

CIRIEC STUDIES SERIES 1



CHAPTER 13

**NEW HYBRID ORGANIZATIONS IN THE
SOCIAL AND SOLIDARITY ECONOMY
IN FRANCE:
A NEW COOPERATIVE GOVERNANCE?**

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Part of *Providing public goods and commons. Towards coproduction and new forms of governance for a revival of public action* by Philippe BANCE (dir.), 2018

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BOUAL, Jean-Claude and ZADRA-VEIL, Cathy. “**New hybrid organizations in the social and solidarity economy in France: A new cooperative governance? / Chapter 13**”. In: CIRIEC and BANCE, Philippe (dir.). *Providing public goods and commons. Towards coproduction and new forms of governance for a revival of public action*. Liège: CIRIEC, 2018. (CIRIEC Studies Series; 1), pp. 265-281.
<http://doi.org/10.25518/ciriec.css1chap13>

This publication is indexed and available in [RePEc](#)

New hybrid organizations in the social and solidarity economy in France: A new cooperative governance? / Chapter 13

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We want to dedicate this article to Jean Roucou, humanist who died in 2016 and who dedicated his life to the popular education, and to the democracy.

Abstract

This chapter investigates different new hybrid organizations like the public-private partnership in the social and solidarity economy. Different innovations are shaking the traditional borders between the economic actors, the public, the private, the profit and non-profit sectors. New form of firms emerges with several shareholders and mixed economic structure. A financial mechanism, the Social Impact Bonds, is also supported by French public authorities. New hybrid forms of innovation like Living Labs are defined as user-centered, open innovation ecosystems based on systematic user co-creation approach, where different partners (public, private...) co-create a common solution and common value.

These different forms share as common aim the general interest and better social results. The issue of governance is central to guarantee the general interest and the Commons, namely having rules and actors governing the commons together with democratic and shared participation. Thanks to a clearly shared and collaborative (Ostrom, 1990) governance, these new hybrid forms also allow for a better stimulation of the economic, social and territorial dimensions within the innovation framework.

We define a new cooperative mode of governance, which completes the hybrid arrangements typology of Oliver Williamson (1991). The Living Lab example is in the line of Elinor Ostrom; it allows going beyond the tragedy of the commons. The individual interest hands over to common value. The emerging governance model is based on citizens' involvement and guarantees success and protection of the commons.

Keywords: hybrid organizations; governance; Public-Private Partnerships, cooperative firm of collective interest, living lab

JEL-Codes: G30, L32, L31, P13, O35

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Introduction

This chapter investigates, in France, different new organizations with hybrid forms (public-private), which emerged in the social and solidarity economy. Different innovations are shaking the traditional borders between the economic actors, the public, the private, the profit and non-profit sectors. In 2001, a new form of firms, not private, not public, is created: the « *Société coopérative d'intérêt collectif* » (SCIC)¹. Yet, it is presented as a hybrid form, another option to non-profit organizations and to private firms while allowing cooperation between the different economic actors of a country or of a territory. One of these other innovations is the “living labs” (LLs). These are defined as user-centered, open innovation ecosystems based on systematic user co-creation approach, integrating research and innovation processes in real life communities and settings.

Based on experiments, we show to what extent these hybrid forms can contribute to a better stimulation of the economic, social and territorial dimensions within the innovation framework, since governance is clearly shared and collaborative. We identify the limits linked to their governance and to their financing; whereas with a living lab case, we overtake the limits and the tragedy of the commons (Ostrom, 1990) when the governance is cooperative and collective, and when the co-created value cannot be shared. We propose a new governance structure: cooperative-citizens-trust in the line of the transaction costs theory. The implication of the actors is the reason of the success of collective management based on trust.

The governance of companies is an essential stake for the economy of environmental and economic transition in France. For a long time, other forms of companies have existed where people are the central players: mutual and cooperative firms, associations, non-profit organizations. The decisions are taken in common, every partner having a voice, whatever its equity participation (a man or a woman = a voice). These undertakings also evolved to answer new social, technical or economic needs.

