE: WWW.TRADINGECONOMICS.COM | STATISTICS PORTUGAL

In times of market failures and public policies' limitations, we observe that 'the concept of social entrepreneurship is intrinsically associated ... to the retrenchment of welfare state policies and mechanisms in the provision of social products and services' p.2 Lopes Marquos. Constrained by their own budget, some social entrepreneurs can have a pro-business approach, putting at the core of their strategy the financial sustainability objective sometimes at the expense of the social goals. Others can be more clearly associated with a solidarity economic model in which each objective (democratic governance, predominance of labor over capital and so on) is *equally* implemented 'through the socialization of productive resources and the adoption of equalitarian criteria' Laville and Gaiger, 2009: 162)

### **Innovation school versus North American School, a diverging prioritization of objectives**

In this graph, we observe the preeminence of IPSS (private institutions for social solidarity) and non-profit associations even if the graph omits to mention that since 2010, a public representative of the third sector in Portugal (CASES) was created and seeks 'to promote and support that social entrepreneurship that stimulates the entrepreneurial spirit of the people and organizations through a strategy of sustainable development' (Parente 120:2012) It is in some way the functional equivalent of the 'Office for Civil Society' in UK that tries to be the junction between the third sector and the state. Ostensibly, as in Europe, social objective seems to be deeply anchored in the Portuguese social entrepreneur's DNA. In a survey of 31 interviewed individuals working in the social economy sector, we observe that social entrepreneurship - even if it is considered as a recent phenomenon theoretically ill-defined - remains perceived as an innovative way of thinking in order to replicate small-scale solutions on a more frequent and wider basis. Closely linked to the innovation school, the role of the social entrepreneur as an agent of profound changes within the society is here widely recognized and the objective of social utility highly prioritized. Nevertheless, some interviewed organizations are more closely related to the North American School, as they tend to see 'profit as an inherent part of social entrepreneurship and a necessary condition to guarantee the sustainability of the social

mission<sup>35</sup>. For instance, one interviewed organization conceives social entrepreneurship simply as a secondary project or a rational procedure such as the 'social intrapreneurship' which can be 'social entrepreneurial initiatives that take place within an organization that does not even have to have a social mission'<sup>36</sup>

Therefore, we understand that social actors can have a slightly different normative definition and perception of social entrepreneurship : economic and social goals can be seen as equally important as in the United Kingdom<sup>37</sup>, economic goals can be in some cases more important than social goals for some interviewed social actors in the sample we have for Portugal<sup>38</sup>, whereas eventually, according to two SELUSI reports, social goals can be far more important than economic goals, as it is the case in Hungary<sup>39</sup> and Romania<sup>40</sup> for instance.

To put it differently, social actors have various orientations and levels of commitment towards social entrepreneurship, different intrinsic and extrinsic motivation (self-realization, wage, organizational atmosphere, autonomy and creativity of the job)<sup>41</sup>. These variables contribute to the diversity of practical forms of social enterprises. In the sample on Portugal for instance (less than 100 respondents), 52 organizations are 'characterized by the search for funding alternatives directly or indirectly connected to financial sustainability' (moderate level of orientation) whereas '22 organizations tend to combine entrepreneurial orientations regarding financial sustainability with human resources management and/or work organization which also reflect an entrepreneurial

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<sup>35</sup> Cristina Parente, Monica Santos, Vanessa Marcos, Daniel Costa, Luisa Veloso, International Review of Social Research, 'Perspectives of Social Entrepreneurship in Portugal : Comparison and Contrast with International Theoretical Approaches' p.126

<sup>36</sup> op. cit. p.126

<sup>37</sup> [http://www.selusi.eu/uploads/images/110315\\_Selusi\\_Report\\_UK.pdf](http://www.selusi.eu/uploads/images/110315_Selusi_Report_UK.pdf) p.3

<sup>38</sup> The 'earned income school of thought and the social purpose enterprise' comes from North America and social actors situated in the lineage of this school are 'business-style non-profit organizations that incorporate strongly market-oriented business procedures and planning and management tools to ensure the efficient use of resources and the achievement of their goal' social entrepreneurship is understood to be a set of commercial activities and strategies designed to obtain and create resources that can be used in furtherance of a social mission' p.116 Parente

<sup>39</sup> [http://www.selusi.eu/uploads/images/101216\\_Selusi\\_Report\\_HU.pdf](http://www.selusi.eu/uploads/images/101216_Selusi_Report_HU.pdf) p.3

<sup>40</sup> [http://www.selusi.eu/uploads/images/101216\\_Selusi\\_Report\\_RO.pdf](http://www.selusi.eu/uploads/images/101216_Selusi_Report_RO.pdf) p.3

<sup>41</sup> Depedri S, Tortia E. C. Carpita M. (2012) Feeling satisfied by feeling motivated at work: Empirical evidence in the Italian social services sector in J. Heiskanen, H. Henry, P. Hytinkoski, T. Köppä. *New opportunities for cooperatives: new opportunities for people. University of Helsinki, Mikkeli*, p.136-153 (reference extracted from the Social Europe Guide/Vol 4 p.61.

profile'(high level of orientation)<sup>42</sup>. Even if we should not extrapolate a general truth from these little samples, we can posit that the different levels of orientation and commitment towards social entrepreneurship simply reflect the manner how social actors are affected by the budgetary constraint, their respective reactions and innovative strategies in response to this resource scarcity, the regulatory framework in which they are situated. Let's keep in mind that a series of parameters - internal and external - condition the behavioral dynamics and the practical forms of social enterprises.

### 1.3.4 Spain

In Spain, a great study of 2010 from the SELUSI research partnership has listed the specific features of the social enterprises in this country and with a sample varying from 130 to 150 individuals<sup>43</sup>. Apparently, within these enterprises, there is 'a relative balance of social and economic goals with a slight dominance of social goals and organizations efforts are focused on the regional and national level'. Given that the trans-sectorial dimension was already mentioned above as a traditional feature of social enterprise, it is not surprising to observe it in the way how Spanish social enterprises are involved in many policy domains: community, social and related services (21%), education (24%), wholesale and retail trade (7%), financial intermediation (7%), health and social work (8%) and business activities (33%) (N=138)

Trade and sales constitute the main source of capital, 61,8% of it, then grant hovers around 27,5% and micro-finance has a tiny role and represents 0,2% of their capital. Nevertheless, between 2010 until now, it would have been instructive to know the evolution of the latter variable in the financing of social enterprises because it should have evolved positively - even increased - thanks to the Social and Small Business Initiatives of 2011 and the European Progress called Microfinance facility, launched in 2010 and covered by the European Programme for Employment and Social Innovation (EaSI). These programmes aim to facilitate access to capital markets for social enterprises.

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42 Cristina Parente, Alexandra Lopes and Vanessa Marcos 'Defining Social Entrepreneurship: Lessons from Portuguese Organizational Dynamics' 10th International Conference of the International Society for Third-Sector Research Siena, July 13th, 2012 p.16-18.

43 The SELUSI Research Consortium, Personalized Feedback Report on Spain available here [www.selusi.eu/index.php?page=business-platform](http://www.selusi.eu/index.php?page=business-platform)

Therefore, in spite of a poor access to capital markets, we see in 2010 that Spanish social enterprises still succeed for balancing economic goals and social goals and do not pursue the former at the expense of the latter. Even if within this sample, education and community, social and related services are less frequently the primary business activity of a social enterprise. Regarding this balance, we can perhaps assume that the pursuit of social goals mainly depends on the revenues provided by the economic goals and that being entirely focused on the social goals can sometimes not be sustainable from a financial standpoint. Hypothetically, the role of micro-finance and the European programmes that give its impetus, are all the more crucial since that it can decrease the financial dependence of social enterprises on pure economic activities and allows them to expand their core business towards a wider range of social activities. For instance, when you observe that sales remain the primary business activity and top source of fundings for a social enterprise, it can be due to the lack of attractiveness and incentives from the part of the social economy sector in the concerned country, such as an absence of state aids, tax exemptions or the exclusion of social actors from the public procurements. In order to unlock the potential of the social enterprises and the social economy in the European Union, the public sector has to create a series of structural incentives (fiscal advantages, readability of the norms, no asymmetry of informations, an inclusive elaboration of public policies, employment and social rights) and it may function as a magnet that could attract all these dispersed social actors and let them working in an integrated whole hand-in-hand with the regional authority. The regular scheduling of professional events between public authorities and private social enterprises can also participate in the development of a significant synergy - exchange of informations, opinions and suggestions. Alongside human resources, participation in professional events and partnerships with other organizations seem to be a high priority in terms of collaboration resources for the Spanish social enterprises.

Moreover, many social enterprise models seem to emerge from the Spanish case, more than 7 organizational forms - cooperatives, entrepreneur support model, fee-for-service model of social enterprise, employment model, market intermediary model, service subsidization model and organizational support model (for further information see SELUSI:2010 p.8) They are more pro-active than inclined to taking risks but put a clear emphasis on the role of innovation and experimentation in the way how they conduct their organization and act within the market. As it was correctly suggested by the authors, we see a clear entrepreneurial orientation from the part of Spanish social enterprises

and their features seem to be quiet aligned with those of traditional commercial enterprises. As it was already mentioned above, authors also reveal that social enterprises are quiet resilient in times of crisis and partly exempted from the exogenous shocks of the 2008 financial crisis. Concerning the evolution of revenues between November 2008 and November 2009, '52% of the interviewed social enterprises reported moderate growth (up to 20%) and 20% reported strong growth (20% to 40% and more than 40%) even if '27% of social enterprises experienced a reduction in revenues'. (SELUSI:2010, p.14) This structural resilience can explain the relative strong longevity - the 'organizational age' - of the interviewed Spanish social enterprises (N=136), 46 have been created more than 20 years ago (33,82% of the sample) and 43 between 11-20 years ago (23,52%).

### 1.3.5 Croatia

As part of the enlargement process of the European Union, Croatia became the 28th EU member in 2013. For the public opinion and even foreign commentators, it was a real historical watershed and perhaps a refinement of the European core identity. According to the European Council President Herman Van Rompuy, 'it will change the life of this nation for good'<sup>44</sup> More recently, in March 2014, a National Strategy for the Promotion of Social Enterprises, inspired from the Social Business Initiative of 2011, has been set up for the pluri-annual period 2014-2020 in order to spur the development of social entrepreneurship as a new ecosystem. It is the first clear step towards the institutionalization and the official recognition of the social economy in Croatia because formerly, social enterprises were not widely widespread and remained poorly developed. In the aftermath of the crumbling of the Soviet Union, a free and deliberative space was created from which non-governmental organization and associations started to function as a relevant alternative alongside the state. What is also worth noticing is that thanks to the today's national strategy in Croatia, a significant financial amount is provided - hovering around at 41 millions of euros. A regulatory framework is dreamed up and utterly needed because social entrepreneurship is still situated at the beginning of the learning curve in this eastern European country. Geared with a repertoire of social actors, a specific Bureau within the Labor Minister is formed for thinking the regulatory framework of the social

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<sup>44</sup> 'Croatia celebrates entry to the European Union' [www.telegraph.co.uk](http://www.telegraph.co.uk) Jul.2013

enterprises. The main objective is here to endow this new legal form with more general visibility, to shed the light on these cooperative actors and support them both financially and technically. For instance, in France, it functions in a similar manner. The 'Pôle Territorial de Coopération Economique' (PTCE) is a grouping of social actors on a specific territory whose common strategy is to mutualize means of production and generate innovative social services in a sustainable way and at a geographical scale. The PTCE is a strategic economic institution, created from a call for tender issued by the government and it injects new social entrepreneurship dynamics within the French economy as a whole. These PTCE are similar to the National Strategy in Croatia in the sense that it lays down the groundwork for a gradual institutionalization of the social economy field and creates a series of support centers across the country at the service of social entrepreneurs. The National network 'CEDRA' of 80 NGOs, the British Council, the United Nations Development Programme (UNDP), the Forum of Social Enterprises (SEFOR) are, for instance, one of the main fundamental actors within the social economy in Croatia.

All things considered, in a period when welfare state on the European continent is transformed into a workfare state, now though and selective, social entrepreneurship is today in Croatia a relevant alternative in order to ensure the provision of sustainable social services for the population and enhance the employment rate at the national scale. In more illustrative terms, the National Strategy is embodied in a poly-centric process, made of coalitional dynamics and centrifugal forces, with multiple sites of decision and economic impulsion. Being the fruit of a research collaboration between the academic world and the Croatian government, conferences and lectures, knowledge-sharing and cross-fertilization during its *itinere* process, the national strategy intends to include all the outsiders of the society in the labor market and prevents them from remaining eternally in the poverty trap. In particular, the youth is highly prioritized in the strategy as the main potential productive force for the country. According to the Nobel Prize economist Joseph Stiglitz, the youth is the most valuable asset for a specific country.<sup>45</sup> Hampering its appreciation in the absence of an efficient educational system can have far-reaching consequences on the long-term productivity of the country and the development of a high-skilled labor. For instance, in 2013, 51.3% of labor in the youngest segment of the Croatian

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<sup>45</sup> Joseph Stiglitz, 'The Price of Inequality' The Guardian, 5 June 2012 available here : [www.theguardian.com/business/2012/jun/05/price-of-inequality-united-states](http://www.theguardian.com/business/2012/jun/05/price-of-inequality-united-states)

population is unemployed.<sup>46</sup> Therefore, especially carried out by the Croatian Chamber of Commerce and funded by the Social European Fund, a series of measures for increasing the employment rate of the youngest workers (also known as the NINJA = No Income, No Job, No Asset) or integrating the unemployed into the vocational training system has been devised and elaborated - state aids, public employment and wage subsidies for employers to recruit long-term unemployed individuals, provision of a professional training for matching the supply and demand in the labor market or extracting imperiled individuals from the vicious circle of poverty. In other words, it is made through a combination between public subsidies and monetary incentives for employers, state engagement and active labor policies. The resort to social entrepreneurship - aligned with the 2014-2020 structural funds, is considered as a substantial leverage for bypassing the economic stalemate in Croatia but also across Europe. Especially in the aftermath of the 2008 financial crisis, we observe that public policies further the transition towards a greater organizational model. Because 'it is only on the edge of the chaos where organizations find the energy and stimulation that lead to creativity required to cope with the ever-changing environment'<sup>47</sup> the spontaneous self-organization is either caused by or correlated with the presence of structural constraints that heightens the human creativity and the development of social capital that promotes cooperation among individuals. More precisely, social capital is *'the aggregate of the actual or potential resources which are linked to the possession of a durable network of more or less institutionalized relationship of mutual acquaintance or recognition'* (Bourdieu, 1985)<sup>48</sup> A high level of social capital, throughout learning process and a refined problem-solving capacity, reinforces the normative edifice of the cooperative movement in a specific country because actors become tied by common objectives and act in response to a strained situation. The Mondragon Experience, for instance, has been initiated in the aftermath of the Spanish Civil War and was considered as a regional endogenous growth process by Amaia Agirre et al (2009).

As a conclusion, the National Strategy in Croatia and all the micro-networks acting in parallel commonly form and shape a new social capital on a wider scale and as a function of an economic

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<sup>46</sup> Examen par les pairs en matière de protection sociale et d'inclusion sociale. Rapport de synthèse 'Entrepreneuriat social et autres modèles pour assurer l'emploi des plus défavorisés' Croatie, 29-30 Octobre p17

<sup>47</sup> Amaia Agirre et al., 'Building Up and Innovation Region Through Cooperative Experiences' *PiLe Sud*, 2009/2 n°31, p.72.

<sup>48</sup> op.cit p.75

development in times of public deficit, revolving around social entrepreneurship, capturing all the institutional diversity of the country and mapping out some strategic guidelines for the future to come.

**To sum up the first chapter :**

A keyword would be to pointing out the diversity of the social economy across the European Continent in spite of a coherent and single definition of the Regional Smart Specialization Strategy. Actors and citizens seem to be united in goals and objectives but not necessarily in means and strategies. The differential is caused by history, the varying level of resources for organizing a collective action, the policy salience of the social economy and the existing institutional arrangements.

Throughout this first Chapter, we now understand that defining a top-down bureaucratic word, such as the RIS3, does not suffice to change the collective mentalities and all the bottom-up behaviors of the European citizens. It gives the impetus but does not necessarily achieve results. It's up to us to match words with deeds.

## 2 Defining concept from a transnational perspective

*Beyond the wide range of definitions related to social economy, social innovation and social enterprise, we should be able to rely on a common set of shared understandings of what our scientific object is. Finding a transnational content for this distinctive concept is all the more crucial since the Action Plan aims to avoid misinterpretations, contradictory definitions among involved stakeholders and to construct a unified theoretical framework that tries to capture each national diversity. As a result, from a broad to a fine-textured perspective, these notions will be respectively put into perspective, contrasted and analyzed through the lens of academic resources, national perspectives of southern countries and European official definitions.*

### A variety of models

- Definition by legal status, four major categories: cooperative enterprises, mutual societies, foundations and associations.
- Definition by practical observation: democratic decision- making processes, non-profit, equality of men and women, general interest activities, solidarity, respect for the environment, the fight against poverty ...

Social entrepreneurs and social enterprises multiply and are highlighted in some countries. Sometimes these are NGOs.

**All these organizations are often those that develop social innovations.**

## 2.1 Social Economy : Historical perspective, Fundamental Criteria

### 2.1.1 A short historical overview

From a macro-analysis, the Social Economy concept (SE) remains intrinsically made of, by and for the people if we want to recast the Abraham Lincoln's quote (The Gettysburg Address:1863) it is a moral definition of the economy. It results from the fact that governments have gradually tried to find balance between market forces and social purposes of societies, competitive behaviors of investors and decent workers' conditions. Individuals became considered as human beings and subjects of rights and were not only regarded as a labor commodity fully reserved to the function of production. The Social Economy is the fruit of a constant battle between labor and capital. This concept has emerged from a redistributive clash opposing a growing popular disgruntlement and the high concentration of wealth in the hands of the bourgeoisie, inherited from the sovereignty era and the Ancient Regime's society in France.

More precisely, the term Social Economy appeared in the economic literature in 1830 when Charles Dunoyer published a *Treatise on social economy*,<sup>49</sup> a period when labor and capital, as two contradictory political forces, were fiercely confronting between each other. The date of this book, as the origin of the concept, unsurprisingly coincides with the end of the French sovereign regime called 'La Restauration' and the July Revolution named 'Les Trois Glorieuses', then the Second Republic was proclaimed and the universal suffrage (only for men) set up. The first half of the XIX century was a period when Napoleonian wars were a huge financial drain of the state budget of European countries and the adjustment variable was in the gold standard era, simply, the people. In England, we saw the Rochdale Pioneers' experience during the industrial revolution, a period also known as the 'Hungry forties'. As a milestone, this first institutionalized cooperative experience was the consequence of a strained historical and economic context. By creating a nascent safety net for labor, this experience was intended to overpass the short-sighted conception of poverty - seen as a social

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<sup>49</sup> For the reference, I am here indebted to a great and exhaustive report, '*The Social Economy in the European Union*', Summary of the Report drawn up for the European Economic and Social Committee by the International Centre of Research and Information on the Public, Social and Cooperative Economy (CIRIEC), p.11

construction and carried out by the official moral authorities of the concerned period. In the policymakers' minds, the conventional wisdom was that popular mace, its squalor and debauchery, was propitious to the emergence of idleness and disorder within society. Naturally, a tough 'social' legislation was enacted at the domestic level and a workfare state, distinguishing the deserving and the undeserving poor, was dreamed up. For instance, the Poor Law Amendment Act of 1834 established workhouses and tightened relief requirements for the pauper : *'all relief whatever to able-bodied persons or to their families, otherwise than in well-regulated workhouses (i.e. places where they may be set to work according to the spirit and intention of the 43d of Elizabeth) shall be declared unlawful'* (Extracted from the Report from His Majesty's Commissioners for inquiring Into the Administration and the Practical Operation of the Poor Laws, for an excellent summary <http://www.workhouses.org.uk/poorlaws/newpoorlaw.shtml>) Few years after, in 1845, *The condition of the working class in England* was published by Friedrich Engels and depicted a gloomy portray of labor, that is the other side of the coin of the industrial revolution, in Manchester and Liverpool in particular where high rates of mortality within the working class were correlated to the worsening of their labor conditions. Simultaneously in France, the Canuts revolts of silk workers in 1831 and 1834 in Lyon relieved from the same motive. Precisely, they were related to a tax on manufactures and their wages were already rocking the bottom - a situation which is, according to the French writer Chateaubriand, 'the continuation of slavery'. Hence a popular surge, which was interestingly similar to the 'no taxation without representation' movement during the American revolution period, when the thirteen colonies started to be violently opposed to the British Crown and a series of illegitimate taxes on tea and sugar in particular were the source of these popular breakdowns.

## Dialectic and double-movement of history

To sum up, throughout these historical examples, we see a clear connection - even perhaps a relationship of causality - between the emergence of the social economy as a popular reaction and the existence of acute redistributive inequalities, a growing cooperative movement and a strained economic backdrop. Then, few decades after, the widening gap between lower and upper-classes was filled by an institutional compromise : the Welfare State, diffused across Europe in the aftermath of the WWII and thanks to which citizens, 'from the cradle to the grave' (Beveridge:1942), become protected by the state. Alongside the state or not, actors who compose the social economy have ceaselessly

been in charge of providing a safety net and addressing the basic needs expressed by labor and citizens more globally. These actors are associations, mutual funds and cooperatives, foundations, self-reliant entrepreneurs (formal actors with a legal entity) or informal networks, such as families, churches or the construction of a utopian community called the phalanstery (e.g Charles Fourier).

As a result, if we want to continue our historical perspective and understand the dialectic of the social economy concept, we posit that the emergence of the social economy as an increasingly important concept can also be explained by a double-movement, described by Karl Polanyi in his book *The Great Transformation*<sup>50</sup>, which now seems to be replicated in Europe since 2008. This theoretical concept means that when market forces and laissez-faire policies are 'disembedded', that is when negative externalities and shocks of the market affect the rest of the society without a single regulation and compensation (first movement of the market), a popular movement automatically emerges and counteracts these forces, through cooperation in the case of the Rochdale's pioneers, violence with fascism and communism in the 1930s and now through democratic election with the euro-skeptic and ultra-right movement in Europe (second movement of society) Transformative and profoundly altruistic, the social economy and its wide-ranging actors across the globe are today part of that countermovement and try to offset the side-effects of the 2008 financial crisis in times of public debt.

### **The market (dis)embeddedness**

One might say that "disembedding" the market is similar to stretching a giant elastic band. Efforts to bring about greater autonomy of the market increase the tension level. With further stretching either the band will snap - representing social disintegration - or the economy will revert to a more embedded position<sup>51</sup>

### **A simple reiteration of the past ?**

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<sup>50</sup> Karl Polanyi, *The Great Transformation*, Beacon Press 2001 (originally published in 1944), chapters 5-6 (pp, 59-80), 12-13 (pp. 141-170), 15-16 (pp, 187-209), 21 (pp. 257-268)

<sup>51</sup> Fred Block, 'Introduction to the Great Transformation by Karl Polanyi', [http://www2.dse.unibo.it/ardeni/papers\\_development/FredBlock\\_Introduction-to-Polanyi.pdf](http://www2.dse.unibo.it/ardeni/papers_development/FredBlock_Introduction-to-Polanyi.pdf)

Moreover, our employment structure is now much more fragmented and unequal, schematically divided between the higher 10/20% decile taking advantage from a patrimonial concentration of capital, financial and estate assets, high qualification and wage, and the 90/80 % of the society working in the services, with part-time, un-secure and low-paid jobs. This simplistic overview is today more evident in the Anglo-saxon countries (United-State, Great Britain, Australia, New Zealand), than in the European Continent. (For a more fine-textured analysis of the inequality structure from a long-term historical perspective, see T.Piketty 'Capital in the Twenty-First Century':2013) To put it differently, we are now in a risk society (Beck:1992) in which, constantly under the threat of a reshaped labor code, we fear the risk of being unemployed or partly employed by a flexible contract, afraid of being deprived from a safety net and social protection as long as we remain unemployed. From a supply-side, companies even face with a low aggregate demand and low-growth regime in European societies, unpredictable economic forecasts and a series of highly competitive products coming from the rest of the world. It's even a depression, public and private investment, households consumption plummet.

Therefore, beyond the 'large-scale deregulation of labour law taking place in the European Member States'<sup>52</sup> and the absence of economic growth on the European Continent, all these observations and historical references have to encourage us to take more deeply in earnest the role of social economy as a relevant policy alternative to our respective regional situation. Let's not forget that if we do not look for an alternative form of capitalism, according to the great old-saying of George Santayana, 'those who cannot remember the past are condemned to repeat it.

## 2.1.2 Legal forms of the Social Economy: European official definitions and case law.

Beyond the political and historical project, the social economy is also differently salient and anchored in the European collective mentalities. Regarding the geographical map of Europe, it is

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<sup>52</sup> 'The Crisis and National Labour Law Reforms : A Mapping Exercise.' Stefan Clauwaert and Isabelle Schömann, p.7 Working Paper available here <http://www.etui.org/Publications2/Working-Papers/The-crisis-and-national-labour-law-reforms-a-mapping-exercise>

worth noticing that this concept is less recognized and widespread in the Eastern Countries - the candidate countries - than in the old western democracies - the founding countries of the European Union. It could be explained by the fact that in the latter, there has been a long-term and historical path-dependency along which the cooperative movement has been developing itself, through institutions and political battles, as mentioned above. In contrast, in the East, cooperative movements are not yet deep-seated in the collective mind and remain situated at the beginning of the learning curve.

From another perspective, the social economy has incrementally been divided into a series of legal entities. Therefore, at the macro-level, the institutional sector of the social economy, however vast as it may be, is mainly conditioned and shaped by a coherent and unified legal regulatory framework of the concerned country. It means that the cross-national variation and structural differences of the social economy as an economic model simply reflect the legal diversity of our countries. Moreover, the social economy concept has a different policy salience and is differently anchored in Europe. Its definition also varies whether we take into account the statutes or the organizational values carried out by social enterprises.

Nevertheless, if we deepen our analysis, recently in France, a law related to the SE sector has been voted and adopted on the 31 of July 2014. In order to clarify what the SE sector means but also to refine the scope of the public action within this strategic policy domain, the law lays down three major requirements that define its features - 'a social objective other than the sole sharing of benefits, a supervised profit, a participative and democratic governance'. Accordingly, for being recognized as part of the social economy sector, funded by the public authorities and taking advantage from fiscal advantages, enterprises should comply with these three constraining requirements. It means that 'commercial enterprises' and traditional corporations can now be part of the SE sector, provided that they fulfill these criterions. This short example reveals that the legal framework is able to determine the composition and the content of the social economy sector, define which actors do or do not belong to it. In political scientist terms, law defines what the 'political opportunity structures' for social agents are.

All things considered, across Europe, the social economy sector is currently composed of four main legal forms - mutual societies, associations, foundations and cooperatives - whose features are defined by the European Union and its official website (see the following table).

Legal forms of the SE	Extracted from the European Official Website : definition and case law
Mutual societies	<ul style="list-style-type: none"> <li>- 'A mutual enterprise is an autonomous association of persons (legal entities or natural persons) united voluntarily, whose primary purpose is to satisfy their common needs and not to make profits or provide a return on capital. It is managed according to solidarity principles between members who participate in the corporate governance. It is therefore accountable to those whose needs it is created to serve' 'Mutuals can be differentiated from co-operatives by the fact that they operate with their own, collective and indivisible funds, and not with share capital.'</li> <li>- Due to the heterogeneity of insurance and providence mutuals across Europe and a lack of progress in the legislative process, the draft statute for a European Mutual was withdrawn by the Commission in 2006.</li> <li>- Reference : <a href="http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/mutuals/index_en.htm">http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/mutuals/index_en.htm</a></li> </ul>
Associations	<ul style="list-style-type: none"> <li>- 'A permanent grouping of natural or legal persons whose members pool their knowledge or activities either for a purpose in the general interest or in order to directly or indirectly promote the trade or professional interest of its members'</li> <li>- 'Voluntary and open membership, equal voting rights, members' fees with no capital contribution - autonomy and independence - service providers, voluntary work, sports and representation - important providers in health care, care for elderly and children and social services'</li> <li>- Proposed in 1992 and withdrawn in 2006, in spite of many activism and discussions, a draft statute for a European Association has not yet been voted among the European legislators.</li> <li>- Reference : <a href="http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/associations-foundations/index_en.htm">http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/associations-foundations/index_en.htm</a></li> </ul>

Legal forms of the SE	Extracted from the European Official Website : definition and case law
Foundations	<ul style="list-style-type: none"> <li>- 'Bodies with their own source of funds which they spend according to their own judgment on projects or activities of public benefit. Independent of public authorities. Run by appointed trustees, capital supplied through donations and gifts. They may finance and undertake research, support international, national and local projects, provide grants to relieve the needs of individuals, fund voluntary work, health and elderly care.'</li> <li>- Approved by the European parliament during the voting of a resolution (July 2013), the European Foundation Statute is still being reviewed by the committee of permanent representatives of the Council of Ministers (COREPER) For those interested in an updated channel on the subject, see <a href="http://www.efc.be/programmes_services/advocacy-monitoring/European-Foundation-Statute/Pages/default.aspx">http://www.efc.be/programmes_services/advocacy-monitoring/European-Foundation-Statute/Pages/default.aspx</a></li> <li>- Reference : <a href="http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/associations-foundations/index_en.htm">http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/associations-foundations/index_en.htm</a></li> </ul>
Cooperatives	<ul style="list-style-type: none"> <li>- ' A Co-operative is an autonomous association of persons united voluntarily to meet their common economic, social and cultural needs and aspirations through a jointly owned and democratically controlled enterprise.</li> <li>- Voluntary, free and open, democratic structure, equitable, fair and just distribution of economic results, autonomous and independent.'</li> <li>- 'The Statute for a European Co-operative Society was adopted on July 22nd 2003 (Council Regulation (EC) No 1435/2003) facilitating their cross-border and trans-national activities (...) it enables five or more European citizens (physical persons) from more than one Member State or by merger / conversion of national cooperatives to create a European Co-operative Society' but the plurality of references in national laws hampers its use..</li> <li>- Reference : <a href="http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/co-operatives/index_en.htm">http://ec.europa.eu/enterprise/policies/sme/promoting-entrepreneurship/social-economy/co-operatives/index_en.htm</a> <a href="http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1414418152078&amp;uri=URISERV:l26018">http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1414418152078&amp;uri=URISERV:l26018</a></li> </ul>

### 2.1.3 Openness, solidarity, efficiency and communality

We have to keep in mind a series of fundamental criterions for defining the social economy. It is rather an inclusive and not exclusive network, which encompasses a wide range of private actors and pays a close attention to those situated on the sideline of the society and deprived from a safety net (elderly, disabled, unemployed, marginalized individuals, homeless). An inclusive network does not integrate and include actors according to their level of financial, ideational or political resources (**criterion of openness**).

In the backdrop of a disengagement of the state in the provision of public services, the social economy is now embodied in a series of local or transnational micro-networks (e.g MEDCOOP in the field of social innovation, RESCOOP in the field of sustainable development) which become the modern and non-traditional form of policy governance. These networks are far to be similar to the old historical and federative movements in which links between members are less dense and layers of the structure less connected. In parallel, these modern networks in which nodes are continuously communicating between themselves are similar to the current Italian cooperative consortiums. They soared in response to a new set of economic activities and market failures, mainly located in the services sector – household's services, production of non-market devices, social services and so on. In short, these networks overpass the old-fashioned dichotomy made in the academic field between the state and the market (Williamson:1975). *'Recent political strategies have attempted to govern neither through centrally controlled bureaucracies (hierarchies) nor through competitive interactions between producers and consumers (markets), but through self-organizing networks'*<sup>53</sup> Moreover, cooperation in a network, whether it is geographically extended or concentrated on a certain set of actors and issues, improves the problem-solving capacity of the social economy as a whole. Different from a top-down, centralized and planned approach of the economy, networks are bottom-up and decentralized strategies across the social economy. They address the local unmet needs of individuals. Therefore, informal or formal institutions emerge and the sum of these dispersed social initiatives constitute a collaborative economy in which solidarity remains the core leitmotiv (shared

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<sup>53</sup> Carsten Stroyb Jensen, 'Theories of Industrial Relations : Existing Paradigms and New Developments' Paper to be presented at IREC Conference 2008, London Greenwich.

housing services, car pool, community garden, short circuits without an intermediary) Collectively, actors share their respective expertise, coordinate their visions and implement a common project in a much more efficient manner as it was the case before. From being isolated to united, coordinated stakeholders within an inclusive network automatically reinforce the efficiency of the process and can deal with contemporary issues, whether it might be - for instance - the struggle against the remoteness of retirees in rural areas or the regeneration of economic activities by connecting the consumer with the local producers. Sometimes, within a social economy, inclusive networks address market failures hand-in-hand with the public sector (university, authorities) in the framework of a cluster for instance and *'possess a highly flexible nature, adjusting to complex contemporary policy problems that cannot be tackled at all or as well by existing formal institutional arrangements'*<sup>54</sup> **(criterion of solidarity and efficiency)**

All things considered, if we implement the structural conditions conducive to the emergence of a social economy on a specific geographical scale, which is the core objective of our Action Plan, all these gathered micro-networks may endwise constitute a substantial economic and social leverage - a competitive advantage that the smart specialization strategy tries to trigger - in spite of the tightened public finances. As a result, philosophically speaking, the whole would be greater than the sum of its parts (Aristotle). Alongside the criteria of openness, solidarity and efficiency, a social economy is also featured by a sense of what a French historian at the College de France, Pierre Rosanvallon, has called the **'communality'**<sup>55</sup>; that is a sense of belonging to a same moral and human community, a sense of nationhood more broadly speaking as it has been experienced it during the French Revolution (1789) when large banquets were regularly organized among citizens and a social contract started to be weaved among individuals. In order 'to enshrine solidarity within the society' according to his expression, Pierre Rosanvallon has, for instance, initiated the creation of a website called 'Ordinary Lives' on which every individual can transmit a short text on a moment of his or her life, share a perception on a specific topic and the content of a personal experience (as a musician, metro or bus driver for instance) In other words, each publication makes the social and society less opaque by putting the focal on lives regularly overshadowed by the medias. (see the presentation made by

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<sup>54</sup> Börzel, Tanja A, & Heard-Lauréote, Karen. (2009). Networks in EU multi-level governance: concepts and contributions. *Journal of Public Policy*, 29(02), 135-151

<sup>55</sup> A notion extracted from Pierre Rosanvallon, 'La Société des Egaux', Editions du Seuil, 2011.

Howard Becker (<http://www.publicbooks.org/nonfiction/ordinary-lives>). As a result, a social economy also enlightens the lives of individuals who are on the margins of society and prevent them from being entrapped in what a French sociologist, Robert Castel, has called 'la désaffiliation sociale', that is a process when an individual slides from a social integration to a vulnerable social zone and starts to lost contact with his own neighbor, friends and the society as a whole. Once included in this sustainable, smart and inclusive economic model, citizens mutually recognize themselves as subjects of rights and do not ignore their adjacent neighbor anymore. Hypothetically, an emphatic civilization would be the final achievement of a social economy widely spread across the world.<sup>56</sup> **(criterion of communality)**

As a conclusion, keeping these previous general and historical elements in mind, here is a common and exhaustive definition of the social economy that captures all European official documents related to this topic.

#### Definition of the social economy

- ***'The set of private, formally-organized enterprises, with autonomy of decision and freedom of membership, created to meet their members' needs through the market by producing goods and providing services, insurance and finance, where decision-making and any distribution of profits or surpluses among the members are not directly linked to the capital or fees contributed by each member, each of whom has one vote, or at all events take place through democratic and participatory decision-making processes. The social economy also includes private, formally-organized organizations with autonomy of decision and freedom of membership that produce non-market services for households and whose surpluses, if any, cannot be appropriated by the economic agents that create, control and finance them'***<sup>57</sup>

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<sup>56</sup> Further information on the concept of an emphatic civilization : RSE Animate Video of Jeremy Rifkin <https://www.youtube.com/watch?v=I7AWnfFRc7g>

<sup>57</sup> Extracted from 'The Social Economy in the European Union', Summary of the Report drawn up for the European Economic and Social Committee by the International Centre of Research and Information on the Public, Social and Cooperative Economy (CIRIEC), p.17 and see 'Charter of Principles of the Social Economy' (formerly known as the 'European Standing

## 2.2 Social enterprise: Its traditional features and contrasted practical forms in Southern Europe.

The Strasbourg event on January 16<sup>th</sup> and 17<sup>th</sup> 2014 was a landmark event that gathered more than 2000 social entrepreneurs, the European Commission, the European Economic and Social Committee and the city of Strasbourg. Ideas start to be widely disseminated and we now observe that the notion of social enterprise is gaining momentum, both in Europe but also in the rest of the world. Across the globe, society-based initiatives are sharply mushrooming and several international institutions, such as the World Bank, the International Labor Organization or the Organization for Economic Co-operation and Development, favor the emergence of social entrepreneurship, both as a theoretical notion and a concrete project. From a micro-level of analysis, we realize that social entrepreneurship lays the groundwork for a new economic and resilient model in times of crisis that could be able to participate in the advancement of the Europe 2020 Strategy, that is making a sustainable, smart and inclusive growth possible.

In the framework of our Action Plan, it may now be interesting to understand the various differences between the traditional features of the social enterprise within a social economy, as it is established in the official European documents and the definition aforementioned and the practical forms that it takes across the Southern European countries, throughout a series of short dispatched cooperative stories.

### 2.2.1 The core definition of social enterprise

#### From the Social Business Initiative of 2011 to the Strasbourg Declaration of 2014.

A social enterprise fundamentally rehabilitates human forces within the entire society. Sometimes termed as a third sector and a pole of social utility alongside the private and the public

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Conference on Cooperatives, Mutual Societies, Associations and Foundations' and now called 'Social Economy Europe') available here [http://www.socialeconomy.eu.org/IMG/pdf/2007\\_08\\_20\\_EN\\_charte-2.pdf](http://www.socialeconomy.eu.org/IMG/pdf/2007_08_20_EN_charte-2.pdf)

sector, social entrepreneurship seems to complement the public action and acts hand-in-hand with the state in providing public services but often independently from its influence and funding. It even bypasses the intrinsic limitations of the state and the public action - such as the short-sighted horizon of politicians, the budget constraint on public finances worsened by the 2012 Fiscal Compact Treaty and the criteria of convergence, the lack of technical expertise from the part of the public administration or the absence of political willingness. In short, it goes beyond the structural constraints of our modern state and addresses, in a much more targeted manner, the unmet social needs of the population that the public authorities did not want or were not able to resolve. In more illustrative terms, these assumptions can also be verified in the field of foreign policy development for instance. We saw that the official development aid, sent by the wealthy northern countries to the ill-fated southern countries, has been both quantitatively and qualitatively bypassed by the flows of remittances that migrant workers, once situated in the North, send to their families living in their home-country in the South. Interestingly, the intra-family solidarity as an informal social network is much more efficient than the official public action for lessening the economic disparities and inequalities between the North and the South.<sup>58</sup> In this brief example, as it is the case for social entrepreneurship in many other policy domains, we see that social action, carried out by citizens, can be an excellent alternative to the public action, led by official authorities. Even if the social action is the continuation of public action by other means, cooperation between the former and the latter is still utterly needed.

### **Shaping the norm of social entrepreneurship through the deliberative space**

To sum up, as it was suggested by Michel Foucault - a French historian, we have to shift our conception and definition of power for understanding the emergence and importance of social entrepreneurship in our today's societies. The success of this notion has a simple reason: power is now circular, relational and everywhere according to the expression of Foucault. It can be carried out by a set of civil actors and academic discourses. Opinions circulating in reviews but also social networks, public debates and conferences, deeply matter. Once disseminated, ideas have a transformative dimension because they gradually trigger the creation of new institutions and micro-practices. This process corresponds to the formal institutionalization of ideas that were formerly

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<sup>58</sup> For a short synthesis on the link between immigration and development in developing countries, see [web.worldbank.org](http://web.worldbank.org) > Topics > Migration and Remittances : 'Remittances sent home by migrants to developing countries are equivalent to more than three times the size of official development assistance'

informal, that is unofficially carried out by a series of social agents. Then, in the case of the social entrepreneurship, have appeared an EU-representative institution of the social economy (<http://www.socialeconomy.eu.org>), new citizens networks (e.g RESCOOP), legislative initiatives or communications made by the European Commission, conferences revolving around the social economy in Europe but also programmes facilitating the funding of social enterprises.

What we want to underline here is that discourses in a democratic regime can have far-reaching consequences and decentralized effects across societies. The recent success of the social entrepreneurship is an example of that process. Power is not anymore centralized in the hands of the state and public authorities, as it was assumed by a Hobbesian perspective, but remains preyed to the discursive relationships of domination occurring within our society and in which each single individual can define the norm.<sup>59</sup>

From a more practical and less abstract standpoint, we will now start from a general to a refined definition of social enterprise. Our departing point is a definition of the social enterprise provided by the OECD and the Social Business Initiative of 2011. Then, step by step, we can gradually enlarge our reflection.

⇒ *‘Any private activity conducted in the public interest, organized with an entrepreneurial strategy but whose main purpose is not the maximization of profit but the attainment of certain economic and social goals, and which has a capacity of bringing innovative solutions to the problems of social exclusion and unemployment’<sup>60</sup>*

⇒ *‘Social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders. It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to*

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<sup>59</sup> For a more refined perspective on Michel Foucault’s works, see Jason Edwards, ‘Foucault and the continuation of war’ available here ([http://arditiesp.files.wordpress.com/2012/12/edwards\\_on\\_foucault\\_war\\_2012.pdf](http://arditiesp.files.wordpress.com/2012/12/edwards_on_foucault_war_2012.pdf)) and Michel Foucault, ‘Society Must Be Defended’ Lectures at the Collège de France 1975-76.

<sup>60</sup> Commission Staff Working Paper, ‘Accompanying the Document Communication of the Commission Social Business Initiative, *Setting-up a favourable ecosystem to promote social businesses in the social economy and innovation*’ 2011. p.8

achieve social objectives. It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities<sup>61</sup>

Social entrepreneurship collectively pursues the public and general interest. However difficult as it may be to define the public interest, this notion shows that a social enterprise substitutes itself/complements the state and intends to generate what the economists call 'positive externalities' - that is 'a positive production externality occurs when a third party gains as a result of production.

([http://www.economicsonline.co.uk/Market\\_failures/Positive\\_externalities.html](http://www.economicsonline.co.uk/Market_failures/Positive_externalities.html))

### Positive externality and high social benefit

In other words, as the educational or the healthcare system, the economic activity of a social enterprise can produce a social benefit (difficult to monetize and assess from a quantitative standpoint) superior to its own private benefit (inscribed in its balance-sheet), which affects the rest of the society and produces a welfare net gain. For instance, if you have benefited from a great academic education, you can improve the productivity of the sector of the economy and the firm in which you have been recruited or even discover a new technology that could be widely used across the population. If you can be insured and healed with a minimized cost or even freely, you can avoid to contaminate your peers, spread other diseases in your environment and still put your human capital at the service of your society. Similarly, when the most fragile segments and households of the population consume the production of a social enterprise, such as non-marketable services with a very low cost or even the fact of being engaged or in touch with someone, it extracts more individuals from the poverty trap and social remoteness. This social production of individuals now involved in the economy- once multiplied on a larger scale - can have far-reaching positive effects over their lives and enhance social cohesion of the society as a whole. It is **a positive externality**.

⇒ **A short imaginative intellectual exercise: a few hypotheses.**

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<sup>61</sup> Extracted from the communication from the European Commission : 'Social Business Initiative : Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation' COM(2011) 682/2 p.1

In order to measure the added and shared value of social entrepreneurship and its positive externality over the society, let's imagine, in a simplified theoretical et non-deterministic model, an open economy in which a series of social enterprises lead their own economic activity - local production of non-market or market services and goods, development of sustainable initiatives and ecological transports, organization of local marketplaces without a single intermediary between the consumer and producer or the setting up of micro-credit banks working with a very low interest rate. However airy-fairy as it might be, few positives externalities can be listed.

⇒ When national goods and services are produced by national labor and highly demanded by the domestic consumers and/or the rest of the world (high aggregate demand and a positive balance of trade because exports>imports), the workforce that has contributed to the production of these goods and services may receive an increasing remuneration and/or be more highly demanded on the labor market because they would be more needed in the productive process. Then, the employment rate could increase to a certain level. This hypothesis can be all the more verified since the social enterprise automatically redistributes capital and do not concentrate the surpluses, functions on a stakeholder, not a shareholder model. By regenerating local business and economic activities, social entrepreneurship can gradually create non-exportable, local jobs deeply anchored in self-sufficient communities. Let's keep in mind that this hypothesis can be quickly distorted by other exogenous and endogenous parameters and as a non-economist, our knowledge is limited.

⇒ An economic model in which social entrepreneurs depend less on the international and volatile markets of capital is much more resilient in times of crisis and can be counter-cyclical. Capital is primarily a function of redistribution, not accumulation, at the service of labor because the decision-making process is democratic and controlled by the stakeholders. From this simple assumption, it creates an expected positive externality for the future in the sense that neither a financial crisis such as the 2008 one, nor its inherent bailing out of investment banks at the expense of the taxpayer, could happen. All the austerity policies for reducing the public sovereign debt and reimbursing the international investors seem not to be part of this economic model.

⇒ Most of the time, a social enterprise has an equal wage ratio and participative governance (gender equality is often pursued), let's say that the wage ratio between the lower 10 % and the

highest 10% wages is 1 to 5. In other words, it means that the lower decile earns in average 1000 net euros per month, the highest decile earns 5000 net euros per month. From this simple but utopian premise, knowing that social enterprises are fundamentally trans-sectorial, the positive externality would be a massive reduction of the inter and intra-sectorial wage inequalities as a whole and which may be minimized to a very low extent. Once aggregated at the national scale, all these social enterprises could reduce the labor (on the short-term) and the capital (on the long-term) inequalities.<sup>62</sup> Notwithstanding a low growth, this economic model endows individuals with what Amartya Sen has called 'capabilities' namely 'a kind of freedom, the substantive freedom to choose a life one has reason to value» (Sen 1999:285)<sup>63</sup>

⇒Lastly, networks of social enterprises participate in the diffusion of technology and knowledge among individuals - one of the vector for reducing labor and capital inequalities according to Thomas Piketty (further information '*Capital in the Twenty First Century*' p482-487) - through the sharing of smart, sustainable and inclusive practices across society and reweave the social contract among individuals. This positive externality - individuals start to internalize environmental, citizenry or cooperative norms for instance - may be amplified if there is a systematic cooperation between the private, public and social sphere that could enlarge its scope. As widely agreed, it can be made through the educational system with the creation of diplomas specialized in the social entrepreneurship or the elaboration of inclusive public policies involving these three stakeholders - two considerations we need to take into account for the Europe 2020 Strategy.

## Social entrepreneurship in response to the democratic malaise

Armed with these two definitions and this hypothetical scenario revolving around the different positive externalities, social enterprise has eventually a participative feature which responds to our current democratic malaise. Individuals - once involved in a social enterprise - can, for instance, regain a faith in life, leave their remoteness, start to invest themselves in associative activities and be involved in new projects. The narratives available on the website 'Ordinary Lives' aforementioned confirms this

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<sup>62</sup> When we talk about the structure of inequalities, there always are two types of inequality : labor inequality on one hand (wages) and capital inequality on the other hand (dividend, share, land, estate or financial asset) Across history, it varies sensitively between and within the different layers of the society.

<sup>63</sup> Amartya Sen, Contemporary Philosophy in Focus by Christopher W. Morris. Cambridge University Press.

appealing assumption because many people testify about the invaluable effects of the associative experience over their own lives but we may not generalize it. Moreover, intra-household violence or suicides rates - two often less-cited consequences of an economic crisis - can be reduced on the middle-term as long as inactive and isolated individuals participate and are included in the network of a social enterprise. Enlarging our reflection, we now understand that the latter is entirely **inclusive** and **trans-sectorial**, hence its effects are positive and multiplied.

*'Social enterprises have also given a voice to those traditionally excluded from the process of drafting and implementing public policies, especially those formulated at the local and regional levels'*<sup>64</sup>

*Social actors are involved in many sectors of the society such as 'social security, social and health services, insurance services, banking services, local services, education, training and research, social tourism, energy, consumer services, industrial and agricultural production, handicraft, building, residential environment and cooperative housing, associated work, as well as in the domains of culture, sport and leisure activities.'*<sup>65</sup>

All things considered, the Strasbourg Declaration of January 2014 - an event that gathered more than 2000 entrepreneurs, the European Economic and Social Committee, the European Commission and the city of Strasbourg - is a simple continuation of the Social Business Initiative of 2011. Alongside ten recommendations, it tries to unlock the potential of the Single Market and to create a coherent European eco-system for social enterprises. Throughout official European documents, they are regularly 'recognized as a vehicle for social and economic cohesion across

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<sup>64</sup> p.3 Confcooperative workshop on Social Business and the Social Economy Presentation on 'Territorial governance and the role of social enterprises' Bologna, 21 February. p3. Available on the website of the European Economic Social and Committee : [www.eesc.europa.eu/resources/docs/02-confcooperative-21-february-2014.pdf](http://www.eesc.europa.eu/resources/docs/02-confcooperative-21-february-2014.pdf)

<sup>65</sup> Extracted from the presentation of the social economy made by the already-cited EU-level representative institution for the social economy, name 'Social Economy Europe' : <http://www.socialeconomy.eu.org/spip.php?rubrique215>

Europe as they help build a pluralistic and resilient social market economy<sup>66</sup> but we now need to sum up its general features thanks to all these documents (see the following table)<sup>67</sup>

<b>The social enterprise as a complement to the public action.</b>
⇒ Having a social or societal objective of the common good as the reason for their economic activity, often in the form of a high level of social innovation by the use and production of non-market goods and services.
⇒ Profits and surpluses being mainly reinvested and redistributed to achieving this social objective (e.g social enterprises invest more in vocational training than traditional companies)
⇒ A method of organization or ownership system reflecting their mission, using democratic governance or participatory or focusing on social justice (one person, one vote)
⇒ Stakeholders affected by its commercial activities are involved and have a say in the decision-making process, different from the shareholder model. Moreover, constraints on asset distribution wage ratios tend to be more equal than in a traditional enterprise.
⇒ Positive externalities and distributional effects (creation of non-exportable, sustainable and decent employments, reweaving the social bond between the consumer and the producer, regeneration of local commerces, dissemination of innovative practices)
⇒ Inclusive and trans-sectorial dimension (provision of diverse public services), a conjunction of member users' interests and the general interest (shared value)
⇒ Resilient economic model in times of economic downturns (less dependent on the fluctuations of the international market capital, consolidated assets and indivisible savings, no leverage buy out and high levels of indebtedness, cooperative banks lend to the real economy and do not participate in the speculative economy through high-frequency trading)

<sup>66</sup> Strasbourg Declaration 16-17 January 2014 available here [http://ec.europa.eu/internal\\_market/conferences/2014/0116-social-entrepreneurs/docs/strasbourg-declaration\\_en.pdf](http://ec.europa.eu/internal_market/conferences/2014/0116-social-entrepreneurs/docs/strasbourg-declaration_en.pdf)

<sup>67</sup> Sentences extracted from the Strasbourg Declaration of 2014, the Social Business Initiative of 2011, [www.socialeconomy.eu.org/spip.php?rubrique215](http://www.socialeconomy.eu.org/spip.php?rubrique215) and *the Social Economy and Social Entrepreneurship : Social Europe* guide / Volume 4

## 2.2.2 Dispatched cooperative stories and empowerment of the society.

A social enterprise can result from a spontaneous movement and be a pure reaction to globalization. For instance, a solidarity-based purchasing group 'GAS' in Italy has naturally emerged in response to the 'lifestyle of consumerism' and thanks to a multi-stakeholder framework, each node of the network can now buy local products to other nodes and restore to fair trade its letters patents of nobility (Social Europe Guide / Volume 4 : p.62). In response to the austerity European policies in the aftermath of the 2008 financial crisis, local currencies and banking time in some parts of Southern Europe have been created as an alternative model of capitalism. In addition, in Marinaleda which is a municipality in Andalusia, Spain, a new social enterprise is born in times of profound economic malaise and high unemployment rate - sided with the public mayor. An expropriation of rural lands has occurred throughout history and started to be possessed by a cooperative since 1999 in which each employee received an identical wage: 47 euros per day, 1128 euros per month for a full-time job. Accommodations and housings were auto-constructed and rented for 15 euros per month. State aids and local taxes were the financial leverage but this 'peaceful utopia' revolving around the controversial mayor Mr. Sanchez Gordillo remained a bone of contention in the sense that according to some observers, Marinaleda was seen as an old-fashioned, poor communist island whose mayor is power-hungry and populist.<sup>68</sup> To our viewpoint, it still remains an innovative way of organizing the local services of a town and going against the official tides.

### Ecological and local economy initiatives

In response to the environmental issue, climate change and highly destructive agricultural practices, we have seen in France particularly the mushrooming of initiatives related to the biological agriculture, embodied for instance in the well-known Pierre Rabhi. He has created an association called Terre & Humanisme (Earth and Humanism) to transmit a green ethic and an agro-ecological ethos among citizens because this new ecological model has to substitute itself to the traditional, extensive and Fordist model. Thanks to an efficient vocational training and an array of internships proposed across France, this association is similar to the Portuguese IEBA local development association called

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<sup>68</sup> We have tried to sum up a great article extracted from a French newspaper 'Le Monde Diplomatique', <http://www.monde-diplomatique.fr/2013/08/HAFFNER/49520> August 2013.

'Centre of Entrepreneurial and Social Initiatives' which also puts the emphasize on the vocational training system for adult learners. Its statutory objective is 'the development of its territory, namely through the technical support and the promotion of economical, cultural and social activities, human resources, education and training and also through the creation and management of companies'. It has a series of core values we can find out in other social enterprises: professionalism, integrity, quality, participation, sustainability, equality, innovation. Situated in a rural area, with a low demographic density, this association astonishingly remains involved in many projects. Between 1995 and 2014, IEBA has participated in 51 projects, 26 national and 28 on the European scale.

### **Strong emergence in Slovenia**

Along those lines, in Slovenia, this spontaneous networking effect is also embodied in the Slovenian 'Kooperativa Konjice' social enterprise whose main objective is to empower local and self-sufficient communities, through the use of organic production and short chains of food in order to spur the local commerce. Marketing of local products, green, cultural and social tourism on the countryside are also part of its activities. It is quiet similar to the Slovenian Social Enterprise forum which is a generator of sustainable-oriented local economies and quality workplaces, by promoting innovative networking of local development actors, creating new competitive or upgraded existing products or services, new business models and forms of work, and by setting up local development partnerships among the public, civil society and private sector. The openness criterion here deeply matters in the sense that it is a plural platform of civil society with a voluntary membership. In other words, any legal entity aspiring to contribute to the development of social entrepreneurship can be included as partner (socially responsible companies, municipalities, cooperatives, development agencies at local/regional level).

***In Slovenia, since 2011 - the Social Entrepreneurship Act - a Social Entrepreneurship Development Strategy (2013-2016) has been implemented with three strategic objectives:***

*→Increasing the visibility of social entrepreneurship and knowledge about the principles of social entrepreneurship.*

*→Upgrading of the existing support environment for entrepreneurship.*

→Promoting the employment of vulnerable groups in the labor market.

According to the law, social enterprise should correspond to one of the two following types:

→ Type A: may carry out before mentioned activities and other business activities with income from social entrepreneurship activities being at least 50%

→Type B: may carry out business activity if it employs at least one of the vulnerable groups in the labor market and it must have at least 1/3 of such workers among all employees

### **The practical form of a social enterprise can be shaped by a legislative shift**

In the United-Kingdom, after few reforms, non-profit organizations started to be in charge of providing public services and had 'to manage (or own directly) larger and larger social housing estates previously owned and managed by the Local Councils' (Social Europe Guide Volume 4 p.79). Despite this administrative and managerial burden for these social actors, we saw in the case of Rochdale Boroughwide Housing a new governance system involving the residents, tenants and employees, with a Representative body which has been implemented in order to manage successfully this transition. In times of unexpected circumstances, a social enterprise can always fit into its new environment.

### **Urban expérience**

A social enterprise can also be created when a potential and an opportunity are well identified by a common set of stakeholders. The regeneration of urban areas or deserted areas may be one of them, such as the eco-neighbourhood housing redevelopment carried out by a cooperative of inhabitants in Bordeaux, a major city in France. (<http://stories.coop/habitat-participatif-in-france-the-case-of-hnord-bordeaux/>)

Some cooperatives also continue to advance on their own learning curve through daily practices and learning effects, programming innovative experiences and projects in their own territory before heading towards the institutionalization of a coherent legal structure. Most of the time, the construction of the latter is often preceded by a wide range of spontaneous actors and dispersed ideas which - *by trial and error* - gradually start to reach a maturation stage and be gathered in a common legal entity

(see the Italian Andria Cooperative and its urban added value <http://stories.coop/stories/coriandoline-friendly-houses-for-girls-and-boys/>)

All things considered, through the diverse practical forms of social enterprises in Southern Europe, we still observe the predominance of the four legal forms and the traditional social objectives aforementioned, even if these objectives can be ranked and not equally prioritized among the social entrepreneurs. In addition, the internal organizational form and the nature/number of involved stakeholders vary and depend on the social entrepreneurs' leadership, so does the repertoire of means and actions of social enterprises. What is worth noticing is that some commercial enterprises can be imbued with some elements of the social enterprise by carrying out the controversial Corporate Social Responsibility and - in the case of France - can now even belong to the social economy sector if they respect the three requirements of the social economy law, aforementioned. Here, the boundary between social enterprises and traditional commercial companies can shift and be blurred. Therefore, even if we can sketch out a series of general features related to the social enterprise as an innovative organizational form, we observe that its practical form across Europe varies as long as legal boundaries shift and local conjectures differ from each other. Practical forms of social enterprises is highly shaped by the type of the local unmet social needs the social actors have to address (urban regeneration is different from creating an open-cultural bookstore), the geographical situation and budget constraint (the micro-finance is not equally developed within and between countries), the legislative framework and the political opportunity structure of the concerned country (either constraining or facilitating the emergence of social enterprises) In contrast, we eventually observe that for a social enterprise, the balance between social and economic goals can tilt towards the former or the latter, or both in an equal way and this mechanism depends on a series of parameters mentioned above. Beyond their own context, diversity and approach of entrepreneurship, social entrepreneurs still think global and act local. It is - perhaps - their most valuable asset.

As a conclusion, from a philosophical standpoint, these diverse models of social enterprises - spontaneous or minutely prepared - transform mental projects into concrete actions and produce - through their particular way - social value for the rest of society. This economic model - in which altruism deeply matters - tries to both respect and enforce two simple but major philosophical objectives which are the Responsibility Principle of Hans Jonas - *Act so that the effects of your action*

are compatible with the permanence of genuine human life - and the categorical imperative of Immanuel Kant - *Act in such a way as to treat man, yourself as others, always as an end, never only as a means*. Once equipped with these two philosophical guidelines, we now have to match words with deeds.

## 2.3 About Social Innovation

### 2.3.1 Key definitions and the Social Innovation Cycle.

The new recently elected president of the European Commission - Jean-Claude Juncker - has promised to use 300 billions of euros over the next three years for projects that focus on energy, infrastructure and digital issues.<sup>69</sup> Moreover, in a well-grounded article and in order to re-launch the wobbling European economy, some economist have advised the public sphere to give the impetus for the private investment within the EU and to federalize the European Investment Bank into a series of national public investment banks at the service of the real economy throughout the European continent.<sup>70</sup> Now, the role of technological and social innovation in the day-to-day public economics is now at the core of the structural funds and the backbone of European official discourses, such as embodied in the Europe 2020 strategy, with its Union Innovation, sustainable, inclusive and smart growth concept. We observe the emergence of new platforms ([www.socialinnovationeurope.eu/www.stories.coop](http://www.socialinnovationeurope.eu/www.stories.coop)), transnational and territorial cooperation (e.g MED programme, RESCOOP) appealing notions, such as ‘the Social Renaissance’<sup>71</sup> and events across the European continent revolving around social innovation (e.g Strasbourg Event of January 2014,

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<sup>69</sup> Article ‘Juncker elected: promises more social EU, more political commission’ 15.07.14  
<http://euobserver.com/political/124980>

<sup>70</sup> For more details, Natacha Valla ‘Reforming the European Investment Bank: A New Architecture for Public Investment in Europe’ [www.cepii.fr/BLOG/bi/post.asp?IDcommuniqu=325](http://www.cepii.fr/BLOG/bi/post.asp?IDcommuniqu=325)

<sup>71</sup> <https://webgate.ec.europa.eu/socialinnovationeurope/node/4669>) Its definitions : ‘Emerging societal challenges such as growing inequality among different social classes, unbalanced wealth distribution, accelerated urbanization and environmental stress due to the world population growth require a different concept of ‘social’. Moving away from the traditional management of emergencies, minorities and inabilities considered as unavoidable collateral effects of a profit-driven development process, a new central role for the fundamental issues is required in order to enable a sustainable growth of society as a complex system’

Innovation day of 19th september 2014, Lyon). To our viewpoint, all of these elements lay the groundwork for a new paradigm, theoretical and practical transition for the XXIth century in which the public and social investment are imperative and needed. After a short definition of the social innovation, we will expose some practical examples of this concept and identify its added value for our respective regional strategies.

«But where the danger is, also grows the saving power», the quote of the philosopher Friedrich Hölderlin - a well-known schoolmate of Friedrich Hegel - seems to introduce particularly well the concept of social innovation in the sense that human being, once imperiled by unexpected circumstances, always tries to fit into his immediate environment, elaborate innovative strategies and survive with his own self-reliance. In the EU, we understand that the today's decline of the public state, such as it is illustrated in the following table on the public investment rate, now goes hand-in-hand with the surge of social actors from the civil society and who address problems neglected by the government and the public authorities. Social innovation makes this strained transition possible because social actors are incrementally regarded as a credible alternative or a relevant complement to the state for addressing the public needs. Therefore, social innovation participates in the elaboration and the definition of a post-welfare society or even a post-modern state in which the social, the public and the private are intimately interlocked and supposedly decompartmentalized. In more illustrative terms, barriers between these three elements are dismantled and their actors are not anymore, according to the expression of Susan Strange, in a 'case of mutual neglect'<sup>72</sup> but become mutually constitutive.

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<sup>72</sup> Susan Strange, 'International Economics and International Relations : A case of Mutual Neglect' International Affairs (Royal Institute of International Affairs 1944), Vol. 46, No.2 pp.304-315.

**Figure 4 - Euro area public sector investment halved to 2% of GDP in 35 years (% GDP)**



Source: Fred, Eurostat, Paredes et al. (2009), Giannone et al. (2012). Last data: Q4:2013.

Extracted from the CEPII article *op.cit.* - Policy Brief N°4 - July 2014 (p3).

## The concrete meaning of social innovation

What is the social innovation ?

According to the European official definition, *social innovations* are innovations that are social in both their ends and their means – new ideas (products, services and models) that simultaneously meet social needs (more effectively than alternatives) and create new social relationships or collaborations. They are innovations that are not only good for society but also enhance society’s capacity to act. Social innovations take place across boundaries between the public sector, the private sector, the third sector and the household’ (European Commission) More precisely, social innovation is ‘a novel solution to a social problem that is more effective, efficient, sustainable or just than existing solutions and for which the value created accrues primarily to society as a whole rather than private’<sup>73</sup> (added value criterion) The prevailing conception is one that defines social innovation as a diffused process of positive externalities across society that address social needs unmet by the traditional market.

<sup>73</sup> James A. Phillips Jr, Kriss Deiglmeier and Dale T. Miller ‘Rediscovering Social Innovation’ *Stanford Social Innovation Review* Fall 2008

According to Francesca and Nadine (2014), *'social entrepreneurship is a kind of entrepreneurship whose major aim is to create social value, i.e. large-scale benefits for society that can be seen as positive externalities not (yet) taken into account by society or government'*<sup>74</sup> It shakes the traditional features of our economy and removes its deep-seated structures. It makes it less centralized and more poly-centric with new multiple sites of decision and sources of legitimacy from which social actors can act as either a complement or a substitute to the public action - as it was already indicated above. A new emerging set of structures carried out by social actors emerges from the civil society and disrupts the regular economic cycle. It is like a sub-system in a specific field (urbanism, environment, food chain, health, sport) that innovates, overpasses and goes beyond the current inaccuracies and defaults of the outdated system as a whole. For instance, Sustainable Cities Initiative (SCI) is a cross-disciplinary organization at the University of Oregon in the United-States that promotes education, services, public outreach and research on the design and development of sustainable cities. In order to contain the *urban sprawl* of the city and grapple with the ecological inefficiencies engendered by this process, a series of actors coming from different academic and scientific backgrounds - economists, sociologists, students and so on - have decided to unite their means and endorse a multidisciplinary approach. Pooling their resources and expertise, they work in several research areas: Active Transportation, Civic Engagement, Ecosystem Services, Urban Ecology, Sustainable Urban Design, Eco-Districts, Walkable Communities and Economic Development. (<http://sci.uoregon.edu/about-sci>) .

- Open rather than closed when it comes to knowledge-sharing and the ownership of knowledge;
- Multi-disciplinary and more integrated to problem solving than the single department or single profession solutions of the past;
- Participative and empowering of citizens and users rather than 'top down' and expert-led.
- Demand-led rather than supply-driven;
- Tailored rather than mass-produced, as most solutions have to be adapted to local circumstances and personalised to individuals.

"Four Social Innovation Approaches : Guide to Social Innovation", European Commission (p.8).

<sup>74</sup> Petrella Francesca et Richez-Battesti Nadine, «Social entrepreneur, social entrepreneurship and social enterprise : semantics and controversies» *Journal of Innovation Economics & Management*, 2014/2 n°14, p.143-156. DOI : 10.3917/jie.014.0143

Even if we can lay down the main characteristics of social innovation and see how it injects new ideas in our economies, we still have to be aware that individuals innovate today, according to us, unconsciously in response to a *democratic malaise*.

Why?

Because in the domestic and public opinions today, political governments are heavily criticized and often considered as strictly unable to deal with the massive unemployment rate. In a time when public deficit and public debt have to be brought down to 3% and 60% of the Gross Domestic Product respectively, individuals start to think that the political leeway does not exist anymore and remains partly entrapped in its international fiscal engagement or the reimbursement of the public debt. The executive branch is disempowered by the current economic circumstances according to this conventional wisdom. In particular in France, our society is today seen as a locked-up and defiant<sup>75</sup> society with multiple social fractures<sup>76</sup> revolving around tax evasion, globalization, the so-called comfortable poverty trap created by our social security, the sentimental details of the president's life and Islamic religion. These burning topics erode the national solidarity and without an accurate public debate, it makes the society more defiant and skeptical. Public debates are either endowed with a poor quality or even absent. Citizens feel themselves excluded from this deliberative space which is mainly reserved to the top-down monopoly of the journalistic sphere. Finally, the executive branch is seen as an independent atom entirely isolated from the rest of the society and which, once elected, becomes unaccountable to the population during the mandate. In other words, much to our dismay, democracy is now equated with a simple electoral function and not a participative dimension. Being part of a democracy means to vote. That's it. Therefore, in our today's old democracies, especially in France, it creates a real gap between the rulers and the ruled, a *representation deficit* and even a challenging political stalemate. With the declining civic engagement embodied in the low electoral turnout and the restrictive definition of democracy in which individuals do not have several channels of expression and communication at the national level<sup>77</sup>, social innovation is a way - to our viewpoint - to

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75 Pierre Cahuc and Yann Algan, 'La Société de Défiance : Comment le modèle social s'autodétruit ?' Rue d'Ulm. 2007.

76 A qualitative and quantitative research carried out by the CEVIPOF, Sciences Po available here : [www.cevipof.com/fr/france-2013-les-nouvelles-fractures/fractures-francaises-2014-vague-2/](http://www.cevipof.com/fr/france-2013-les-nouvelles-fractures/fractures-francaises-2014-vague-2/)

77 On the erosion of civic engagement in the U.S, see Robert Putnam 'Bowling Alone: The Collapse and Revival of American Community' (2000)

regenerate a local *agora*, recreate the *isegoria right* of individuals (freedom of speech) and enlighten the needs expressed by those situated on the margin of the society. Schematically, when you elaborate a social innovation in the field of education in an urban area for instance, some fragile segments of the population who were formerly overshadowed by the national media suddenly become included in the network and the business model of the concerned social enterprise. These individuals are now lodged in a new empathy sphere and democratic space created *ex nihilo* by the latter. For this reason, in a period of popular disgruntlement, social innovation has one crucial indirect effect we should not both underrate: it also sparks the lights for a democratic breath.

### Social innovation functioning as a cycle

‘Figure : Social Innovation Cycle and its sequence of stages’



Fig : Social Innovation Cycle and its sequence of stages

From a more pragmatic standpoint, social innovation functions as a cycle. Five stages of the ‘social innovation cycle’ can be pointed out between T1 and T2 - creation of a social service (eco-neighborhood for instance), diffusion of practices through communication, conference, videos or social networks, adoption of the social innovation by other actors (public, private or social), a maturity stage is reached when social innovation is practiced by users on a frequent basis and widely deep-seated in the policymakers’ minds, when its positive externalities start to impact upon the society as a whole. It is also a stage when social innovation can be superseded, outsmarted and outpaced by another emerging social innovation that could be created and cause its decline. The social innovation cycle is not necessarily a linear process, a product/practice/movement/idea born out from a social innovation is not doomed to failure and decline. In more realistic terms, it is a disruptive cycle and this figure is dynamic, not static and stages are permeable, not exclusive and hermetic. In a specific territory, it

means that the coexistence of multiple social innovations at the same stage and in a same policy domain can occur, namely each one of them can be situated at a different or same stage of the process simultaneously. Nevertheless, we can suppose that if a policy domain (e.g smart mobility for instance) is overcrowded by a series of different social innovations at the same time and if there are relatively few information asymmetries (that is each actor knows what the others' social innovation are), the fierce competition among these social actors may gradually select the fittest social innovation in terms of cost, accessibility, applicability and replicability and then eliminates the other forms of involved social innovation. Moreover, given that social innovation is also the outcome of a systematic interaction between sectors, we have to support 'cross-sector collaborations' for finding the most well-suited, sustainable and fittest social innovation for the users and the civil society. Therefore, we have to 'examine policies and practices that impede the flow of ideas, values, capital and talent across sector boundaries and constrain the roles and relationships among the sectors'<sup>78</sup>. For instance, creating a communicational and deliberative space is embodied in the website TED Ideas Worth Spreading on which you can visualize a series of lectures provided by innovative interveners. It is an example of a social, trans-sectorial, open and innovative platform.

### 2.3.2 Example of the Region Innovation Strategy in Rhône-Alpes.

In more illustrative terms, social innovation is deeply embodied in the regional innovation strategy and the smart specialization in Rhône-Alpes, France called '*la Stratégie Régionale d'Innovation - Spécialisation Intelligente*' and scheduled for the pluri-annual 2014-2020 period-. In the framework of the Europe 2020 Strategy carried out by the European Commission, seven smart specialization dimensions have collectively been identified in order to further the development of a series of ecosystems in the region but also at the service of the users. As the competitive, economic and technological advantage within the European economy, these seven dimensions revolve around the main core competencies of the region, including its actors and supportive institutions. They are intended to propel both new products and services on the market. It concerns various fields of social and technological innovation such as the medicine, sport, environment, chemistry or the eco-industrial

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<sup>78</sup> op. cit.

efficiency for instance. All of these topics are aligned either with the Europe 2020 strategy or the unmet social needs within the concerned region (challenges related to the demographic ageing, climate change or energy sustainability).

Moreover, when we read the official draft, beyond the enunciation of the quadruple helix approach and an intra and inter-sectorial collaboration, we observe that the role of the users in the social innovation is taken into account. For instance, in the field of medicine, it is hard to decide whether the innovation is technological or social. In the smart specialization strategy of the region Rhône-Alpes, innovation is both technological and social at the same time because regional authorities, by mobilizing scientific and technological resources, also tries to meet the various social needs pertaining to the increasing dependence ratio in Europe. In this specific context, the smart specialization dimension called ‘Personalized Health, Infectious and Chronicle Diseases’ is intended to improve the supply of health public services, the medical environment for the retirees, and provide a well-suited treatment and prevention of diseases. In our today’s western societies, the demographic dilemma is the well-known Achilles’ heel of the welfare state, particularly exacerbated by the fiscal pressure over the public finances. For example, the ratio - number of retirees / number of active workers - in Europe will double to 54% by 2050 according to the forecasts of the International Monetary Fund. Therefore, the junction between technological and social innovation, nudged by a coherent regional framework, can be a sustainable solution in terms of health public policies on the long-term.

geo	time	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
EU (28 countries)		24.1	24.4	24.7	25.0	25.3 <sup>a</sup>	25.5	25.8	26.1	26.3 <sup>a</sup>	26.6 <sup>a</sup>	27.5

**Datas Eurostat : the old-age dependency ratio between 2003 and 2013 in the EU**

Finally, throughout this regional strategy, although the social economy sector has not been considered as a competitive advantage and crucial interlocutor for the region, the seven dimensions of smart specialization have been founded *collectively*. An entrepreneurial dialogue and consultation

process have been carried out. It remains a mark of progress. A series of actors has been able to have a say in the decision-making process. Participation and consultation are a criterion inherent to the elaboration of an optimal public policy centered on innovation. It also has to be questioned, self-corrected and regularly examined, as it is the case in the regional innovation strategy in Rhône-Alpes because monitoring and evaluation - *in itinere* (in 2017) and *ex post* (2020) - are part of the programmatic framework. In other words, the refinement of a social and technological innovation goes hand-in-hand with a constant monitoring of the public policy in order to see how the interests of the framers and the affected parties are aligned, if not, how they could be reshaped. Nevertheless, in the seven smart specialization dimensions, we still unfortunately point out the absence of any references evoking the potential role of the social economy for the Rhône-Alpes region.

*«The affected parties have both the information and the correct model to accurately appraise the consequences and that all the affected parties have equal access to the decision-making process»<sup>79</sup>*

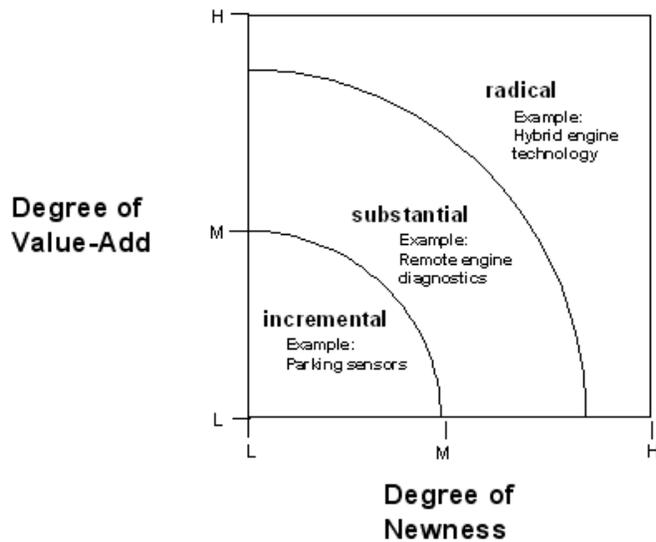
As a conclusion, we understand that our contemporary challenges, such as the demographic dilemma, can be addressed if innovative potentials are identified and defined collectively; then exploited at the fittest administrative scale as possible and whether funds are well managed, regularly monitored by a series of quantitative indicators and in-depth qualitative methods.

### 2.3.3 From the tryptic social innovation to the role of trust.

Similarly to the classical and traditional technological innovation, social innovation also remains featured by a variable degree of value-added and newness. It can be either radical, substantial or incremental but it does not eternally fit into one of these categories.

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<sup>79</sup> Two essential conditions needed for an optimal public policy. Extracted from Douglas North, 'Institutions, Institutional Change and Economic Performance', Chapter 12 'Institutions, economic theory and economic performance' p.109.



A graph extracted from the CEO Forum Group:

<http://www.ceoforum.com.au/article-detail.cfm?cid=6143&t=/Paul-Wright-Invetech/The-three-levels-of-innovation>

Let's note that the triptych analysis of innovation (incremental, substantial and radical) is inherited from Joseph Alois Schumpeter's writings.

For instance, it can create an upgraded organizational process (incremental), reveal a new niche and business opportunities with a job creation (substantial) or even reshape fully the structure of an industry or economy on the long-term (radical). The gradual recognition of the cooperative as an alternative legal form to the commercial enterprise can be seen as an organizational and incremental innovation, all the sustainable-oriented initiatives in urban and rural areas can be conceived as a substantial innovation and eventually, social incubators and innovation laboratories can reshape the role of the public sector or medicine as a whole (radical).

### Social innovation and public services

In the county of Kent in 2007 (England), an innovation laboratory - gathering regular users, public authorities and social actors - has thought a system in which the provision of public services would be shared between these three distinctive spheres in the 'Big Society' concept of David Cameron. Even if this decentralization process may be a disguised political strategy for justifying the retrenchment of the Welfare State, this example shows how social innovation between actors can be able to reshape - in a radical manner - the administrative and organizational geography of the public sector. Similarly, the Mindlab was initiated by the Danish minister of commerce in 2002 as a social innovation incubator for finding new public solutions related to services. A constant inter-ministerial cooperation and an association between public authorities and local Danish users made this

possible<sup>80</sup> In contrast, we know that most of social innovations made by the users are incremental and the fruit of piecemeal strategies. At the first sight, their effects are not radical but diffused and localized, imperceptible on national media but revolutionary for a tiny segment of the population in a local area. Even from a firm's perspective, 'scientific instrument companies do indeed get their innovations largely from users' whereas the conventional wisdom still conceives manufacturers as the sole innovators. Now, according to Eric Von Hippel, a professor of technological innovation at the MIT Sloan School of Management, 'the users have become aware of a new customer need they themselves have - and have created a solution that works and produces value for them'.<sup>81</sup> What is a groundbreaking discovery is that the traditional paradigm of innovation is now reversed. Innovation is increasingly caused by the social, borns out from the users' minds and is not solely technological and produced by the science in high-skilled laboratories.

In other words, in our regional backdrop, we may now easily understand the crucial role of social innovation and the conditions that favor its emergence from the civil society. The smart specialization strategy with its high R&D density, transforming public spendings into innovation-driven investment, the quadruple helix approach and the progressive disclosure of our regional advantages are a fine way to fill the 'transatlantic productivity gap' and our growth differentials. More fundamentally, it aims to extract the full social potential from our users' capabilities in our localities, by experimenting new channels of innovation-making and building new 'golden triangles for competitiveness' that are the touchstone of the regional smart specialization strategy.

### Trust and a coordinated-market economy

We may not forget that social innovation cannot emerge without a core ingredient in our regional strategies - **trust**. Trust can have a significant causal effect of economic growth because according to Kenneth Arrow (1972), '*Virtually every commercial transaction has within itself an element of trust, certainly any transaction conducted over a period of time. It can be plausibly argued that much of the*

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<sup>80</sup> These two examples are extracted from 'L'Innovation Sociale en Europe : Politiques européennes et pratiques d'innovation sociale dans trois Etats membres' Les Repères de l'Avise. Questions Européennes N°5. Septembre 2012

<sup>81</sup> 'The User Innovation Revolution' [www.sloanreview.mit.edu/article/the-user-innovation-revolution/](http://www.sloanreview.mit.edu/article/the-user-innovation-revolution/) Fall 2011. For instance, he quotes a interesting study : '6,1% of consumers in the U.K. over the age of 18 had created or modified a product for their own use within the last three years'

*economic backwardness in the world can be explained by the lack of mutual confidence*<sup>82</sup> Relations of trust between the different nodes of a network and among the involved stakeholders play a fundamental role. Trust is part of a coordinated-market economy, such as within the well-known German Model where stakeholders are supposedly very intertwined and tied by trustful relations. The strong representative role of trade unions in the wage bargaining is a continuation of this set of institutional practices. In other words, in this type of institutional economies, a party cannot simply act independently from the other parties but remains tied by a certain degree of responsibility in relation to the other parties. Therefore, it remains different from the role of competition played in the liberal-market economy model such as in the Anglo-saxon countries where stakeholders are largely freed from any legal restraint. For example, in the labor market of this institutional model, the Chief Executive Order of a firm can fire and hire his employees very easily without a real safety net and compensation for labor. In contrast, trust is hard to develop but can be built through a reiteration of exchanges and micro-interactions between entrepreneurs, public authorities, universities and other relevant stakeholders who are involved in a smart specialization strategy. Once constructed as a self-sustaining process, when means are clarified and objectives aligned, trust contributes to the elaboration of a cluster on a regional scale in which each node becomes closely connected with the other nodes. The information circulates more easily between the layers of the structure.

A *trust game* is erected and becomes rationale. In a climate of common ideas, each stakeholder tends to know what the other's intentions are and act interdependently with the other stakeholders. In other words, it becomes a 'reputational monitoring network' or a 'coordinated-market economy' in the sense that if one party does not honor its commitment, it can be rapidly excluded from and sanctioned by the network and it reduces its expectations to contract future transactions or synergies with the stakeholders.

According to the economist Robert Goodin, 'the trusted party will honor that trust because to abuse it would preclude on substantially limit opportunities to engage in future valuable transactions' As a result, this *exclusion cost* creates 'a structural bias toward consensus decision-making that

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<sup>82</sup> Pierre Cahuc and Yann Algan, 'Inherited Trust and Growth. American Economic Review 2010 (Previous title : Social attitudes and Economic development, 2008. substantially revised version)



**To sum up the second chapter :**

We have laid down a common theoretical framework for understanding the keywords - social economy, social enterprise and social innovation - from an official to a practical perspective. Firstly, we have learnt that the weigh of history shapes the current form of the social economy and that the emergence of social actors seems to be correlated with acute redistributive inequalities and the gradual retrenchment of the Welfare State. Then, even if the national law sets a sum of restricted criterions of belonging to the social economy, social enterprises are still featured by a wide organizational creativity and their models are always tailored to their respective geographical and economic localizations, production and own objectives. Finally, social innovation is growingly at the core of citizens' minds and the traditional paradigm of technological innovation is now outpaced. Innovation by the use and not necessarily the one provided by a scientific experiment, should be fostered and highly considered in our collective ethos. Certainly, it can be the sole relevant alternative to our welfare states but trust remains to be constructed and nurtured in our regional framework.

## 3 Understanding the role of Social Economy in Regional Development

### 3.1 Social Economy Contributions to regional development and innovation

Intrinsically, the surge of social economy in the regional development does not relieve from a linear process, untroubled and ineluctable. It is rather a disruptive process, strewn with barriers, challenges and enabling factors. In this part, we will respectively be interested in the triptych effect of social economy: social, economic and employment development by resorting to academic scholars and economic theories. Then, the emphasis will be put on the Mondragon example as a short description of a prosocial-oriented organization. Eventually, we will identify few external barriers in the countries and liable obstacles within the organization to the development of social economy.

#### 3.1.1 The triple helix effect of Social Economy: social, economic and employment development

Summoning up the general effects of social economy in the European continent and for the regional development should not mask the fact that its institutionalization and consequences vary across the regions, depend on the different historical legacies, norms and values of the national country.<sup>84</sup> Here we will point out the triple helix effect of social economy from a social, economic and employment development perspective, to what extent social economy does constitute a territorial advantage for a specific country? but let's be aware that the differential effect of social economy in each particular and territorial situation is refined by a series of parameters that shape, weaken or reinforce, the role of social actors: intensity rate of immigration and human flows for the workforce of this third sector,

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<sup>84</sup> Itçaina Xavier et Gouzien Annie, «Héritages et institutionnalisations de l'ESS dans trois régions d'Europe du Sud : quatre pistes de recherche» *Pôle Sud*, 2009/2 n°31, p. 9-24

culture and political style of the institution in facilitating or hampering its development, legal framework, the absence/presence of trust, role of religion, does the transmission of cooperative norms function well within the different socialization institutions (school, traditional enterprise, church...) ? To what extent actors take advantage from the Europeanization process (structural funds, European Investment Bank) for spurring the social economy sector? What is the level of actors resources for leading a collective action towards their government? Beyond these exogenous factors, we now analyze the role of social economy in regional development.

For a specific region, the predominance of the social economy constitutes an attractive endogenous growth process. Its value-added is undeniable for the regeneration of local businesses, the well-being of employees and the revival of declining enterprises. In our modern core cities, schematically, there is a sharp division and dichotomy between the center - wealthy, concentration of public goods, high employment rate and territorial attractiveness - and the periphery - inner-cities, less-developed suburbs, low-wage households, high transport cost and less accessible public infrastructures such as the medical desertion. Indeed, the social economy forms a series of capacities and capabilities in the latter, by making the periphery less dependent on the center, creating self-sufficient communities and transforming social actors into active empowered citizens.<sup>85</sup> We know that the public employment is sometimes a stop-gap measure for offsetting a high unemployment rate either in times of financial crisis or shining economic climate and can sometimes have a crowding-out effect on the private sector if, for instance, public and private goods are highly substitutable or the size of the rents gotten by employees in the public sector that can attract many individuals in the public sector and crowd out many private jobs<sup>86</sup> As a result, with its public wage and subsidies, government is not the sole provider of sustainable employment. The third sector, embodied in the social enterprises, also has to be integrated in our theoretical model and considered as a relevant jobs multiplier within a national economy. It has three policy implications.

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<sup>85</sup> For rethinking the term of attractiveness, see Friboulet Jean-Jacques, «La construction de l'attractivité : une analyse en termes de capacité», *Mondes en développement*, 2010/1 n°149, p. 11-26. On the world-system and center/periphery analysis on the macro-scale, see Immanuel Wallerstein 'The Modern World-System II. Mercantilism and the Consolidation of the European World Economy, 1600-1750'

<sup>86</sup> For a detailed analysis on the correlation between public employment and unemployment rate, see Yann Algan, Pierre Cahuc and André Zylberberg, 'Public Employment and Labor Market Performances' September 2001. Paper prepared for the 34th Panel Meeting of Economic Policy in Brussels.

Employment and Social development: With its positive features (self-realization, transparency of procedures, involvement in the decision-making process and so on), the social economy employment increasingly attracts individuals from and in some way ‘crowds-out’ the public and private sector even these trans-sectorial labor flows are hard to be qualified and quantified. Individuals, extracted from the traditional labor market circuit, are more inclined to be involved in the social enterprise for its positive characteristics. The labor employment structure but also the collective mentality, shift certainly because in our today’s strained economic backdrops, the net expected gains of individuals (‘the expected utility of unemployed workers’), not solely in terms of wage satisfaction which is low but also of intrinsic motivations, self-recognition and intellectual emancipation, become far more higher in the social economy than in the public and the private sector, as long as workers’ condition can be highly deteriorated and vulnerable in the traditional sectors of the economy. This rational calculus at the individual and micro-economic scale is now often made automatically and can be the source of groundbreaking changes in the employment structure, either on the middle or long-term. Yet, with its relative tiny proportion at the European scale, we think that the social economy does not still have a massive crowd-out effect on the private and the public sector but we understand that due to a series of market failures and the welfare state retrenchment, labor participation changes and the expansion of the third sector, as a response to these two major elements, bodes well for the future. Hence, on the short-term, in order to spur the job multiplier of the social economy in the framework of the public procurement directive of the European Union, fiscal exemptions and state aids should be allowed and a better participation of social actors in the public markets fostered, simply for unlocking the potential of social actors and make the employment structure much more dynamic.

At the period when the lack of growth and the risk of deflation are the Achille’s heel of the Euro zone, it would ensure both a decent safety net for the unemployed individuals that could be included in the social economy (socialization process, social integration, recognition of one’s qualities) and the provision of efficient public goods within the peripheries of European countries to reduce regional disparities. According to Paul Krugman, one of the leading scholar in the field of economic geography and even if his theoretical model for understanding ‘the localisation of production in space’ is heavily criticized for its fragile hypotheses, a firm - according to him - still takes advantage from the wage

differentials among the regions between and within the countries, especially when labor is not highly mobile geographically and does not have the information on the wage differential (centrifugal forces).<sup>87</sup>

The theoretical and an-historical model on which Paul Krugman relies simply denies all the negative externalities and social forces generated by the geographical concentration of production because it is difficult to put them into a mathematical equation. Therefore, we may suppose that in order to counteract the strategic behavioral dynamics of multinational organizations for taking advantage from the wage differential across regions and thereby to offset both the deepening of regional disparities and the negative externalities within some urban cities over the most fragile segments of the population, a well-developed social economy can be an efficient counter-force to all these elements. Either in a rural or urban context, the social economy can meet the unmet needs of the population in a very flexible and targeted manner. It is all the more important since we observe that the massive urban concentration is often made at the expense of the deserted regions and that the elderly - according to us - are the main victim in both rural (1) and urban areas (2): on one hand, high transport cost for being connected to the center, distant from the public services, sometimes deprived from any internet connection (1) and on the other hand, high rate of pollution due to the traffic-jams and saturated roads, infectious and cardiac diseases, social remoteness in depersonalized and anonymous large buildings, pensions cuts (2).

All things considered, the social and employment dimensions of the social economy are interlocked. Creating sustainable jobs in the field of the third sector is a magnificent multiplier for social integration, in particular in a rural and urban backdrop where the concentration of production often creates negative externalities and excludes a segment of the population from the employment reservoir, which is not necessarily situated in the core center and highly mobile due to the transport cost (oil price, large distance). For the society as a whole, those ignored by or excluded from the common good, the social economy is a tailor-made solution.

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<sup>87</sup> Paul Krugman, 'Geography and Trade', Coissard Steven, «Perspectives. La nouvelle économie géographique de Paul Krugman « Apports et limites, *Revue d'Economie Régionale & Urbaine*, 2007/1 mai, p. 111-125. DOI : 10.3917/reru.071.01111

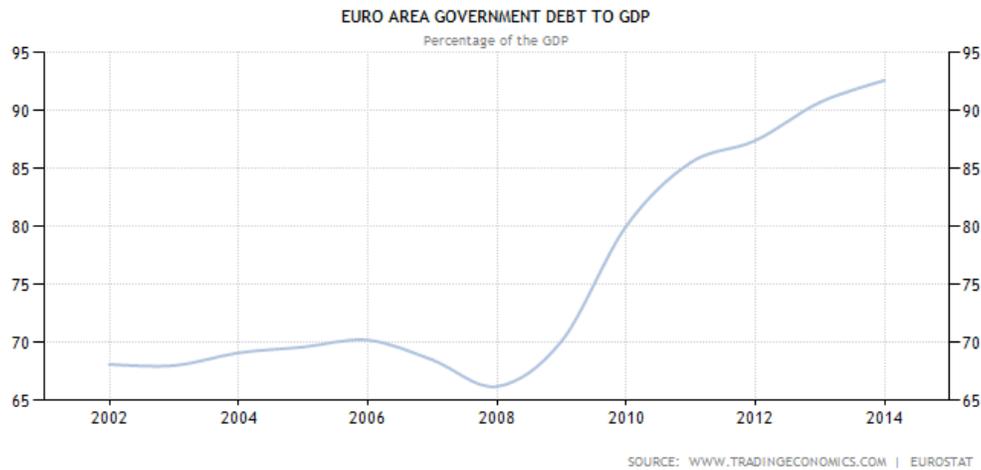
Economic: From the perspective of an average, middle-class and European household, austerity policies have made the taxes much more difficult to pay and the reimbursement of the public debt - which is a private banking debt at the origin - a national challenge. For example, in 2013 in France, 1.2 million of non-payment request for the taxes has been sent to the fiscal administration, that is an increase of 20% between 2011 and 2013.<sup>88</sup> We here have what we call a 'ras-le-bol fiscal', namely a growing popular disgruntlement towards the payment of taxes. According to us, the legitimacy of the fiscal taxation can even be eroded - due to the multiplicity of social security regimes, fiscal exemptions and optimization of multinationals. It can be a substantial drain on the development of a society based on solidarity. This «ras-le-bol fiscal» sends us back to some famous historical tax revolts, such as the Boston Tea Revolt in 1773, the Salt March in 1930 and the Poujadist movement in France in the 1950s when taxes were regarded as both illegitimate and insufferable. Unfortunately, history seems here to be reiterated but under radical different circumstances. What is worth noticing is that a sustainable economic model as the social economy would not have been at the origin of the 2008 financial crisis, the current state of our wobbling European economies and the high level of our today's Government Debt to Gross Domestic Product ratios (see the following figure) The reimbursement of the public debt, initially caused by the mismanagement of the derivate sector in the U.S and now embodied in the austerity policies in Europe, can even erode the taxation system as a whole, social cohesion and diffuse a feeling of mistrust and even of 'fear'<sup>89</sup> on the European continent. Economically, considering the labor and capital inequalities across the different layers of the society, we have to be aware that 'the effects of austerity are felt differently across the income distribution'. Mark Blyth adds : 'Those at the bottom of the income distribution lose more than those at the top for the simple reason that those at the top rely far less on government-produced services and can afford to lose more because they have more wealth to start with'<sup>90</sup>

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<sup>88</sup> Example extracted from an article in a French newspaper 'Impôts : les demandes de délai en forte hausse depuis deux ans' Mardi 12 août 2014, *Les Echos*.

<sup>89</sup> Alongside Hope in Asia and Humiliation in the Middle East, the word 'Fear' embodies Europe. For understanding the role of emotions in geopolitics, see *The Geopolitics of Emotions*, 2010 192.pages.

<sup>90</sup> Mark Blyth, 'Austerity. The History of a Dangerous Idea' Oxford University Press. 2013. p.8



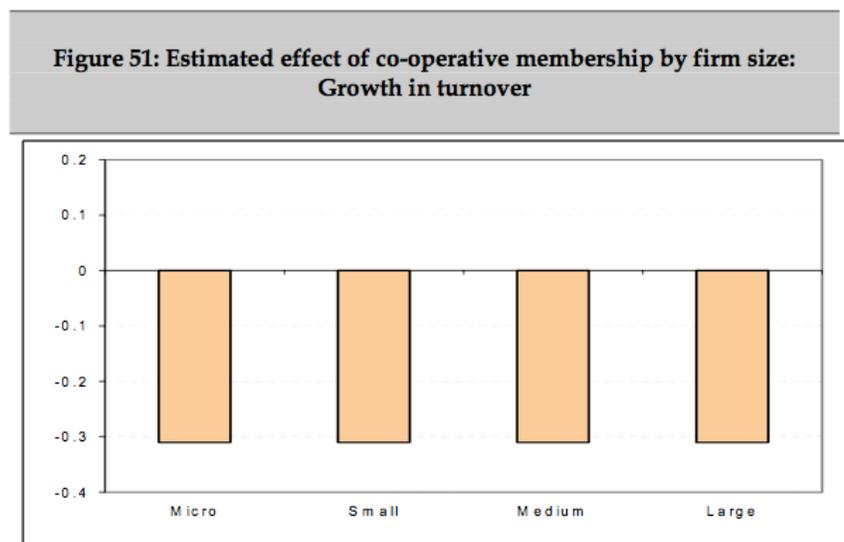
### Value at risk model and the financial resilience of the cooperative model

Therefore, the social economy sets out an array of advantages in response to the shadow banking and off-sheet banking practices in order to provide the lowest deciles of the income distribution with a relative decent safety net and access to efficient public goods. Mark Blyth also explains that the manner how banks were managing the risk - throughout the Value at Risk Model - and adjusting their own portfolio investments and positions was biased and fragile in the sense that the shape of the distribution of risk probability was considered as normal and has taken the form of a classic bell curve. As the core toolbox for the management of financial assets within the banks, the VAR is a mathematical model which denies the low-probability and high-impact events in the risk management, such as the crumbling of the Lehman Brothers or market crashes, and distributes the probable events (*those that are liable to occur according to the normal distribution of risk*) within a core restricted area of the bell curve where most of the low-impact and high-frequency events occur.<sup>91</sup> Hence, the social economy, alongside its micro-finance and ethical banks, targeted investments at the service of the real economy, does not belong to this airy-fairy world of the financial economics.

According to a well-grounded academic study, 'there is a very high probability that a business member of a co-operative is less risky than a business that is not a member' and moreover businesses

<sup>91</sup> For a great summary on the VAR model, see Mark Blyth op.cit p.32-34 and the following article <http://mises.ca.posts/articles/the-role-value-at-risk-var-played-in-the-2008-financial-crisis/>

belonging to a cooperative record a better profit performance than businesses which do not belong to a cooperative because the mutualization is the source of cost reduction. In addition, businesses are ‘primarily focused on ensuring a sustainable and profitable business and less on increasing employment for the sake of simply expanding their business’.<sup>92</sup> Nevertheless, in terms of growth in turnover (net sales), contrary to the growth in profit (residual earnings), ‘members of a co-operatives post a rate of growth in turnover that is on average about 3 percentage points lower than businesses that do not belong to a cooperative’ (see the following graph) Interestingly, we also learn that the profit rate differential of micro and large companies belonging to a cooperative is about 6 percentage points higher than of companies that do not belong to a co-operative. Throughout these econometric findings, we understand how far important the financial sustainability and resilience of the cooperative model are.



Source: London Economics' econometric analysis of economic performance of co-operative members and non-members

To sum up, in response to the market failures and the state disengagement, social economy successfully tries to internalize the negative externalities of the austerity ideology and seems to be based on less riskier and more healthier, sustainable financial practices.

<sup>92</sup> Study on the Impact of Co-operative Groups on the Competitiveness of their Craft and Small Enterprise Members. Final Report to European Commission D.G. Enterprise and Industry by London Economics January 2008. p.179, p.192

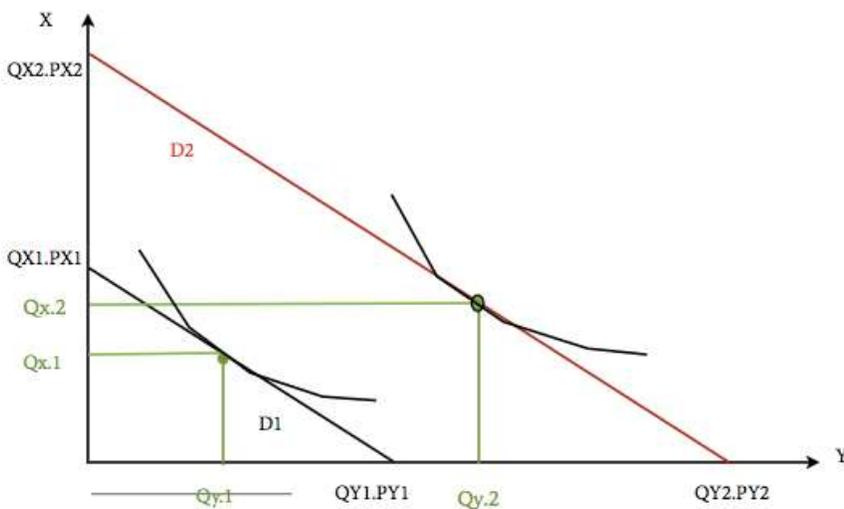
Moreover, during a period when the purchasing power of consumers and households is not necessarily vigorous, the social economy is relatively a great alternative in the sense that it provides services and goods at a competitive price (often below the price market) and social entrepreneurs are often geographically situated in areas where consumers face with a high transport cost and are situated far from the core center where most of the social and economic activities are concentrated. According to the location model, consumers' net expected gains and utility when they buy a specific product depend on its price (P) and the transport cost (C) which, once combined, make the 'product characteristic space'. When a product - service or good - minimizes P and C simultaneously, the consumer preference tends to be higher. From their own spatial point, consumers arbitrate their own consumption and preference according to the level of these two variables.<sup>93</sup> Therefore, the social economy, its social entrepreneurs and enterprises across Europe, regions and different localities, are well-suited for ensuring the provision of products at a lower price (P) and located much more closely to the consumer both in urban and rural areas (C). To our viewpoint, in the rural area, there is a great market niche opportunity in the sense that many consumers are facing with a high transport cost but still getting used to buy their products at the traditional supermarket that attract the vast majority of the consumers. If some social entrepreneurs succeed to divert these flows of consumers towards their own local products and firms, it could be a great economic success because a large aggregate demand can be derived from the minimization of P and C simultaneously.

Endwise, other micro-economic strategic advantages of the social economy and the mutualization provided by a cooperative can be enumerated, such as the economies of scale and scope, the redistribution and reinvestment of profits, the importance of intrinsic motivations, the reduction of cost services for the cooperative members who also can pool their expertise for applying for a public tender in their own country or at the European level. Being able to apply for a procurement contract requires time and a reactive organizational model. A cooperative model provides that. For instance, in its 2013 Activity Report and since 2011, we learn that Oxalis - a well-known French entrepreneurial cooperative - has increasingly set out a collective and coordinated organization for the filling of procurement contract applications. Individuals and entrepreneurs of the cooperative become

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<sup>93</sup> [http://en.wikipedia.org/wiki/Location\\_model](http://en.wikipedia.org/wiki/Location_model)

socialized and acquainted with the time-consuming activity of applying for a public tender but it nevertheless represents an excellent opportunity for the growth in turnover for the involved stakeholders. Out of 188 public tender applications, 41 have been earned by Oxalis' members.<sup>94</sup> Within the organizational model of Oxalis and in the framework of a procurement contract in particular, a cooperative member gains time and can thereby generate higher revenues, pushing up his own *budget constraint* far away. In microeconomics, each actor's consumption between two products X and Y always has a budget constraint. It means that he arbitrates his consumption of X and Y in function of the level of his wage (w) determined on the labor market and the price of the products (p) fixed on the market of goods and services.



X = Time-consuming administrative and regulatory activities (cost in time)  
 Y = Production (labor/capital)  
 D1 (non-member of a cooperative)  
 D2 (member of a cooperative)  
 $(Q_{x.2} ; Q_{y.2}) > (Q_{x.1} ; Q_{y.1})$   
 P : Price  
 Q : Quantity

These are *exogenous variables*. In the case of an entrepreneur, whether situated in a cooperative or not, he arbitrates his personal consumption between administrative and regulatory activities embodied in a cost in time (X) and the production of goods and/or services, later hopefully embodied in the volume of net sales (Y). Being a member of the Oxalis cooperative shifts the budget constraint of an individual entrepreneur from D1 to D2 of the stakeholders, in particular in the case of the procurement

<sup>94</sup> Oxalis Coopérative d'entrepreneur-e-s, *Rapport d'Activité*, 2013. p.25

contract. Why? Thanks to the resort of a cooperative, such as the outsourcing of administrative and regulatory daily tasks, a social entrepreneur benefits from a quantitative gain of time (X) that can now be devoted to his own production (Y) at D2, as it was initially the case when he was isolated and not part of a cooperative at D1. As the difference between the two optimal combinations ( $Q_{x.2}$  ;  $Q_{y.2}$ ) and ( $Q_{x.1}$  :  $Q_{y.1}$ ), the value-added of the cooperative organizational model, such as Oxalis, is fundamental because from the perspective of an entrepreneur, the new combination between X and Y at D2 is much more advantageous and strategic for the expansion of his or her own business. In the framework of a cooperative, this optimal combination of X and Y represented by the *indifference curve* tangent to the budget constraint D2, is a point at which the social entrepreneur fully maximizes the utility of his own budget. It has a beneficial incidence over the entrepreneur's budget constraint in the sense that he can substantially raise his consumption of Y, by being more involved in the marketing strategy, the application for a procurement contract or the elaboration of intra-organizational cooperation for instance. In other words, according to the conventional wisdom, a gain of time is also a gain in money. From D1 to D2, the consumption reduction of X relatively to the sharp increase of Y reduces the *opportunity cost* of an individual entrepreneur. It means that all the former economic opportunities he was constrained to pass up or not aware of (public procurement, European/national programmes, subsidies or the building of transnational cooperation) because of the significant amount of time he had to devote to his own administrative activities when he was not a member of a cooperative, can now be seized up. Once a member of a cooperative, this opportunity cost is normally far less important.

In our example, once a contract of employment between an entrepreneur and the cooperative Oxalis is made, the reduction of X in his budget constraint - that is the delegation of administrative and regulatory tasks - can occur but the specificity of Oxalis is that at that stage, 15% are deducted on the entrepreneur's turnover. Accordingly, given that the administrative task does not constitute a burden anymore for the entrepreneur, more time can be devoted to a wider European project, a procurement contract or the weaving of cooperation with other entrepreneurs which - on the middle or long-term - can generate a higher production and growth in turnover.

As a way of conclusion, however evident this may sounds in the aftermath of our short presentation, we have to admit that the triple helix effect of the social economy is far to be simple to

describe. Many large-scale econometric findings and detailed qualitative time-consuming researches have been elaborated and can certainly provide a more well-grounded vision on the subject. Nevertheless, the general guidelines revolving on the employment, social and economic dimension of the social economy now must be accompanied by a description on a prosocial-oriented organizational model and the Mondragon Experience. Undeniably, this social innovative attitude has been a key driving force for the regional development of the concerned country.

### 3.1.2 A prosocial-oriented organizational model: the Mondragon Experience

In our personal lives, we always are one day both surprised and astonished by a singular experience we become aware of during a lecture, documentary, film or conversation - an experience that happens somewhere in a far distant geographic part of our globe and restores immediately faith to humanity. The Mondragon Experience is one these groundbreaking experiences in History, alongside with the Rochdale Pioneers in England, created among the debris and ashes of the Spanish Civil War. Some organizational models work well, such as the Mondragon Corporation and can give the impetus for the regional development. Why such a success? According to us, some parameters situated in the prosocial-oriented organizational model co-determine the productivity of the workers and the performance of the organization as a whole. Therefore, we may point out that the performance, according to Hoffmann and Woehr (2006) and Schneider (1987), depends upon a *fit between the person and the organization*. When these two elements are aligned, that is when the worker's preferences and the organizational values both coincide (both are either competitive or cooperative), the productivity of the worker generally increases. In a lab computerized experience, this alignment has been tested with different incentive schemes (tournaments and primes) Participants were defined either as prosocial-oriented individuals or proselves and interest-driven individuals. According to the authors, *'pro-social preferences were measured by asking each subject to divide a sum of money between him/her and an anonymous partner. Subjects giving more than the median amount to the partner will be referred to as prosocials and the subjects giving less as proselves throughout the paper.'* One of the result of the experience shows that *'prosocially-oriented individuals may effectively thrive under team tournaments where effort has a positive externality for fellow team members'*

(linkage between altruism and productivity) whereas '*subjects primed with competitive, self-oriented organizational values provided significantly less effort than subjects primed with either prosocial organizational values or not exposed to a prime*' What radically differs between competitive and cooperative organizational values is how individuals define their own job, accountability and engagement, the atmosphere within their workplaces, the performance of their tasks - seen either as a procedural burden or an opportunity for a self-realization. From their own core personalities - interest-driven or social-oriented, individuals interact differently and sometimes fit perfectly with their own organization and the productivity differential can be explained by these organizational and subjective parameters. The findings even show that the '*average effort in prosocially primed competing teams is higher than in self-interest primed teams*' and that '*average effort in non-primed competing teams is higher than in self-interest primed teams*'.<sup>95</sup> As a consequence, to sum up and knowing that competitive organizational values tend to disseminate self-interest behavioral dynamics and mistrust within the organization, through the New Public Management practices and pay for performance for instance, this organizational model generates a vast amount of workers who can easily be *outperformed* - in terms of productivity and average effort - by prosocial-oriented workers, whether they are primed or non-primed in competing teams. If an educational system succeeds to shape future altruistic workers and teach at school how cooperation really works, it can have a far-reaching consequence over the economy as a whole, in particular on the labor market and in terms of productivity within enterprises because individuals may conceive their jobs much more positively as formerly. From the lecture of this experience, we can draw the conclusion according to which symbolic incentives, as the core motive power of prosocial-oriented workers (self-realization, advancement of the project as a whole, altruistic values), can be far more determinant for the productivity of an individual than the monetary incentives of the competitive organizational values.<sup>96</sup>

### **Hypothetical model for studying the organizational diversity**

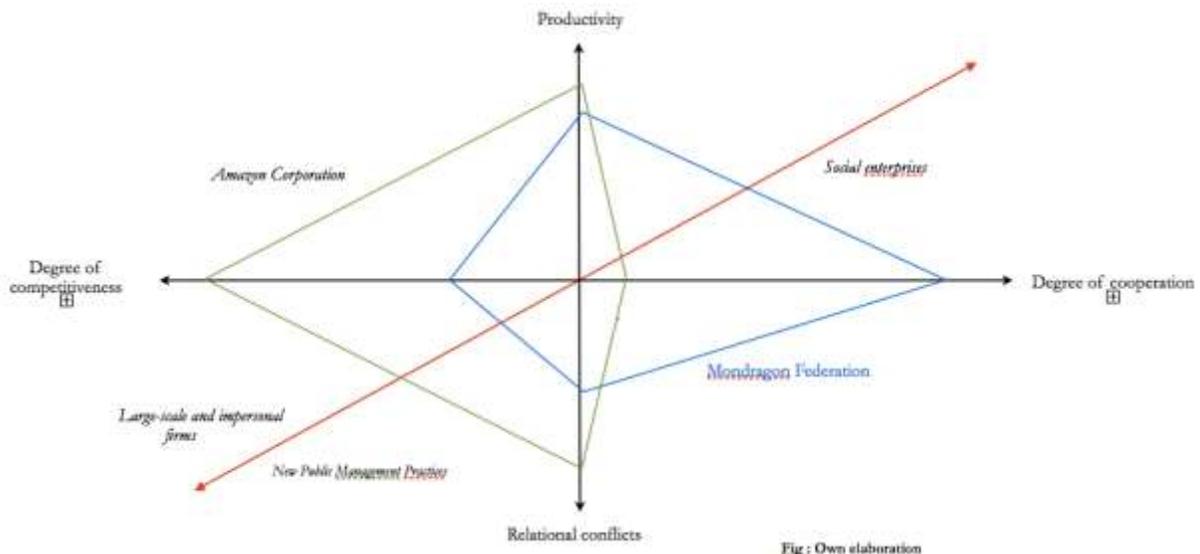
However schematic and trivial this may look, for classifying organizational models, we can imagine a theoretical model with four variables - degree of competitiveness, degree of cooperation, degree of relational tensions and the productivity rate. The first three variables can be, according to us,

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<sup>95</sup> Ola Andersson, Marieke Huysentruyt, Topic Miettinen and Ute Stephan, Jena Economic Research Papers 2010 'Productivity in Contests: Organizational Culture and Personality Effects' July 2010

<sup>96</sup> Leonardo Becchetti, Stefano Castriota, 'Productivity, wages and intrinsic motivation in social enterprises' Euricse

quantified and exemplified by the resort to qualitative research; asking - with general, neutral and impersonal questions - directly (interviews) or indirectly (questionnaires) workers to rate the degree of competitiveness and cooperation out of ten within their own organization in order to observe whether mistrust or trust reigns among the workers and with the concerned hierarchy.



The degree of conflict and the number of relational tensions would be clarified by, for instance, the number of strikes, work stoppages, suicides, occupational burnout or interviews with the workforce on their subjective impressions because the absence of conflicts is not necessarily a positive sign and does not reveal the presence of a utopian atmosphere. According to Montesquieu, *'if in the interior of a state you do not hear the noise of any conflict, you can be sure that freedom is not there'*. Instead, other indicators for measuring the 'relational conflict' can exist but the information is also not necessarily available. To conclude with our theoretical and highly-hypothetical model, on the basis of the former academic study and all the elements we have read hitherto, we can posit schematically a major **correlation**. It captures in a global way the large differences between two organizational models - competitive large-scale firms and cooperative social enterprises, embodied for example in the Amazon Corporation (green) and Mondragon Federation (blue) whose characteristics have been

*intuitively and subjectively* placed on the theoretical model. This hypothetical correlation does not mean that relational conflicts and a high degree of cooperation, or a high productivity and a high degree of competitiveness, are entirely incompatible. Instead, tensions are cross-organizational, even universal and often reveal the presence of a deliberative and democratic space. Among data, a variance within the sample always exists around a specific correlation and according to Matthew Watson, we should not pack the world into a series of mutually exclusive and abstract categories<sup>97</sup>, such as large-scale firms vs social enterprises, competitive vs cooperative organizational model, state vs market. Part of an unrealistic bipolar theoretical world, these divisions are generally much more complementary and intertwined than we expect.

As a conclusion, it could be very interesting to provide a study on the grounding of this theoretical model but it remains to be defined in a much more stringent manner. On a random basis, the sample could be selected from a specific and targeted geographical area and thanks to an Ordinary Least Squares (OLS) method, we could determine the *average* organizational model in such area of the European continent and observe how the four variables evolve and can be correlated between themselves. Variables can be changed. The objective is to improve our knowledge of the social economy in many parts of the world and observe the variation of organizational models across countries. However as disconcerting as this may sounds, once we accept to this challenging task, we then know how difficult it is to match words with deeds!

### **Studying the dynamics of the Mondragon experience, from an informal to a formal prosocial-oriented organization**

Shifting from theory to practice, a prosocial-oriented organizational model is, according to us, perfectly embodied in the Mondragon experience because its success uncovers the fact that an alternative economics is foreseeable and possible. It has been initiated by father José Maria Arizmendiarieta in the Basque region of Spain as an industrial firm in the course of the 1950s, a period when Basque nationalism was in full swing. Far from being undercapitalized today, this large-scale cooperative and organizational model can now compete with multinationals and global firms on the international

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<sup>97</sup> Matthew Watson, 'Ricardian Political Economy and the Varieties of Capitalism Approach: Specialisation, Trade and Comparative Institutional Advantage' Published in *Comparative European Politics*, 1(2), 2003, 227-240

market, thanks to its gradual geographical and structural expansion. Transnational and trans-sectorial, this economic model is endowed with sound finances and embodies the organizational values inherent to the social economy. Nevertheless, however interesting it would have been, our purpose is not here to list the main characteristics and the several historical milestones of the Mondragon experience but rather to understand, on the grounding of an article (Agirre Amaia et al 2009), how a prosocial-oriented organizational model can surge from a specific region.

→ *Propitious regional context.* Each cooperative experience is anchored in a specific territory, with its own regime of ideas, institutions and actors and which can either facilitate or hamper the emergence of a cooperative movement. Some variables, such as the degree of competitiveness or trust among actors, the role of religion and culture, the efficiency of political, administrative and educational institutions, can affect such a process. Public, private and social actors can either be tied with a common set of values and norms or act separately without any coherent and all-embracing strategy. A cooperative experience is also embedded in a historical backdrop (wars, religious tensions, rise of nationalism, acute redistributive inequalities) because according to the authors, we should understand the Mondragon experience as part of a wider cooperative movement, growing 'apace with industrialisation'. They write, '*the Basque Country was home to one of the most active cooperative movements in Spain, alongside Valencia and Catalonia. The movement was a diverse one, both in terms of the sectors in which it was involved and the ideological trends with which it was associated*' Therefore, alongside the crucial role of associations in urban areas and the Catholic Church in rural areas, a sort of cultural melting pot has unconsciously built up a regional context propitious to the emergence of a cooperative dynamics, through diverse sectors of the economy and segments of the society. Today, it appears that cooperative dynamics are also largely spurred by the widespread of temporary and non-standard forms of work in the service sector across the world, hence creating a third sector attracting labor and in which self-employment can be a way to offset the erosion of a social safety net.

→ *Informal and formal institutions.* When a set of individual actors feel themselves as disempowered by the existing *status quo* in the traditional economy, they can be inclined to elaborate an informal institution - namely a community composed of a web of interrelationships where individuals share a common understanding and strong motivation for changing the existing situation.

Somehow, social actors - through their marginal adjustments and continuous efforts - follow the same path and informal institutions, such as the wide range of existing communities in the Basque Region, Catalonia and Valencia, are confronting themselves with the existing formal rules of the traditional economy and then gradually transformed their entrepreneurial projects into a cooperative and legal structure. To put it differently, there is a recursive relationship between informal and formal institutions, which is a form of reiterated interaction between both. Collectively, what is interesting is that individuals take advantage from the existing informal institutions for acquiring a much more important bargaining power within the traditional economy (*empowerment through informal institutional bargaining*), throughout a labor security, a constant revenue non-indexed on an individual performance and a common set of prosocial-oriented organizational values for instance. Throughout their informal self-sufficient communities, they want to reshape the status quo and the formal rules of the game embodied in the current state of our European economy. Then, thanks to a constant collective action and the leverage of their own informal organizations, they struggle for constructing a new formal and legal institutional arrangement to bypass the existing status quo. The European statute of social enterprises, the EU-representative institution of the social economy, the recent directive on public procurement facilitating the participation of social actors in public markets or eventually the national laws which favor their access to capital markets, all of these elements are the outcome of the fierce engagement of informal cooperative institutions to reshape the formal rules of the game. It is the legal formalization of existing informal practices and it creates an institutional change. This theoretical and analytic model which has been used by Farrell & Héritier to understand the emergence of the co-decision procedure of the European parliament.<sup>98</sup> They write, '*we seek to show how institutional change is not driven by the preferences of actors who remain off stage but rather results from a dynamic process of bargaining in which the creation of formal institutions cannot be examined in isolation from a continuous process of reiterated social interaction between the relevant actors*'

As a result, sliding from an informal community to a large-scale cooperative dynamics, the outgrowth of the Mondragon Experience embodies well the reiterated interaction between a set of

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<sup>98</sup> Farrell og Héritier, 'Formal and Informal Institutions Under Codecision: Continuous Constitution-Building in Europe' in Governance: An International Journal of Policy, Administration and Institutions, Vol. 16. No. 4, October 2003.

informal structures and the formal rules of the game. It has relied on an existing 'widespread community nature of relations in the country', a constant interaction between the ethos of social actors and the strained political and economic backdrop of the Basque Region. Definitely, it has reshaped the rules of the game by imposing a new set of organizational and managerial values - all things considered, it is a significant social ideal with an impact upon the global economy. What is the biggest contradiction for a regional or even a global prosocial-oriented organization is to overpass the relative tension between its ongoing structural expansion and the constant enforcement of the social organizational values because the vertical and rigid hierarchy, not the horizontal and fluid cooperation, can at a certain stage of development prevail within a large-scale organizational model and simply replicate the old traditional firm model, thereby denying all the core values of the social enterprise. This lasting paradox reminds us that the surge of a prosocial-oriented organization within a specific region is embedded and intertwined with many variables - history, politics, religious, culture, the role of existing social webs and communities, social entrepreneurs such as José Maria Arizmendiarieta. It is not a linear process but a complex one in which these variables are orchestrated and individuals coordinated by a common normative function - cooperation. This experience tells us that formal rules compelled by the *status quo* of our economy can be reshaped by a constant collective action carried out by informal institutions. Actors are fundamentally strategic, build informal coalitions for being empowered and increase their bargaining power. Most of the time, they push for legal strategies and erode the formal status quo and their actions produce distributional effects across society. As it is suggested by the Mondragon example, things can move forward and it has to make us more enthusiastic about our own future.

### 3.1.3 Barriers (external constraints) /Obstacles (internal constraint) Identified

*'The ideal determines the life. If, then, by taking thought, we could project a social ideal upon which the people could agree, one which, because drawn from facts and existing conditions, and the possibilities of human nature, would force its acceptance on every reflective mind, we should have the most effective means of increasing the rapidity of human advancement. Such an ideal would stimulate*

*enthusiasm, promote progressive efforts and unify them by a community of purpose. It would clear away numerous logical barriers in social thought and straighten the zigzag path of progress*<sup>99</sup>

Writing an action plan for the MED Region is situated in the lineage of this instructive quote. It is important to shape a consensus and a common ground, to identify and dismantle the various barriers and obstacles to the advancement of the social economy in southern and Eastern Europe. Spurring the regional development is strewn with a wide array of barriers - external and regulatory constraints - and obstacles - with an internal and organizational feature. Our purpose is to list their characteristics but also to think, from a broader perspective, how does the diffusion of social innovations occur within populations and our modern societies. Notwithstanding our cultural, ideational and religious different affinities, how can we 'straighten the zigzag path of progress'?

### **Identification of several external barriers**

Barriers to the institutionalization of the social economy within a specific geographic area is the lack of the information and a vocational training system in the labor market. During the job search, an individual often goes to obtain a counsel and even a professional orientation at an employment agency. Advisers the individual will meet, interact with and listen to, will not necessarily be well-acquainted with the social economy and can certainly ignore the role of social enterprises and social entrepreneurship in their own region, which can be a significant and potential employment reservoir for the unemployed individuals. Therefore, the mismatch between the supply and demand on the labor market, that is one of the main barrier to the regional development and social economy, can be due to an information asymmetry and a relative lack of knowledge on the 'third sector' more globally. Therefore, for the employment agencies across the European continent but also within the universities, we need to create a vocational training system that could enlighten the role of social economy in the regional development from the perspective of both the student and the employment adviser. Once geared with these informations on the labor market, individuals working within the employment agencies could easily reorientate those searching an employment towards the third sector. Young graduated students also would be inclined to be involved in the field of social

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<sup>99</sup> Ira W. Howerth, 'The Social Ideal' *International Journal of Ethics*, Vol. 18, No.2 (Jan. 1908), pp. 205-220. The University of Chicago Press.

entrepreneurship. According to Maxime Chafotte who has been working in the third sector and teaching the social economy in France, we have to reveal the several possible connections between the social economy and the welfare work. Both have to be combined and concentrated within a common academic programme. After having provided a lecture called 'Economics and Society' for informing students in welfare work about the social economy as a whole, he expected that students could discover another form of social entrepreneurship, alongside with the capitalistic one and that welfare work still remains an important component of the associative segment of the third sector. Dominated by the psychoanalysis, those studying or working in the welfare work sector were not deeply acquainted with economic issues. In this academic programme, the purpose was to fill that pedagogical hole. For instance, numerous informal and formal meetings between students and workers of the social economy were scheduled and mutual exchange of ideas, contacts and potential jobs occurred. At the end of the day, however successful this academic programme may be, students were able to think an alternative paradigm for welfare work with an accurate self-reflection and critical mind. It was the gist a,d Maxime Chaffotte adds, 'an academic programme on the social economy allows students, future social workers, to question the societal and or even the political engagement dimension of their jobs.'<sup>100</sup>

In addition, one of the main significant barriers to the role of social economy within the regional development is certainly the misunderstanding revolving around this notion, even in the academic literature which remains traversed by the earned income school of thought and the social innovation school, the concept of social business (Yunus:2007) and corporate social responsibility, Public Value Management and so on. Boundaries between social entrepreneurship, social enterprise and social innovation are globally ill-defined and a bit controversial.<sup>101</sup> The plurality of theoretical ideas does not build a coherent framework. What also matters is the relative clear absence of visibility from the part of the social economy in the public debate, even if sometimes medias shed the light on one successful experience of social enterprise such as when one of the french national media has talked about the 'Librairie des Volcans' (Volcano Library) in Auvergne, France which was on the brink of filing for

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<sup>100</sup> Chaffotte Maxime, «Former les futurs travailleurs sociaux à l'économie sociale et solidaire», Le sociographe, 2012/5 Hors-série 5, p. 285-300

<sup>101</sup> Petrella Francesca et Richez-Battesti Nadine, «Social entrepreneur, social entrepreneurship and social enterprise : semantics and controversies» Journal of Innovation Economics & Management, 2014/2 n°14, 143-156 DOI : 10.3917/jie.014.0143

bankruptcy but suddenly rescued by its own employees. Being self-organized within a cooperative ('société coopérative et participative'), they have re-injected their redundancy payments into the library, hovering around at 300.000 euros and supported by external actors (public authorities, association, banks). Temporary media coverage on the social economy does not suffice for creating a significant echo on the public and attracting attention on the role of social entrepreneurship.

Notwithstanding many efforts from the part of the public sphere for ensuring the provision of capital to the social economy, the third sector seems to remain undercapitalized. A funding-gap often causes a capability-gap within the social economy, between the noble purposes of a social enterprise on one hand and its effective effect upon the reality on the other hand. Knowing that 'it has been estimated that the livelihoods of nearly half the world's population are secured by cooperative enterprises'<sup>102</sup>, the sustainability of the social economy has to be vividly taken into account because the subsistence wage of many individuals across the world depends on it. The lack of capital funding acts as a significant barrier to the development of many localities, communities and regions. In India with the micro-credit experience led by the Peace Nobel Prize Muhammad Yunus and the Grameen Bank, we saw that a high cost of entrance on the market existed for women because of cultural and religious barriers. Once they were able to sell their products on the market, sign a bank check, borrow money to the Grameen Bank with a 0% interest rate or even receive a little amount of money from the part of Yunus personally, an expansion of a feminized social entrepreneurship happened and many women were rescued from poverty and raised their own standards of living. In some cases, financial barriers also can have cultural or even religious causes.

On the European continent, it remains regulatory and legislative. In contrast, the recent adoption on 15 January 2014 of the proposal for a new directive on public procurement by the European Parliament and on 11 February 2014 by the Council of Ministers bodes well for the future of the social economy and its regional development. Now, after the concrete transposition and implementation process of the directive on public procurement, sliding from a directive to a national law, a legislative act to an administrative action; social enterprises would be much more included in the public tenders dynamics

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<sup>102</sup> International Labour Organization and International Co-operative Alliance, 'Cooperatives and the Sustainable Development Goals : A Contribution to the Post-2015 Development Debate. A policy brief'

thanks to a revision of the award criteria and could play a strategic role in the provision of public services in the European continent only if *they have the information and are materially organized for that european challenge*.<sup>103</sup> In particular, according to the European Commission, ‘more is done to encourage social integration: any public purchaser may reserve contracts, not only for sheltered workshops, but also for companies whose main objective is to integrate disadvantaged workers into the world of work, provided that they account for at least 30% of the organisation’s workforce (compared to the current level of 50%)’ A better access to public procurement markets is provided to SMEs and what is eventually worth noticing, well-fitted to the main characteristics of social enterprises and of great importance for actors belonging to the social economy is that ‘public purchasers may award contracts to tenders that meet all quality criteria such as the accessibility, continuity and sustainability of the services offered, which they consider critical to the service concerned’.<sup>104</sup>

As a conclusion, the well-known external financial barrier to the regional development and expansion of social economy seems to be gradually deprived from its own forces. Let’s not forget that actors of the social economy have to be both intellectually and organizationally prepared to applying for public tenders in the framework of this new European directive if they expect to unlock their own potential and provide *accessible, continuous and sustainable* public services.

### Identification of several internal obstacles

Internal and organizational obstacles to cooperation exist in many organizations because, for instance, many entrepreneurs working in Small and Medium Enterprises (SMEs) are not yet sufficiently socialized and acquainted with the notion of international trade, transnational cooperation on a wider geographical scale and do not have a cooperative ethos. There is a global uncertainty surrounding this strange notion of cooperation the MED Programme tries to overpass. In more illustrative terms, we can take the example of the administration. In their decentralized cooperation programmes, regional authorities, especially in Europe, do not automatically think to the wide range of cooperative opportunities located outside of the European continent and beyond the Atlantic ocean, such as the

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<sup>103</sup> See 5 February 2014, ‘New EU rules on public procurement’ [www.revesnetwork.eu/news.php?zcid-507](http://www.revesnetwork.eu/news.php?zcid-507)

<sup>104</sup> European Commission, ‘Public Procurement Reform Fact Sheet No1: General Overview available here [www.ec.europa.eu/internal\\_market/publicprocurement/docs/modernising\\_rules/reform/fact-sheets/fact-sheet-01-overview\\_en.pdf](http://www.ec.europa.eu/internal_market/publicprocurement/docs/modernising_rules/reform/fact-sheets/fact-sheet-01-overview_en.pdf)



It is a *path dependency*. According to Douglas North, a well-known political science researcher, ‘once a development path is set on a particular course, the network externalities, the learning process of organizations, and the historically derived subjective modeling of the issues reinforce the course’<sup>105</sup> Therefore, in order to include the social economy within the Regional Smart Specialization Strategy carried out by regional authorities, in some way we have to go against the tides of the existing development path of the administration (in red). We have to deviate the regional authorities from their respective historical path dependency, throughout an iterated interaction and consultation with them by participating to the elaboration of the RIS3, building a gradual common understanding of the social economy, its potential and opportunities for the regional development. Then, a socialization process on a new development path can begin. From the perspective of the stakeholders working within the administration, the cost of an internal adjustment will gradually be perceived not anymore as a major obstacle to an organizational change.

A *bifurcation* in the collective perception of the internal adjustment cost occurs. An institutional change - that is an inclusion of the social economy within the RIS3 - becomes conceivable and foreseeable, often caused by a constant strategic confrontation and discursive battlefield between institutions (codes of conduct and norms inscribed in a path) and organizations (agents of change). The latter always tries to influence the path of the former. As a result, we understand that, as Douglas writes, ‘long-run economic change is the cumulative consequence of innumerable short-run decisions by political and economic entrepreneurs that both directly and indirectly (via external effects) shape performance’ All things considered, under the pressure of these several external actors that try to shape the performance of regional public policies and transform them into a formidable catalyst for social innovation, a new development path can be opened if we keep our efforts constant. Internal organizational barriers to cooperation between regional authorities and the social economy can then be dismantled.

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<sup>105</sup> Douglas North Institutions, Institutional Change and Economic Performance, Chapter 11 ‘*The Path of Institutional Change*’ p.99

## 3.2 Connecting Social Economy to the RIS3

### 3.2.1 Inclusion of social economy in the RIS 3

The social economy is increasingly taken into account in regional strategies, but still has a long way to go. We can see after a quick analysis that the place of social economy is really different from one region to another.

For this analysis, we performed a survey in the regions partners Citek:

- Rhône Alpes Region, France
- Marche Region, Italy
- Province of Barcelona, Spain
- Centro Region, Portugal (Coimbra)
- Alentejo Region, Portugal
- Zadar Region, Croatia
- Pohorje Region, Lower Styria, Slovenia

For Slovenia, the strategy focuses on identifying areas for development, yet mentions social innovation and NGOs, but does not extend much about how to improve / develop. In Catalonia, a public consultation, but no direct involvement of stakeholders of the SSE.

For regions who integrated SE actors in the preparation phase, the tools and methodologies used were the following :

- Prior analysis of the role of social economy in the region.
- Establishment of a Regional group of stakeholders composed by the socio-economic actors and by the representatives of scientific and the credit system (involvement for the definition and implementation of the Strategy)
- The organization of targeted focus group, aimed to deepen objectives, contents and action plans of specific priorities
- Presentation seminars

- Working group
- Collection of idea and suggestions
- Web form
- Brainstorm exercise aimed at identifying the specific focus of the RIS 3 in the domains of social economy;
- Questionnaires are being sent to these agents to further elaborate on the identification of opportunities and to pinpoint the focus
- In Catalogna, methodology focused with the contributions of the actors from the RDI system.
  - The methodology followed to include them has been:
  - To create a group of experts: from Universities, Research centers, Business schools, Technological centers, companies, Public Administration, Third Sector and R+D+I system.
  - To open a public consultancy opened during 2 months disseminate for different channels (website, mail, Facebook, Twitter...), that has obtained 176 answers.
  - To establish two consultancy permanent bodies in research field: Inter-University Council of Catalonia and Catalan Association of Research Entities
  - To maintain a continuous dialogue with the R+D+I system.

### How can you rate the quality of their involvement?

Except for one partner, it is considered that the involvement of social economy actors in regional strategies and RIS3 could be higher. Even if the preparation phase included some SE actors, the representation was limited compared to the proportion of SE actors in each region.

Furthermore, regions that have not included SE actors in the preparation phase of the RIS3 have important SE organizations, especially on entrepreneurship. For example, in the Pohorje region in Slovenia, there is the organization KROG (Institute for operation, development and education in the field of social entrepreneurship), a social incubator (<http://www.socialni-inkubator.si/index.php/english>), a social forum for social entrepreneurship (<http://fsp.si/>). At the Catalan level, cooperatives are represented by confederations and federation of cooperatives and the Government of Catalonia has created a General Direction of Social Economy and Cooperatives.

So the role of social economy in regional development and innovation is not yet complete.

On another hand, SE actors are not very aware of the opportunity offered by RIS3, due to the fact that they have not been taken in consideration as a collective or as agents to take into consideration in the elaboration of the document, but due to cultural considerations.

In the Marche region, Social Economy is a very rich and heterogeneous system. They have lots of social enterprises (cooperatives) and different organizations with specific legal profiles (voluntary associations, associations for social promotion...). Due to the dimension of some of these organizations, some of them (the biggest) directly participated to the RIS3 definition processes. But even with this participation, the social economy actors were not well aware of the opportunity offered by RIS3. Their participation was not so qualified (with exception for 3/4 big cooperative enterprises) and the suggestions offered to the definition of the SSS is limited to 2 specific sectors. The idea is that they are waiting for the concrete implementation of the RIS3, without feeling themselves like protagonists of an innovation process that can impact in several sectors in which cooperatives work. In the Centre region in Portugal, SE actors seem to be aware of the CRER 2020 strategy, since they were involved in the strategy definition.

In the Aletenjo region in Portugal, there is really a lack of organization in the social economy sector. There is a multitude of third sector institutions. Nevertheless, Red Cross, Coração Delta and Mercy Institutions represent the most relevant networks. In this region too, SE actors operate on a traditional way and have difficulty in understanding the opportunity of RIS3, as they are not in a market/innovative perspective.

### **Expectations of SE actors:**

- to find opportunities to create new cooperatives, to promote the social entrepreneurship and to create new networks and maintain the networks already existing.
- Funding opportunities, useful to improve the competitiveness of single coops or of the whole system

- The creation/qualification of networks involving social economy, enterprises, business providers, universities and Public Administrations, able to promote the economic and social development of the region.
- Continuing to obtain support and grant schemes in order to provide assistance to different segments of the population.
- To rationalize supply
- To be supported by regional authorities through social innovation projects, Research-action projects on social economy.

### Finalization phase of the RIS3:

Finalization phase of RIS3 (draft documents, final documents)			
Question	Pourcentage		
1. Is the social economy mentioned in the final/draft version of the RIS3?	<b>67% Yes</b>	33% No	
2. Is the social innovation mentioned in the final/draft version of the RIS3?	<b>100% Yes</b>		
3. If yes to Q°1, how can you consider the place made for social economy in the RIS3?	<b>50% Low</b>	40% Medium	10% high
4. If yes to Q°2, how can you consider the place made for social innovation in the RIS3?	10% Low	<b>50% Medium</b>	40% high
5. Was social economy actors included in the finalization phase of the RIS3?	<b>90% Yes</b>		10% No
6. Was the recommendations of social economy actors integrated in the RIS3?	<b>70% Yes</b>		30% No
7. Is there a dialogue between social economy actors and "classic" actors of innovation planned in the RIS3?	<b>50% Yes</b>		<b>50% No</b>

There results show that social innovation is well considered by the RIS3 in the regions. It is mentioned in all the strategies in the finalization phase of the RIS3. Social economy is not as well integrated, so we can consider that social economy is not sufficiently considered as a contributor of economic development.

**Implementation phase of the RIS3:**

Implementation phase of RIS3			
1. Is there specific measures that will be implemented for social economy actors?	30% Yes	<b>50% No</b>	20% Not yet implemented
2. Is there specific funds dedicated to the support of social innovation?	<b>50% Yes</b>	10% No	20% Not yet implemented
3. Are social economy actors included in the meetings or working groups related to the implementation of the RIS3?	<b>70% Yes</b>	10% No	20% Not yet implemented

Most of the RIS3 are not yet implemented in fact. Consequently, this part of the study is not really coherent. If SE actors are well included in the meetings or working groups on the implementation of the RIS3, there is in majority not specific measures that will be implemented for them. Therefore, a problem of translation of SE' needs and strategies into concrete action is detected.

**Kew actions that will be implemented for the social economy actors:**

- horizontal actions: Life and health, Sustainable energy, Food security, Efficient use of resources and raw material, Inclusive, innovative and secure society
- The "Health and wellness area - articulated in Nutraceuticals, New Medical Devices, Telemedicine, Active aging, Safety and Human Centered Design - refers to the predominant Cluster" Life Sciences "and to a lesser extent one, the " Agrifood " Cluster. the research roadmap is developed in the following areas: New diagnostics, regenerative medicine, safety and efficacy of drugs, E-Health, Food Safety, Food Quality and Manufacturing.
- the "area Home Automation - with various priority lines of research in areas such as Integration and Interoperability, Ambient Assisted Living, Media & Entertainment, Energy Efficiency, Sensors, Comfort, Safety, Design & Virtual simulation and prototyping."
- Promote social cohesion;
- Capture structural FDI aligned with regional development strategy
- Strengthen the incorporation of R&D and innovation in sectors with expression in regional productive structure

- Structure of proactive and focused in people cohesion model, in a logic of proximity, focusing on social economy
- Cover any specific failures of social facilities and ensure the sustainability of existing infrastructure
- Advancing initiatives to combat poverty and social exclusion
- Focus on strengthening equal opportunities in access to education and vocational training, in an inclusive way
- Encourage new approaches to innovation and social entrepreneurship
- Promote the adoption of models and approaches to open innovation
- Assistance with ICT and in the setting up of collaborative business models

### 3.2.2 Study cases

#### March Region

**March region presented two very interesting approaches, even if they have not been directly addressed to the Social Economy actors.**

#### Focus group

In addition to more traditional tools, aimed to inform and involve stakeholders for the purpose of sharing the strategy (such as tables and Institutional Public Events), Marche Region organised Task Focused Focus Group that allowed us to trigger a process of "entrapreneurial discovery."

This helped to identify the needs expressed and latent, and the trajectories of development of enterprises.

Businesses and individuals involved in the focus groups were selected based on the ability to innovate. The meetings were attended by officials and leaders of the regional structures such as: Informatics, Training and Employment, EU Policies. During the focus group on ICT Technologies has also been involved the Director of the Italian node of the Knowledge Community of Innovation based in Trento, set up within the European Institute for Technology (<http://eit.europa.eu/>). He provided an overview of the trajectories of development and the potentials of ICT .

The topics debated by the focus groups involved both :

- macro aspects such as future scenarios , the trajectory of development of the domestic and international market,
- aspects that relate to the territorial challenges, such as development priorities and areas of technology, integration of the various actors of innovation, entrepreneurship promotion, new advanced services and opportunities offered by ICT, critical issues and obstacles to the growth.

Focus groups produced two types of results:

In the first place, they allowed to share the identification of factors that must characterize the smart Specialisation.

As a second result, meetings allowed to focus some macroeconomic reflection, concerning the challenges, potentials and scenarios that our region will face in the near future.

**Initiative: “Suggest your innovative idea for the Marches”**

In order to develop a broader and more open dialogue not only with businesses, but also with all citizens, the Marche Region launched the initiative: “Suggest your innovative idea for the Marches”.

The objective of this innovative web-based communication tool was:

- on the one hand, to collect innovative ideas of policies for growth of competitiveness and employment in the Marche region,
- from the other, to give a further impetus to the debate on regional innovation, reaching all the protagonists of innovation processes (students , researchers, young people , entrepreneurs, nonprofit organizations, educational institutions , etc. . ).

Innovative ideas had to be coherent with some areas such as industrial development, advanced services, the use of technology, the regulatory innovation, new materials , the ICT , design , marketing and potential new areas related to the latest technology.

Within the deadline of the initiative, Marche Region received 21 proposals for innovative ideas by young researchers, entrepreneurs and individuals focused mainly on " application of technologies related to ICT in different fields (from the tourism to agriculture, from manufacturing to education) and on eco-innovation. The ideas were selected by a jury of experts in the field of innovation, research and development, and have been awarded in the course of regional event of submission of the RIS3.

## Approach of Rhone Alpes Region

1. Diagnostic of innovation: Diagnostic of innovation by using the economic approach “Regional innovation systems”: take into account the networks and relationships between actors (social, institutional, academic, economic) in the development of public policies and analyze the operation of the collective action of the regional ecosystem

(Other economic approaches: The approach by the "Near, networks, transmission and dissemination of knowledge" and the approach by the "global value chain" )

Rhone Alpes region > extensive network of actors promoting innovation : Universities, numerous schools, large research centers, such as CEA, CNRS, INSERM, INRIA, IFP IN, INRA, competence centers, laboratories of excellence, private centers R & D, mediators of innovation, economic clusters, clusters

competitiveness and many development agencies and innovation supports.

### *Chiffres clés de l'Economie Sociale et Solidaire en Région Rhône-Alpes (2011)*

- Plus de 21 000 établissements employeurs de l'économie sociale
- Plus de 243 000 salariés, soit 12.5% du total des salariés privés
- Plus de 5 milliards d'euros de salaires distribués
- Un emploi privé sur huit se situe dans l'économie sociale en Rhône-Alpes. Un ratio très proche du repère national (12,4%), et au-dessous de la moyenne des régions, hors Ile-de-France (13,7%).
- Budget total régional consacré à l'ESS :
- Les aides individuelles via les dispositifs IDEclio Solidaire (2006-2012) : 4 M€ générant 322 emplois dont 115 en insertion ;
- Contrat économique sectoriel 2011-2013 : 7,6 millions € ;
- Promotion / sensibilisation : 430.000 € par an

Conclusions of the diagnostic on social innovation:

- Technological innovation and social innovation must be thought together in a single strategy
- Rhône-Alpes is thus distinguished by history, seniority, and the quality of its social dialogue. Social dialogue is illustrated by the involvement of social partners in governance of clusters, as

well as in the governance of the ARDI. It particular allows quality work on the economic changes regional territory

2. Consultation during the preparation phase: Wide consultation process during 4 months
- Step 1: Study of the expectations of the European commission
  - Step 2: Elaboration of the RIS3:
    - a. Update of the innovation strategy of Rhone Alpes region (February to April 2013). Objective: diagnostic, innovation potentials in the region, cross-cutting innovation polities
    - b. Creation of a regional innovation system that is shared by all regional actors (May to September 2013). Objective: define the smart specialization thematic, define the implementation, the governance...

#### Consultation for the definition of the RIS3 in Rhone Alpes

- Meetings with representatives of departments (local governments) and urban area
- PERIC commission with social partners
- Technical meetings with socio-economic actors, local developers, clusters...
- 12 regional seminars to identity smart specialization subjects, more than 400 participants from research and training entities, enterprises and SMEs, public entities, clusters, users ...
- One global seminar of capitalization
- One collaborative website : [www.innovation.rhone-alpes.fr](http://www.innovation.rhone-alpes.fr)

### 3.3 Survey of companies in the social economy

Even if we still have to handle our results with a certain care and do not extrapolate what we have collected, a large number of countries is represented in our sample (see the following table) but some interviewed social actors have not indicated the nature of their institution and their home country for unknown reasons.

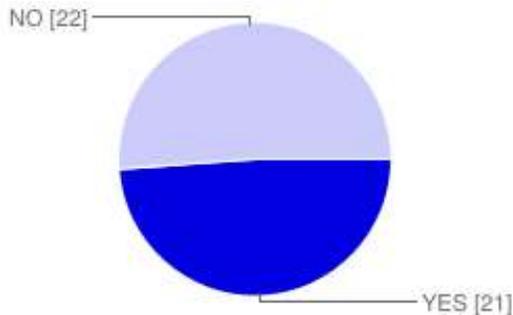
Interviewed Stakeholders	Country
Private Foundation centred on social economy	Spain, Catalonia
Non-Governmental Organization	Portugal
Oxalis - social entrepreneurs cooperative	France, Rhône-Alpes Region
Social organization working with seniors and children aged from 4 months to 10 years old.	Portugal, Coimbra
Cooperative creating new jobs for people with disabilities (B2B sector), provision of services and products based on ecology, ethical economy and ergonomics	Slovenia.
Social enterprise involved in agriculture working with mental health problems	Italy - Region Marche
Cluster for eco-social innovation and development CEDRA Split (co-founder and part of the national network called 'Cluster for eco-social innovation and development CEDRA HR/Croatia)	Croatia - Region of Dalmatia
Evora Foundation.	Portugal
Emilia Romagna Region, Local Authority	Italy

Out Organization is a cooperative - consulting and engineering company working in the field of energy	Non indicated
CEDRA HR Croatia - main objective to promote and support eco-social innovation, entrepreneurship and development - fostering society and economy based on triple bottom line (people-planet-profit) - awareness raising, information and education activities	Croatia
Consultant to Zadar County - Faculty of electrical engineering and computing Uni. Zagreb.	Croatia
Association of Parents and Friends of Citizens with Mental Disabilities	Portugal, Evora, Alentejo.
Social institution	Miranda do Corvo, Coimbra - Portugal.
Development Agency	Greece, Thessaly.
Saône Vallée Proximité (Cooperative of services to the individual)	France
Architects cooperative	Isère, France
Chamber of Commerce	Spain, Andalusia.

### 3.3.1 Survey results

More than 200 organizations were consulted and we have received 43 answers.

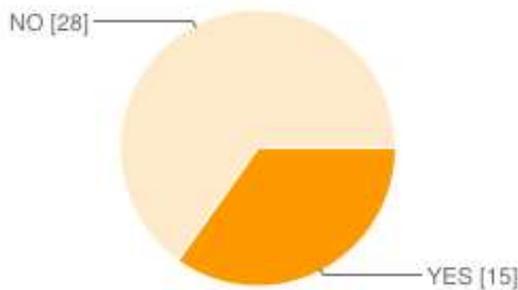
**Do you know what is the RIS3 in your region ?**



YES	<b>21</b>	49%
NO	<b>22</b>	51%

Out of the 43 interviewed social actors, we observe that the concept of the Regional Smart Specialization Strategy is relatively widespread among the concerned countries. 49 % of the sample (N=21) knows, either the substantive content or the general guidelines of the RIS3. In a perfect contrast, the other 51% (N=22) ignores - partially or totally - the RIS3. Along with regional and European authorities, we still should raise the public awareness on the RIS3 concept to ensure the participation of social actors in the elaboration of the regional strategy. It is really important to get things underway and disseminate the information across regions.

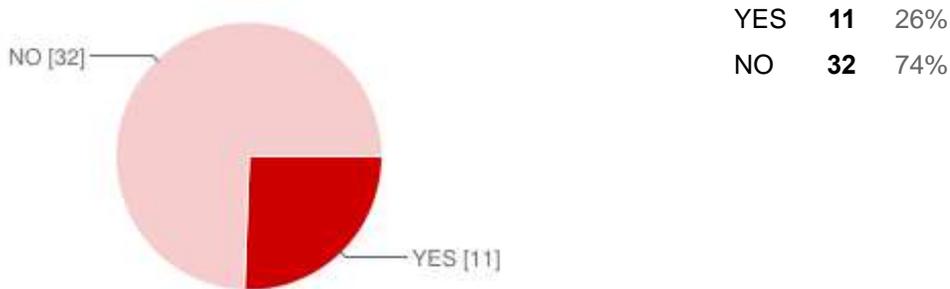
**Are you consulted by your regional authorities for the definition of the future RIS3 ?**



YES	<b>15</b>	35%
NO	<b>28</b>	65%

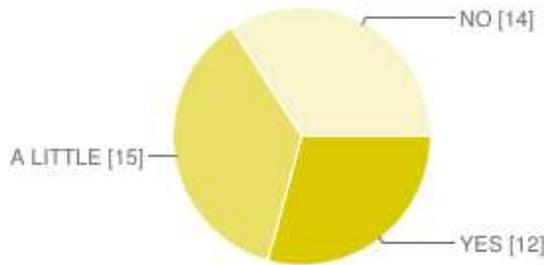
As a consequence, the vast majority of the interviewed social actors - 65% (N=28) - is unfortunately not consulted by the regional authority for defining the future of the RIS3 in the day-to-day decision-making. Far to be representative, the RIS3 carried out by the public administration does not include the entire stakeholders in the specific region and can sometimes be regarded as a behind-closed doors process, even an exclusive network which excludes a certain set of actors. Only 35% (N=15) has been integrated into the decision-making process, by being able to deliberate with the regional authority, share ideas or have either a marginal or substantial impact on the process and the political construction of the RIS3.

### Did you ask to participate to the construction phase of the RIS3 ?



Correlatively to the former descriptive diagrams, this picture naturally reveals how far social actors are excluded from the construction stage of the RIS3 when they are not even consulted by the regional authorities. As a substantial proportion of our sample, 74% (N=32) of the interviewed social actors is excluded from the RIS3, whereas 26% (N=11) seem to encounter a more inclusive decision-making process in their regional context. It would have been interesting to understand the causes of the 'inclusion differentials' across the southern and eastern European regions - why do regional authorities either include or exclude the social actors from the RIS3? Which parameters (competences of the civil servants, knowledge about the social economy sector ?) facilitate or deter the regional authority to include the interviewed actors?

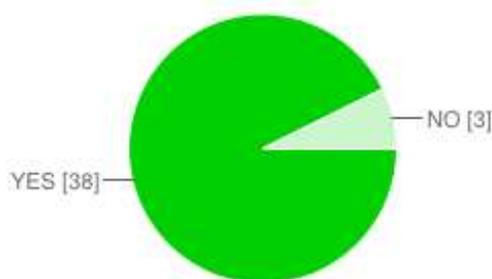
**Do you consider you are well heard, understood, by your regional authorities ?**



YES	12	28%
A LITTLE	15	35%
NO	14	33%

The two former graphs can jointly explain why interviewed social actors are globally not heard and understood at all (N=14) or very little (N=15). Without any consultation process/committees and inclusion into the decision-making process, social actors are overshadowed and eclipsed from it. Perhaps, some regional authorities are not sufficiently socialized with the role of the third sector and the social economy in their specific territory. The administrative man, working within the region for elaborating the RIS3, should be more aware of the existence of the social actors and a vocational training for public workers. Although 28% of the sample (N=12) consider as well heard and understood by the regional authority, there are still few more things to improve the inclusion of social actors into the public policies.

**Would you like to participate, contribute more to the RIS3 definition or implementation ?**



YES	38	88%
NO	3	7%

Expectedly, there is a relative unanimous consent revolving around the participation of social actors in the definition and implementation of the RIS3. It shows that we still have to improve in certain ways our local democracies between the public and social spheres to unlock the potential of the contribution of these valuable and decisive actors. As goes the old-saying of John Fitzgerald Kennedy in 1962, "democracy is never a final achievement. It is a call to an untiring effort"

**Do you think social economy and social enterprise have an interest to be included in the regional innovative strategy ?**



As a result, a consensus can be drawn from these descriptive diagrams. The elaboration, advancement and implementation of the regional innovative strategy may be improved and empowered by the social economy. Even if there is not enough room for explaining the different advantages of this connection, we understand that innovation is not solely technological but also social. It now comes from all users' minds and not solely from scientific laboratories. Reversing our traditional paradigm and interlocking the regional innovative strategy with the social economy and enterprise should now be made in the policymakers' minds on a systematic basis.

**3.3.2 Responses analysis**

From the results of our sample, we understand that the chosen interlocutor varies across interviewed social actors. Therefore, different perspectives can be respectively sketched out.

*Expert-centered perspective* : Here, the most well-suited interlocutor is the one who masters completely the knowledge, understands well the functioning of the social economy and the third sector is his/her specific territory. These are, according to one interviewed social actor, 'regional public experts who understand the social agenda, reforms, challenges and processes', endowed with a certain amount of legitimacy and credibility. It can be professional consulting firms or universities.

*Politics and budget* : This perspective conceives that the most well-suited interlocutor for discussing the RIS3 is the one able to have a transformative power over the decision-making process, that is the one who is a political representative acquainted with social issues and can hold a sway over the budget. In addition, medias - either local or national - can be an excellent platform for enlarging the scope of the RIS3 and gaining in terms of public visibility. This perspective is strategic and seems to conceive politics as the backbone of the RIS3. Ministers, political representatives and regional authorities are considered as an important stakeholder ('government of Catalonia', 'Ministry of Economy', 'Those who will carry out the budgetary planning and implementation', 'CRESS' as the french regional representative institution of the social economy)

*An Advocacy Coalition Framework* : This theoretical framework for understanding the dynamics of public policies explains how the third perspective here functions. For appointing the most well-suited interlocutor, some interviewed social actors conceive the region as a web of stakeholders animated by a set of norms, values and beliefs, endowed with a different degree of resources. All of them want to hold a sway over the decision-making process and coalitions appear as a leverage for collective action. In other words, considering the RIS3 as a policy subsystem, some interviewed social actors tend to identify the most well-suited interlocutors as the most resourceful and/or prosocial-oriented actors for being able to form a coalition and influence the elaboration of the RIS3 (cooperatives, families, religious and civic institutions, social business companies, chambers of Commerce and business associations).

## To sum up the third chapter :

We understand that social entrepreneurship relieves from an altruistic culture and featured by a set of intrinsic motivations. Due to the triple-helix effect of social economy in the field of social, economic and employment development, we observe the emergence of prosocial-oriented organizational models, such as the Mondragon Corporation, which are sustainable and the touchstone of the regional development. Nevertheless, throughout the survey results and the identification of barriers and obstacles to the development of social economy, some marks of progress appear (for instance, the better recognition of social innovation and social economy into the RIS3 in the analysis grid) but structural factors still hamper its full development (information asymmetry on the labor market, lack of vocational training system, the path dependency of our regional administration).

Therefore, a lot of measures still remain to be implemented and our traditional paradigm has to be reversed. As long as social economy rises to the surface of the public debate, new nodes of cooperation between the public sphere and the third sector would be created and dreamed up. The private sector as a whole would progressively be regarded not anymore as the sole relevant alternative for the regional development and the provision of public services in particular. Social actors could have a greater say in the decision-making process.

## 4 Action Plan: proposals and initiatives

The social economy, cooperative economics, social enterprises are an opportunity for Europe and its inclusive and sustainable development. This study has shown in many ways its potential contribution to regional innovation strategies. The following section details the action ideas for a better integration of this sector in achieving future regional innovation strategies.

### 4.1 Recommendations at European level

#### 4.1.1 Open Method of Coordination

**The Open Method of Coordination (OMC)** is part of the traditional European toolbox and can be used to pave the way for the development of social economy across Member States. It is an intergovernmental method of cooperation and relies on the non-binding and voluntary soft-law. How does it function? Member States 'jointly identify and define objectives to be achieved' at the Council of Ministers, which could be, for instance, the enforcement of the Social Business Initiative, the inclusion of social actors in the elaboration of regional public policies related to the economic development or their required participation in the provision of public services, the facilitation of vocational training or exchange programs centered on the social entrepreneurship. Then, 'measuring instruments or indicators' (e.g reports, in itinere and ex post monitoring) would be set up to assess the continuous and concrete advancement of the OMC across the participating Member States and carried out by the concerned authority. Through the peer review and the mutual policy assessment, member states are collectively inclined and encouraged to cooperate in the framework of the OMC within a specific policy domain, which could be the social economy for instance. From a transnational perspective, the convergence of practices, public policies, common objectives and standards of measurement across Member states can facilitate the coherent construction of an European ecosystem revolving around social economy and which can benefit social actors (e.g unified legislative

system, common indicators for national accounts and analyzing the third sector, cross-territorial exchange programs of students graduated in social entrepreneurship, inserting into the Bellevue Programme- a series of lectures on the role of social actors/entrepreneurship as a potential and relevant alternative to the traditional administration and public action).

For the definition of the Open Method of Coordination, see: [http://europa.eu/legislation\\_summaries/glossary/open\\_method\\_coordination\\_en.htm](http://europa.eu/legislation_summaries/glossary/open_method_coordination_en.htm)

#### 4.1.2 Legal strategies and European Commission

Our second recommendation, partly related to the first one, is to take advantage from the European law to expand the social economy across the European continent and make sure that laws do not go unheeded. Nothing is dead in the water if we endorse a legal perspective of the situation. What does it mean? Knowing that the European Commission and its 28 Commissioners are the guardian of the Treaties and normally make sure that the non-implementation of the European Law across the 28 Member States does not occur, we can use its infringement procedure against Member States as a legal leverage. For instance, many environmental and low-resourced NGOs in the eastern European countries have requested the European Commission to either sanction or encourage their own member states to implement an environmental directive.

‘Clever NGOs might find ways to repackaging their initiatives so that they appear to fit more closely to the EU directives, or to use the directives and EU membership in a more aggressive fashion to force their own countries to put real resources into environmental programmes, by using the road of the Commission and its power to bring infringement proceedings in the ECJ against member states. Individuals do not play a role in these proceedings, but individuals can bring infringements directly to the attention of the Commission by letter or may do so indirectly by their right of complaint to the Parliament. Individuals can appeal to the ECJ with the direct effect doctrine.’

(see in Environmental Politics, *‘Further up the Learning Curve: NGOs from Transition to Brussels’* 2004 13(1), 194-215 by Greenspan Bell, Ruth.)

Today, with the European directive on the public procurement in particular, if we observe that the access to public markets still remains hard or even impossible for many social actors in some Member States who do not correctly transpose and implement it into their national laws, the European Commission can be one of our allies and moves things forward if we resort to its infringement procedure. We, as citizens, can even raise the awareness of the Commission by letter or 'by our right of complaint to the Parliament'.

### 4.1.3 Furthering the inter-parliamentarian collaboration

The convergence of national legislative practices or plan reforms in the field of the social economy could occur if, according to us, we foster the collaboration of the parliamentary committees among Member States which are already working on the subject. They are often termed 'Committee of Social Affairs'. Member of Parliaments from the 28 Member States - who have a well-grounded expertise on or high interest for the social economy - may be gathered during a European event scheduled on a day or even a week-end, open to social entrepreneurs or all concerned individuals working in that policy domain, such as it was the case for the Strasbourg event. Then, lectures on the legislative experience of the different MPs, their relations with decentralized regional authorities and social actors, could be delivered. Many topics can be discussed. Then, a synthesis of the event and practical recommendations would be made available and sent to both the MPs working in Social Affairs Committees and the concerned ministries of the 28 Member States.

### 4.1.4 Multiply and help Citizen Initiative

Since the Treaty of Lisbon (ratified in 2007 and effective since 2009), an article empowers citizens within the European Union. 'Not less than one million citizens who are nationals of a significant number of Member States may take the initiative of inviting the European Commission, within the framework of its powers, to submit any appropriate proposal on matters where citizens consider that a legal act of the Union is required for the purpose of implementing the Treaties' Article 8B.4 306/15. For social actors across the European continent, it is a legal leverage for proposing to the European

Commission a directive on the social economy (binding results but means left to the discretion of the Member States) but with a small rate of success. Hypothetically, this directive proposed by citizens could officially recognize the role of social economy as part of the European political project and institutionalize a systematic cooperation between the European Investment Bank, EU-representative institution of the social economy, Member States and their respective regional authorities, in the field of financing projects and infrastructures in particular. It also would be a manner to federalize the setting up of a European social economy deep-seated and anchored in the existing institutional arrangements of the 28 Member States. The EU-representative institution of the third sector could be consulted and have a say in the EU decision-making process, alongside with the Committee of Regions, the Council of Ministers and its COREPER, the European Parliament and the European Commission in order to think the intertwining of the social economy with the private and public sectors. Obviously, new ideas can rise to the surface and be proposed by other citizens!

#### 4.1.5 Act through training and education

##### **Cooperative Educational System:**

Lectures should be the source of an active learning and oral participation of students, not a passive attendance of a rigid and vertical speech. Horizontal cooperation, throughout workshops and sharing of one's critical opinion, should be fostered. In the University of Copenhagen for instance, a vast amount of required readings is assigned to each lecture (1200 pages per lecture approximately). However time-consuming as it may appear to us at the first sight, this educational approach provides students with a direct touch on the authors and a real acquaintance with the references teachers have pointed out during their lectures. Out of 2 hours of a lecture, 80% is filled by students' engagement and oral interaction, the last 20% is monopolized by the teacher's presentation of the session. According to us, this way of conceiving the educational system in which teachers and students are mutually constitutive, self-reflecting together and building a shared critical mind, is conducive to the emergence of future cooperative workers.

##### **MOOC on social entrepreneurship:**

Creating a Massive Open Online Course revolving around social entrepreneurship for instance is relatively important because most of the current MOOCs do not really shed the light on the social economy. Many lectures already exist on mathematics, economics, history, science and so on but none of them deal with social innovation and social economy at the broadest sense of the word. This MOOC could be provided by a great teacher from a southern European university and his role would be to grapple with many fundamental interrogations, such as how can we think the role of social actors and construct a new paradigm in times of strained public finances and low-growth regime? To what extent the social economy can be either a substitute or a complement to the state? The idea is to endow students with a new independent grid of lecture in order to make them understand how the three distinctive scales of analysis - social actors, public authorities and the European Union - can interact, be coordinated and lead common strategies.

## 4.2 RIS3 and social economy: cross fertilization

### 4.2.1 Contributions of Social Economy to RIS3

#### Brakes for the integration of the social economy to the RIS3

- Social economy actors not assimilated to business and economic sector by public authorities
- Small dimension and no good representation of the sector itself
- Not all have access to information and support at regional economic level
- State and regional policy is focused on technology innovation
- Legal constraints for testing of an idea or new activity

#### Advantages for the integration of the social economy to the RIS3

- Economic activities for the real needs of local people
- Provide human values to business activities and development
- Experience in networking and partnerships
- Provide more labour opportunities
- Providing new, more efficient answers to meet the increasing social needs
- Mobilization and involvement of the population about local economy

## Social Economy brings Innovations for the RIS3

- Some of the basic and practical ideas of Social Economy can provide new approaches to the regional economy.
- Networks, strategic alliances and franchising are examples of cooperation used by cooperatives
- In a high competitive context many companies are also seeking to gain customers' loyalty and generate a sense of belonging through forms of "membership" or to differentiate themselves from competitors through claims of social responsibility and ethics.
- Profit social enterprise mainly reinvested in the company or its territory. There is no capital flight.

### 4.2.2 Recommendations for connecting Social Economy to the RIS3

The main weakness found on the participation of the social economy to RIS3 is the lack of awareness about the importance of the strategy and the opportunities that will arise from it. This kind of actions may be managed by the representative Organizations of social Economy, with a strong partnership with the Region.

#### **AXE 1 : Study more precisely the actors of the social economy, their strengths, their organizations, innovations, and the ways to support and associate them**

- Introduction of social enterprises as driving forces of regional and local development.
- Construction of common priority scenarios
- Translating priorities into concrete projects and initiatives
- Adaptation of legislation, regulations and public policies to the needs of social economy
- Connecting measures at national and regional/local level.
- Develop a Smart Specialisation Strategy and Plan including Social Innovation

## **AXE 2 : Explore the process of innovation by custom, involving citizens and organizations in the social economy, and collaborative economy**

- Rely on advanced participatory approaches, have a more participative strategy and **personal approach**, small firms and organizations.
- Introducing a package of measures aimed at supporting social enterprises in all stages of development and aimed at both enterprises/initiatives and individuals to be employed by these enterprises.
- Promoting social business through public procurement.
- Introduction of the social enterprises as a driving force for the creation of new jobs for the most vulnerable groups on the labor market.
- Socio-economic integration of marginalized communities, such as the Romani.
- Create and support Business incubators for social enterprises.
- Develop collaboration tools with socially engaged community. Develop auditing, innovation training and workshop activities.

## **AXE 3 : Diversify forms of innovation in integrating social organizational innovations, environmental, with clusters and associated research labs**

- Development of shared projects with open source process
- Learn about social Innovation and systematize the concept
- Streamline the actions on Social Innovation
- Activate collaborative relationships with other companies, research centers, etc.
- The innovation has an important role in the definition of the RIS. Social economy is related, but is not limited, to the social innovation) and it could be a way to give innovative answers to economic and environmental needs.
- Implementation of a positive promotion of social business in various spheres (esp. through extensive media coverage and via the Internet).
- Promote more information and training for entrepreneurship skills, and entrepreneurship spirit in the society while disseminating social values.

#### **AXE 4 : Develop new business models, closer than territories, with a better distribution of wealth, and a weaker recovery requirement on capital employed**

- Develop research on new business and operating models that can respond to social needs and at the same time introduce efficiency and efficacy gains, as well as presenting innovation and market opportunities.
- The discussion must identify the region's most pressing social challenges and then focus on uncovering innovation and market opportunities. Economy must be at the heart of the discussion that usually tends to derive to social assistance and not social economy.
- Give support to the growth, development and increase the competitiveness of the social economy companies of the priority areas (food, energy, industrial systems, design industries, health, culture and companies related to sustainable mobility)
- Formulation of requirements for operators of support services for social enterprises.
- Training of the holders of a support environment at all levels.
- Activate Social clusters/laboratories
- Clarification and greater involvement of local actors. Identification and diagnosis of places, especially at the level of small towns, for better adaptation of initiatives to social needs
- Partnership within the quadruple helix (government, academia, businesses and social agents)
- With equivalent competences, priority should be given in tenders to local professionals. As they live, work, eat locally, they participate predominantly to the local economy and should get a special attention for that. They also need to travel less and, as a consequence, have a lesser carbon impact. Being local allows also a better quality of life (having more family, resting, or entertainment time) and less transport fees...



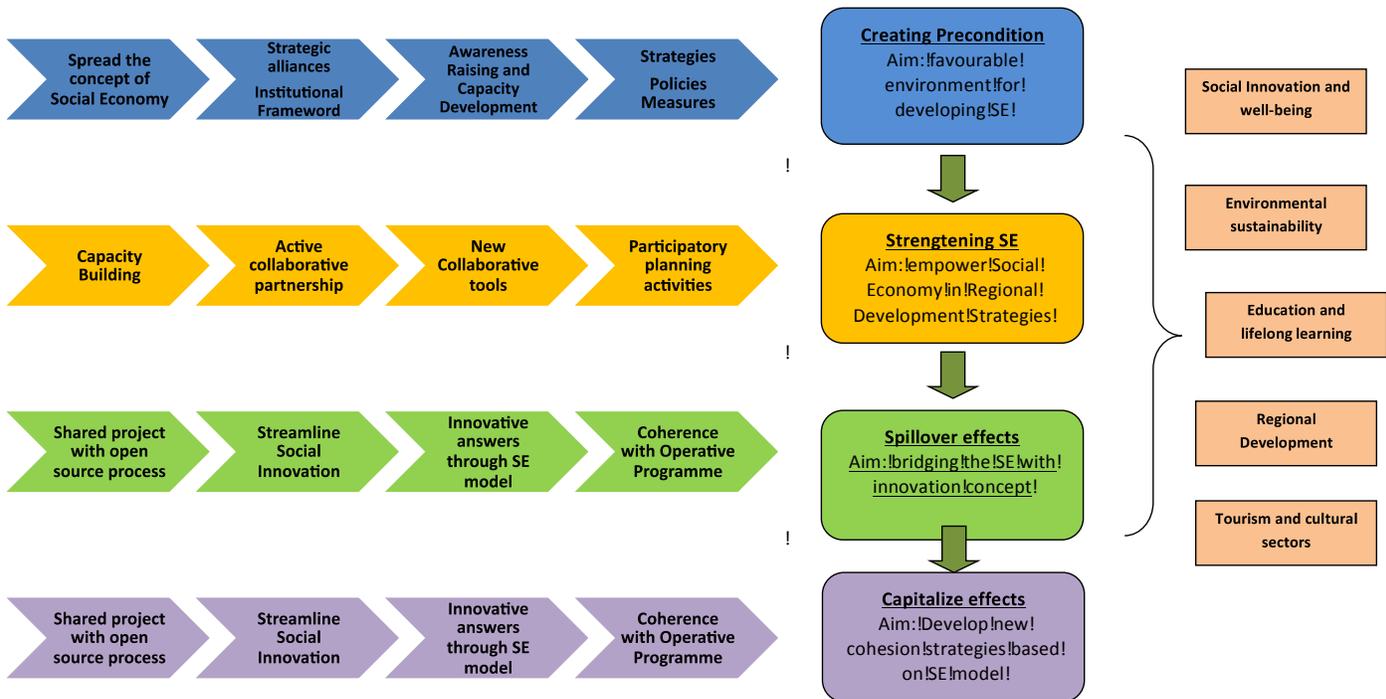
European questions (incidence of the European law on the national legislation, its potential opportunities in terms of legal strategies and subsidies, application for public tenders and so on)

Suggestions for improving the current regional strategies deal with a better inclusion of social actors in the RIS3, during the identification and definition phases in particular. 'Priority should be given in tenders to local professionals' adds one social actor, without forgetting the role of universities. To put it differently, we have to create a community tied by a common set of beliefs and normative values, embodied in an official representative institution of the third sector of the concerned region. Thanks to this social platform, social actors would have a stronger bargaining power in front of political actors, gaining in terms of influence, expertise and attractiveness. The coherent institutionalization of dispatched and informal social actors is utterly needed.

### 4.3 Proposal modeling for regional action plans

#### 4.3.1 Matrix regional project

This matrix project is an example of a global strategy to include the social economy to regional innovation strategies. Each European region based on its characteristics can adapt to their own context.



This is an example of a methodological framework that can feed regional smart specialization strategies involving companies and networks of social economy. This strategy is to build with concerted way and adapted to each region.

## 4.4 Example of regional action program

**Creating precondition : developing tools to gain a better understanding of the sector and increase the visibility of social entrepreneurship**

### Objectives

1. Spread the concept of social enterprises as a driving force of regional and local development
2. Promote the awareness raising and develop Institutional Capacity
3. Improve strategic alliances and qualify the institutional framework
4. Define strategies and policy measures promoting social entrepreneurship and innovative social enterprise

#### 4.4.1 Strategic line 1 : Spread the concept of Social Economy

Highlight the added value of social economy for the creation of social, employment and economic development path.

A wide and qualified scientific literature investigated and pointed out the importance of Social economy in providing innovative responses to the current challenges.

Inclusivity and sustainability are the two souls of the developed vision of this sector, who's aim is to effect social and economic transformation which contributes to the objectives of the Europe 2020 Strategy.

Social Economy can be regarded as a dynamic system that can have a relevant impact upon the economic and social development both at national and local level, as they :

- provide access to basic public interest services (social, educational, health, etc.) to local communities, including people who are unable to pay;
- contribute to a more balanced use and allocation of resources;
- generate new employment;
- play a role in enhancing the social capital that is accumulated at the local level;
- play a part in taking informal activities out of the underground economy.

Despite these consideration, in lots of regional context emerges a still restricted knowledge about such forms of organisations. Specific aspects have been deep investigated, but is not yet clear the overall contribution that Social Economy can generate for in the field of territory cohesion and development.

Highlighting the added value of such sector, this strategic line aims to :

- identify and disseminate existing good practices, both at national and European level,
- raise the level of knowledge of society on third sector potential in context of social, employment and economic development,
- design models and paths for the social economy growth, including definition of its role and tasks in the field of innovation, taking advantage of the opportunities offered by the Smart Specialization Strategies.

<p><b>Action 1.1</b></p>	<p><b>Knowledge systematization</b></p> <p>The methodology encompasses the identification, documentation and transfer of experiences and key lessons extracted from best practices, projects or initiatives for the purpose of advocacy, learning and replication/scaling up. Systematization does not end with the description of the experience and results, but involves a deeper insight into how it was possible to achieve what was achieved.</p> <p>The review of the best practices (projects, initiatives, studies and researches) is so an useful action in order to systematize, enrich and deep the knowledge on models and paths for the social economy growth.</p> <p>The benefits and added value of this action are:</p> <p>a. Learning and institutional reflection:</p> <ul style="list-style-type: none"> <li>• Systematic and periodic analysis of Social Economy business practices.</li> <li>• Inputs to decision making, strategic planning and continuous improvement of programs and policies.</li> <li>• Dynamic knowledge sharing and use within the institution.</li> </ul> <p>b. Knowledge sharing, transfer and use for effectiveness and innovation:</p> <ul style="list-style-type: none"> <li>• Facilitate the capture, documentation and analysis of relevant</li> </ul>
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	<p>knowledge.</p> <ul style="list-style-type: none"> <li>• Facilitate scaling up of successful pilots</li> <li>• Contribute to the refinement of models and standards</li> </ul>
<p><b>Action 1.2</b></p>	<p><b>Map Social Economy organisations</b></p> <p>If Social Economy is a driving factor for the development of the Territorial Social Capital, it became fundamental to have a clear and exhaustive idea of the quantitative and qualitative dimension of the sector.</p> <p>At the moment there is no common definition of social economy at European and International level. Moreover different terms are often used as equivalent (third sector, non profit enterprises, etc.)</p> <p>First step of SE Mapping is so the adoption of a common definition of the sector. To this aim we suggest the following, possible definition that's sufficiently wide and representative of the European reality.</p> <p><i>"Rooted in local communities and independent from government, Social Economy organizations are democratic and/or participatory, pull together many types of resources in a socially owned entity, and prioritize social objectives and social values. While they may intend to make a profit, they do so in a context that sees profit as a means to meet social goals, not primarily as a means to create individual wealth. They may rely on volunteer labour as well as, or instead of, paid employees. The Social Economy is characterized by mutual self-help initiatives, and by initiatives to meet the needs of disadvantaged members of society."</i> (L. Brown, MSVU, 2008)</p> <p>From a methodological point of view, the survey may consist of the following phases:</p> <ul style="list-style-type: none"> <li>• The definition of the sector and the typology of organisations to analyse;</li> <li>• The selection of the organisations taking into consideration their relevance in the national/regional/local context but also their potential impact in social economy;</li> <li>• The collection of qualitative and quantitative informations;</li> <li>• Interviews with representative and key players of leader organisations;</li> <li>• The elaboration of all the information collected.</li> </ul>
<p><b>Action 1.3</b></p>	<p><b>Agree a common map on the potential and constraints of Social Economy versus Local Development.</b></p>

	<p>This action aims to agree a common vision on the concrete contribution that Social Economy may give to the social, economic and employment cohesion.</p> <p>Due to strong competition and a continuous market change, territories engage in strategic planning today to become or stay competitive in the long run. Strategy is all-embracing. Strategy has to capture internal and external aspects, that means to comprise competencies and social, economic opportunities.</p> <p>The challenge is to create values and competitive advantages to assure cohesion and growth. As a result, the starting point of every strategic decision demonstrates the recognition and the analysis of the territorial's current situation containing a high variety of parameters. These parameters are generally defined by the context's influence into internal and external once. However, the understanding of the situation is only defined in absolute by analysing parameters and its bilateral dependencies. Therefore, the combination of the territorila internal factors and the external environmental circumstances presents the basis for the strategy development and the resulting cohesion goals.</p> <p>The SWOT analysis is a strategic planning tool used to evaluate the Strengths, Weaknesses, Opportunities and Threats of an object of observation. It provides informations that are helpful in matching the resources and capabilities to the competitive environment in which it operates. The resulting SWOT matrix compares the results of the internal analysis (strengths and weakness) and the external analysis (opportunities and threats) to define strategic fields of action. That application of a SWOT analysis is therefore instrumental in strategy formulation and selection. (SWOT Analysis. Idea, Methodology And A Practical Approach - Fachhochschule für Ökonomie &amp; Management, Berlin, 2007)</p> <p>The goal of this action is mapping the opportunities and the need for supporting the social economy in the regions, with special attention for the contribution that such organisation may give to social inclusion and innovation.</p> <p>The activities may consist of:</p> <ol style="list-style-type: none"> <li>1) Review of the Regional Development Strategy in function of the target</li> </ol>
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	<p>group social economy,</p> <ol style="list-style-type: none"> <li>2) an overview of the economic activity in the region,</li> <li>3) an overview of the social economy initiatives,</li> <li>4) brief analysis of the need for support of social economy enterprises and companies which practice Corporate Social Responsibility (CSR) in the regions</li> <li>5) mapping the Strengths, Weaknesses, Opportunities and Threats for Social Economy development.</li> </ol> <p>On this basis, a SWOT analysis it's possible to identify new assignments and roles to improve the Social Economy Sector.</p>
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#### 4.4.2 Strategic line 2 : alliances Institutional Framework

##### Improve multistakeholder Governance models based on the enhancement of social economy

An important governance issue is strengthening the relationship among the social enterprise sector and government at different levels. It is important to gradually develop a system of co-governance at all levels, between national, municipal and regional bodies, and social economy organisations. Thus, this might include support for the development of a social economy coalition that brings together the NGOs, foundations and co-operatives; the development of horizontal networks across these pillars of the social economy may initially function better at the municipal level around areas of common interest, and where networks of learning and good practice might be funded by public source.

In recent years, the term “multi-stakeholder partnership” (MSP) has gained much currency in development circles, trouncing the popularity of Public-Private Partnerships (PPP).

MSPs are about partnerships that are greater than the sum of its parts and about creating lasting and meaningful impact at all levels of action. They are meant to promote a more holistic approach to development and better governance.

The concept of MSP as an instrument for achieving development goals is sound, particularly when stakeholders with unique complementary strengths or core competencies add value to

development efforts and pool their resources and assets in solving problems. But while many laud the virtues of MSPs, most are struggling to make them work.

The central challenge seems to revolve around the nurturing of a working relationship based on trust, mutual respect, open communication, and understanding among stakeholders about each other's strengths and weaknesses. Stakeholders from each sector bring their own organisational mandates, interests, competencies and weaknesses to partnerships. Without open acknowledgement of these factors, and without processes in place to facilitate negotiations among stakeholders for optimal outcomes, effective MSPs will not emerge.

The goal of this axe is to help mainstream understanding about MSPs, how they work, how they can be effectively formed and sustained, and their potential and actual contribution to the RS3 effort to improve new path for regional development and social innovation.

<p><i>Action 2.1</i></p>	<p><b>Identify evolutionary paths for the specific Institutional Framework</b></p> <p>We underscore the importance of a strengthened institutional framework for Social Economy development which responds coherently and effectively to current and future challenges and efficiently bridges gaps in the implementation of the cohesion policy. The institutional framework should integrate all complementary aspect (social, economic and employment development) in a balanced manner and enhance implementation by, inter alia, strengthening coherence, coordination, avoiding duplication of efforts and reviewing progress in implementing Social Economy development. We also reaffirm that the framework should be inclusive, transparent and effective and that it should find common solutions related to global and territorial challenges.</p> <p>The strengthening and reform of the institutional framework should not be an end in itself, but a means to achieve Social Economy development. We recognize that an improved and more effective</p>
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	<p>institutional framework, contribute to the implementation of the commitment to improve economic, social, environmental and related fields and take into account national priorities and the development strategies and priorities of countries. It's therefore important resolve to strengthen the institutional framework, which will, inter alia:</p> <ul style="list-style-type: none"> <li>a) Promote the balanced integration of social, economic and employment dimensions of Social Economy development;</li> <li>b) Be based on an action- and result-oriented approach giving due regard to all relevant cross-cutting issues with the aim to contribute to the implementation of Social Economy;</li> <li>c) Underscore the importance of interlinkages among key issues and challenges and the need for a systematic approach to them at all relevant levels;</li> <li>d) Enhance coherence, reduce fragmentation and overlap and increase effectiveness, efficiency and transparency, while reinforcing coordination and cooperation;</li> <li>e) Promote full and effective participation of all stakeholders in decision-making processes;</li> <li>f) Engage political leaders, provide policy guidance and identify specific actions to promote effective implementation of Social Economy development, including through voluntary sharing of experiences and lessons learned;</li> <li>g) Promote the science-policy interface through inclusive, evidence-based and transparent scientific assessments, as well as access to reliable, relevant and timely data in related areas,</li> <li>h) Enhance the participation and effective engagement of civil society and other relevant stakeholders and in this regard promote transparency and broad public participation and partnerships to implement Social Economy development.</li> </ul>
<p>Action 2.2</p>	<p><b>Promote strategic alliance and multi-stakeholder partnership</b></p> <p>Strategic alliances between business, government and civil society are a growing feature of both developed and emerging economies. Such multi-stakeholder partnerships are necessary because it is increasingly clear that no one sector in society can deliver the complexities of sustainable development alone.</p>

	<p>The management of Multi-stakeholder partnership has to be inspired by some basic principle</p> <ol style="list-style-type: none"> <li>1. Know when to apply a multi-sector partnership.</li> <li>2. Before agreeing to enter into partnership, weigh its merits against the alternatives and risks.</li> <li>3. Multi-stakeholder partnerships work best when they mutually reinforce the interests of all partners.</li> <li>4. Successful partnerships are built on complementary competencies and resources that, in combination, meet the parameters of some strategic design.</li> <li>5. The resources and competencies contributed to the partnership should be drawn from as close as possible to the core 'business' of the partner organisations.</li> <li>6. Consensus should be sought for a written document identifying, at a minimum: the shared vision of the partnership; the objectives of each partner for the partnership, and the division of roles and responsibilities.</li> <li>7. When evaluating the outcomes of multi-stakeholder partnerships, care should be taken to identify the incremental contribution of the partnership activities over and above external factors and the next most likely alternative.</li> </ol> <p><i>(source: Multi-stakeholder Partnership – issue paper, Global Knowledge Partnership Secretariat, November 2013)</i></p> <p>Multi-stakeholder Partnership are generally directed at the problems and challenges of sustainable development, from environment protection and management, to social inclusion and sustainable economic growth. They are about sharing risks; finding innovative ways to pool resources and talents based on each parties' core strengths; and designed and maintained over time in such as way as to deliver mutual benefits for all collaborating parties.</p> <p>Multi-stakeholder partnerships pursue a shared vision, maintain a presumption in favour of joint problem-solving, promote a work ethos that exploits mutual self-interest, and adds value beyond that achievable by the principal alternatives</p> <p>The literature on MSPs discusses a wide variety of operational issues and lessons. The following five key operational challenges related to the management and governance of partnerships were identified:</p>
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	<p>A. Inclusion</p> <p>A first key operational challenge of effective partnership is getting the right actors around the table. As partnership experience has evolved, a general lesson that has emerged is the importance of involving diverse stakeholder viewpoints. The identification of relevant stakeholders and an “optimal” level of inclusion must, however, derive directly from the specific purpose and goals of the partnership</p> <p>Key challenges and recommended practices for achieving inclusion are discussed below.</p> <ul style="list-style-type: none"> <li>• Conduct a stakeholder analysis</li> <li>• Place particular emphasis on primary stakeholders</li> <li>• Develop a strategy/action plan to promote inclusion</li> <li>• Use clear criteria and transparent process to identify partners</li> </ul> <p>B. Clear Definition of Purpose and Roles</p> <p>A second important operational challenge is ensuring that the purpose and expected results of the partnership as well as the respective roles and responsibilities of each partner are clearly defined and commonly agreed.</p> <ul style="list-style-type: none"> <li>• Define a common purpose</li> <li>• Establish acceptable parameters of divergence</li> <li>• Focus on results</li> <li>• Negotiate clear partner roles</li> <li>• Aim for specific commitments</li> </ul> <p>C. Participation/Power-sharing</p> <p>Closely linked to issues of inclusion and the definition of partner roles and responsibilities is the challenge of ensuring effective participation and appropriate power sharing within multi-stakeholder partnerships.</p> <ul style="list-style-type: none"> <li>• Openly acknowledge and address power</li> <li>• Establish appropriate decision-making structures and rules</li> <li>• Employ professional facilitation and participatory technologies.</li> </ul> <p>D. Accountability</p> <p>As partnerships become more influential and decision-making within partnership is increasingly participatory, issues of accountability become simultaneously more important and more complex.</p> <ul style="list-style-type: none"> <li>• Draft an accountability map and strategy</li> </ul>
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	<ul style="list-style-type: none"> <li>• Emphasize (and invest in) transparency and communication</li> <li>• Emphasize and support links between partners and their constituencies</li> <li>• Develop and adhere to strict performance standards, monitoring and reporting requirements</li> </ul> <p>E. Strategic Influence</p> <p>A final operational challenge for MSPs is maximizing their strategic influence. The type of influence a partnership seeks to have will obviously depend upon its specific purpose and the level of “strategic ambition ” will vary greatly from one partnership to another.</p> <ul style="list-style-type: none"> <li>• Tie partnerships to globally agreed priorities and targets</li> <li>• Develop a strategy for relating to official agendas and processes</li> <li>• Ensure partnerships are strategically anchored within host organizations</li> <li>• Set strategic as well as operational goals.</li> </ul>
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### 4.4.3 Strategic line 3 : Awareness Raising and Capacity Development

Informed decision-making and situational awareness are key components in order to improve the Social Economy contribution in social innovation and regional development.

This assumption require new Institutional capacity assets in order to ensure that institution, at all level, and stakeholders may collaborate for generating new sustainable development paths.

In order to highlight the importance Institutional capacity, some important assumptions are :

- The scope of capacity development goes beyond the traditional focus on the internal functioning of individual formal organizations or the ‘micro’ aspect of capacity development. More and more, participants have to look at the ‘macro’ aspect or the behavior and structure of larger work communities. .
- Capacity development is about complex learning, adaptation and attitudinal change at the individual, group, organizational and even societal levels. People at these levels have to assume new responsibilities and slowly devise new collective solutions to common problems.
- Participants need to think more in systems terms and see their contribution and those of other actors in much broader, interconnected kinds of ways. This, in turn , has implications for doing capacity assessments and designing indicators.
- Capacity development is also about power, control, risk and uncertainty. It also depends upon the creation and the harnessing of social energy and the commitment and ownership of field participants and stakeholders.

- One of the challenges is to arrive at the right relationships amongst policies, process and performance when designing capacity development initiatives.  
(source: The design and use of Capacity Development Indicators - Peter Morgan, 1997)

<p><i>Action 3.1</i></p>	<p><b>Construct common priority scenarios on social need dynamics and social economy potentials</b></p> <p>Future studies is the field of research and practice that aims at an understanding of the future, the dynamics and uncertainties that shape it and the different perceptions about it. Early Future Study were of a “foresight” type, i.e., concerned with the anticipation of possible future developments in a domain of interest]. Unlike forecasting, foresight is not about identifying the most probable future outcome or path, but about debating the likelihood and consequences of alternative paths of development. Scenarios have been a central tool in foresight. A scenario is a picture of a probable, plausible, desirable situation or condition in the future. It describes alternative future options in a coherent, internally consistent way. Scenario-based foresights have their origins in business planning but have now seen applications in all sorts of domains.</p> <p>The action is fully consistent with the general goal of the Cohesion Policy, that is: reducing the gap in the different regions' levels of development, in order to strengthen economic and social cohesion, for it improves understanding of structures, trends and scenarios influencing territorial development, and increases the capacity of administrations to undertake strategic regional planning</p> <p>A reference methodology for deriving policy impact scenarios in key sectors for the growth and competitiveness of regions is so needed. From our point of view, policy scenarios may support inter-sector approaches and overall coherence in regional development strategies, thus enhancing their overall effectiveness.</p> <p>Capitalizing the results of the European Scenario Workshop (action 3.1),</p>
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	<p>some operative steps for the construction of common priority scenarios may include:</p> <ul style="list-style-type: none"><li>• Improve innovative and common methods for anticipating policy scenarios and strategically intervening on critical challenges;</li><li>• Promote and test policy tools that seek to improve inter-sectoral coherence among policies that are key for competitiveness;</li><li>• incorporate the use of policy scenarios and of the participatory planning process into the regular programming process of their administrations;</li><li>• capitalize the role of Social Economy in the development of new cohesion strategy for 2014-2020 and regional development policies</li></ul>
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<p>Action 3.2</p>	<p><b>Capacity Building initiatives</b></p> <p>There are a number of useful policy measures that are currently relevant to the development of social entrepreneurship and at the national level there is a recognition of the role of social enterprise could play, although the work integration role is dominant, and the social innovation role could be better established. However, it appears that although there is a growing trend in developing institutional capabilities to support social enterprise, most of this is relatively small-scale. Nonetheless, it may be difficult to develop immediately a coordinated strategy across several policies and programs, it may be possible to gradually reshape each of the relevant programmes. Similarly, local government could make important contributions to the development of social entrepreneurship.</p> <p>Three actions may contribute to achieve these aims :</p> <ol style="list-style-type: none"> <li>1. management of European Awareness Scenario Workshop.              The European Awareness Scenario Workshop (EASW) Initiative was launched by the European Commission DG XIII D in 1994 as a pilot action to explore new possible actions and social experiments for the promotion of a social environment favoring innovation in Europe. The initiative focused on two particular fields of action which, in the opinion of experts, should benefit the most from the introduction of the European dimension:             <ul style="list-style-type: none"> <li>• Assessing the transferability of best practices between different cultural and political contexts, including identification of conditions for success.</li> <li>• Identification and further development of instruments and tools to support the know-how transfer processes.</li> </ul> <p>The EASW method could be a tool for:</p> <ul style="list-style-type: none"> <li>• information and learning,</li> <li>• understanding and participation in the decision making process, common planning for the future</li> <li>• identifying responsibilities and priorities or just any combination of the above</li> </ul> <p>(for further informations see <a href="http://cordis.europa.eu/easw/home.html">http://cordis.europa.eu/easw/home.html</a>)</p> </li> <li>2. Critical review and integration of sectoral policies and programming</li> </ol>
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	<p>Integration of Social Economy into all policies and decision-making processes in all sectors is a prerequisite for achieving sustainable development. This integration requires reliable and consistent information to be distributed to all policy makers, involvement of all stakeholders, and the proper use of valuable sectoral integration tools. In order to ensure that Social Economy dimension is properly integrated into other policies, it's necessary:</p> <ul style="list-style-type: none"> <li>• a review of existing policies;</li> <li>• introduction of strategies for action in key areas;</li> <li>• analyze best practices on how Social Economy has been successfully integrated into other policies;</li> <li>• definition of priority actions and mechanisms for monitoring implementation;</li> <li>• review of Social Economy integration into sectoral policies;</li> </ul> <p>3. Improve knowledge of both, institutions and stakeholders, in the following field:</p> <ul style="list-style-type: none"> <li>• Skills for social innovation</li> <li>• Skills for Social entrepreneurship and management</li> <li>• Skills for the governance of social enterprises development</li> </ul>
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#### 4.4.4 Strategic line 4 : Strategies Policies Measures

Social economy is a priority in the national economic and employment strategies because represents a model that supports the sustainable growth, considering three main issues:

- It is settled in the territory
- Allows the decrease and the contrast to barriers in the market of labour for disadvantaged people
- Offers an entrepreneurial option with a strong social features, that gives identity to social economy itself

It follows that the opportunity to increase the social capital of local communities and, as a result, of the national/regional context requires a design of local development that gives social enterprises a central role.

The social capital representing the economy of the Third Sector is a real added value to local development and not only a side effect that releases positive outcomes.

<p>Action 4.1</p>	<p><b>Improve Social Capital</b></p> <p>Social Capital refers to the norms and networks that enable collective action. It encompasses institutions, relationships, and customs that shape the quality and quantity of a society's social interactions. Increasing evidence shows that social capital is critical for societies to prosper economically and for development to be sustainable. Social capital, when enhanced in a positive manner, can improve project effectiveness and sustainability by building the community's capacity to work together to address their common needs, fostering greater inclusion and cohesion, and increasing transparency and accountability(source: World Bank).</p> <p>By this definition, the notion of social capital contains three ingredients :</p> <ul style="list-style-type: none"> <li>• resources embedded in a social structure ;</li> <li>• accessibility to such social resources by individuals and organisation;</li> <li>• mobilization of such social resources in purposive actions.</li> </ul> <p>In order to improve the participation of Social Economy to the Regional Smart Specialization Strategy, it's important that the results of all previous actions are finalized in setting up Social Capital Initiative, through:</p> <ol style="list-style-type: none"> <li>1. use current and new tools to understand more thoroughly the nature of existing institutions in countries and their roles in social and economic development. Doing so should help ensure that Governance avoid weakening existing positive social capital, and identify areas where social capital needs to be strengthened;</li> <li>2. where possible, work with existing social capital, especially people's associations and organizations, for the design and delivery of projects.</li> <li>3. facilitate enabling environments that foster the strengthening of social capital in a territory. This might include fostering greater interaction between civil society and government, enhancing mechanisms for</li> </ol>
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	<p>stronger contracts and economic institutions;</p> <ol style="list-style-type: none"> <li>4. invest directly in social capital. This may be done through training and capacity building of local organizations or through direct financial support;</li> <li>5. conduct further research on the distributive and growth implications of strengthening social capital, and on strategies for working with Social Economy organizations.</li> </ol>
<p><b>Action 4.2</b></p>	<p><b>Improve Social Innovation</b></p> <p>As defined in the “Guide to Social Innovation”, it can be defined as the development and implementation of new ideas (products, services and models) to meet social needs and create new social relationships or collaborations. It represents new responses to pressing social demands, which affect the process of social interactions.</p> <p>It is aimed at improving human well-being. Social innovations are innovations that are social in both their ends and their means. They are innovations that are not only good for society but also enhance individuals’ capacity to act.</p> <p>They rely on the inventiveness of citizens, civil society organisations, local communities, businesses and public servants and services. They are an opportunity both for the public sector and for the markets, so that the products and services better satisfy individual but also collective aspirations.</p> <p>Stimulating innovation, entrepreneurship and the knowledge-based society is at the core of the Europe 2020 Strategy.</p> <p>Christian Bason, the director of Mindlab, a Danish agency for social innovation operating within government, has listed the main ways in which the public sector role develops towards becoming an enabler of social innovation:</p> <ul style="list-style-type: none"> <li>• A shift from random innovation to a conscious and systematic</li> </ul>





- Define reference methodology for deriving policy impact scenarios in key sectors for the growth and competitiveness of regions
- Improve the role that social innovation plays in the EU 2020 agenda
- Define an integrated and coherent strategy, able to ensure a qualified participation of Social Economy in the RS3

### **To sum up the fourth chapter :**

As a conclusion to the chapter centered on our proposals and initiatives, we understand that we have to think our strategies at the European scale and exert an influence over our governmental authorities. From the Open Method of Coordination, the inter-parliamentarian collaboration, the infringement procedure of the European Commission and the Citizen Initiative, some clauses exist and can be a leverage for a collective action. If we endorse a more regional and closest perspective, we conclude that a new vocational training, a cooperative educational system, raising the awareness of the inclusion of the social economy in the RIS3 and the potential of social innovation for our regional development, are key elements. Although multiple entrances exist for initiating solutions and drafting some proposals, we still believe in the collective dimension of social entrepreneurship and social innovation. It is only through a coordination of our means and objectives we could be able to fill our capability-gap and move our society forward. Politics has to go beyond its short-sightedness and bet on the long-term effects of our strategies.

## 5 Annex

### 5.1 Methodology

Actions	Deadline	Partners Resp.
Action plan for social economy actors involved in MED S3 (linked to the work from the 5 working groups on phase 4.1)	January 14 – Sept 14	Phase partners
Definition of the action plan	March 2014	OXALIS
Design of the action plan (including compilation of info, etc.)	March 2014	Phase partners
Draft action plan	April 2014	Oxalis - Marche Region
Final action plan	September 2014	OXALIS
5 focus groups with SMEs, coops and social economy actors	Nov 13 - Dec 14	All partners
WP 1 Bologna - Validation and Beginning	22nd November	CNA
WP 2 – Lyon	11th December	OXALIS
WP 3 - Evora	12nd March 2014	ADRAL



local actions of organizations in the social economy and how to drive innovation. The results of this work are contained within the document.

- Bologna – 22/11: presentation and validation, during the Steering committee, of the present methodology of construction of the Action Plan. Presentation of the situation in Emillie-Romagne.
- Lyon – 11/12: Presentation of the table of contents of the Action Plan and its objectives. Presentation of the S3 finalized strategy in Rhone Alpes – feedback on the construction phase of the S3 strategy in Rhone Alpes, that included social economy actors and cooperatives.
- Evora – 12/03: How to combine technological innovation and social innovation? How to give value to initiative territories?
- Terrassa – 15/04: What is the place of social innovation in the fields of smart specialization?
- Maribor – 14/05: What are the new practices of economic and social cooperation for innovation?
- Lyon – 2/09: Actions that should be implemented in the frame of SRI-SI for actors of the social economy and cooperatives. Support modalities. Presentation of the Action Plan draft to the actors of the social economy and cooperatives.
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### **Surveys of actors in the social economy**

More than 300 actors in the social economy of Southern Europe (Slovenia, Greece, Croatia, Spain, Italy, France, Portugal) had been consulted by an online survey. From those 300 actors consulted, 43 answered the full survey . This survey was conducted from June to August 2014.

## **5.2 Documentary sources**

### **Guide to social innovation - European commission - February 2013**

This guide was prepared by DG Regional and Urban Policy and DG Employment, Social affairs and Inclusion, with inputs by various other Directorates General (DG Enterprise and Industry; DG Research, Technology and Development; DG Internal Market; DG Maritime Affairs and Fisheries; DG Agriculture; DG Health and Consumers; BEPA (the Bureau of European Policy Advisors of President Barroso). The substantial expertise part came from Marieke Huysentruyt and Max Bulakowskiy of i- Propeller, a Brussels-based social innovation consultancy, and Peter Ramsden, a Regional policy expert and practitioner.

It was commissioned by DG Regional and Urban Policy (European Commission) under the supervision of Mikel Landabaso, Head of Unit, assisted by Liesbet De Letter, policy analyst, and then completed with DG Employment, Social Affairs and Inclusion, in particular with Olivier Rouland, Head of Unit, and Diane Angermueller and Gabor Tóth, policy analysts.

The European Commission, in particular the DG for Regional and Urban Policy together with the DG for Employment, Social Affairs and Inclusion, has recently published the "Guide to Social Innovation" in the framework of Europe 2020 Strategy.

This guide, published in February, suggests a European definition of social innovation and then gives advice to public authorities on how they can support and enable it, highlighting that social innovation can be an essential strategy for the European competitiveness on issues related with health services, education, aging and climate change.

This publication, which is mainly focused at regional level, includes a section with ten practical steps on how to implement social innovation and shows successful European initiatives related with different fields of social innovation, such as social economy, inclusion, urban development and employment. Among these initiatives three Basque experiences can be found: Innobasque (with its social innovation strategy for Basque Country), Denokinn and Eutokia.

### **Social economy and social entrepreneurship – Social Europe guide – Volume 4 -**

European Commission - Luxembourg: Publications Office of the European Union

The fourth volume in the series describes the vivid world of social economy organisations (such as cooperatives, associations, mutual funds and foundations) as well as the more recent phenomenon of social entrepreneurship, i.e. business created to achieve social rather than financial goals. In addition, it illustrates trends towards greater social responsibility among citizens/consumers, for-profit companies and financial institutions. Finally it reviews ways in which European and national policies support the social economy and social enterprise.

The guide is available in printed format in English, French and German.

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### 5.3 About CITEK Project

CITEK project -"Capitalization Initiative for the Innovation and Internationalization of the MED economic and knowledge system" is a territorial cooperation project financed by the MED Programme in the capitalization call for proposal.

The main project objective is to promote the setting up of innovation system in the MED area involving public administration, research centers, innovation drivers, categories' associations and SMEs (the triangle of innovation) capitalizing the results coming out by the projects of the CITEK partnership previously implemented (ICS, IKTIMED and R&D) and setting up synergies and knowledge exchange with projects funded by other CTE programs.

CITEK is a project which integrates both regional and transnational levels. It aims at fostering the competitiveness of MED SMEs and cooperatives promoting a new public-private partnership to support innovation, based on the integration with internationalization strategies and a more open approach of knowledge transfer.

The project partnership comprises 9 organizations from 6 different countries, together with two external partners who support the implementation of the project activities. The partnership was conceived to activate a public-private and institutional-technical cooperation both supporting the transfer of innovative policies, guidelines, strategies and web-based tools, and identifying and establishing Mediterranean innovation communities composed of research centers, universities and clusters with the aim of developing innovative working programmes.

## Acknowledgements

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- Yohann Marchaut, Student **SCIENCES PO LYON** :  
Yohann.Marchaut@sciencespo-lyon.fr
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