In 2001, a new form of firms, not private not public, was created: the « *Société coopérative d'intérêt collectif* » (SCIC). Nowadays in France, there are over 500 SCICs. SCICs are composed of several shareholders aiming at producing or supplying goods or services in the interest of the community and displaying a sign of social usefulness². Although the financial viability often gains the upper hand on the societal aims, the SCICs are presented as a hybrid form, another option to non-profit organizations and to private firms, opening up to different economic players of a country or of a territory. Thus, they have a specific governance, neither that of a conventional firm nor of a NPO (non-profit organization).

¹ SCIC is the French acronym of « *Société Coopérative d'Intérêt Collectif* », which means cooperative firm of collective interest.

² Act n°2001-624, 17th of July 2001.

In 2014, new forms of mixed economic firms (SEMOP (« *Société d'économie mixte à opération unique* »): semi-public companies for only one operation) appeared. Different other innovations emerge shaking the traditional borders between the economic actors, the public, the private, the profit and non-profit sectors. One of these other innovations is the “living labs” (LLs). There are defined as user-centered, open innovation ecosystems based on systematic users co-creation approach, integrating research and innovation processes in real life communities and settings. LLs operate as intermediaries among citizens, research organizations, companies, cities and regions for joint value co-creation, rapid prototyping or validation to scale up innovation and businesses. LLs have common elements but multiple different implementations.

The question put at examination is the following: Did this new frame offered by the new hybrid governance forms respect or affect the aims of the common / general interest?

Based on experiments, we will show to what extent these hybrid forms can contribute to a better stimulation of the economic, social and territorial dimensions within the innovation framework, since governance is clearly shared and collaborative. However, the inherent limits can slowdown or even question the shared goals.

1. Social and Solidarity based Economy, new forms of governance and the commons

1.1. Definition of SSE and the commons

The **Social and Solidarity based Economy (SSE)** in France is defined by the Hamon's Act³: “a form of entrepreneurship and of economic development adapted to all fields of human activities supported by private law entities who fulfill the following cumulative conditions:

1. targeted goal other than the sole sharing of benefits;
2. a democratic governance, defined and organized by the statutes, which foresee information and participation, whose expression is not only related to the capital share, of the shareholders, the employees or stakeholders to the fulfillment of the firm;
3. A management respecting the following principles:
 - a. benefits mainly devoted to preserving or developing the activity of the company.
 - b. no distribution of established compulsory reserves.”

³ <http://www.legifrance.gouv.fr/affichTexte.do?cidTexte=JORFTEXT000029313296&dateTexte=&categorieLien=id>

The SSE is not only defined by the company statutes (cooperatives, non-profit organizations...), but also by a series of criteria, which allow for the possibility to be an individual firm or a mixed capital company and to meet the global rules of the Act. The governance is the expression of the different actors, between the individual and collective goals, and between the general interest and the commons. The governance represents the actors' interactions to define common rules and the collective management of the commons, according to the collective interest. The benefits are shared and contribute to ensure the sustainability of the resources in the organizations, such as is the case for the SCICs. They can overcome the propositions of the "tragedy of the commons" (Ostrom, 1990).

"A common is the construction of a social, economic and environmental whole. It allows the shareholders of the civil society potentially associated with public or private institutional actors to govern together: territories of different size with vital, natural resources / production / destination of the collective profits, not only the financial ones but also the cultural, environmental and political ones.... Such an achievement must establish itself not only by defining its own rules of democratic, polycentric or in a network governance, but also be established that is to say with an administrative and legal (deed off property) framework, such as the institutional frameworks offered by the SSE, NPO, Cooperatives" (Thome, 2016).

Indeed, Elinor Ostrom (1990) explains that in order to go beyond the social dilemma, i.e. the existing tensions between the individual and collective interests, the user must create its own system of governance. The users define the needs and create the institutions, and the institutional arrangements give the common sense to the collective action.

The new forms like the SCIC respond to the legal context and the cooperative values, but this firm has different inherent contradictions, which limit its development in the economy.

1.2. The « Société coopérative d'intérêt collectif » (SCIC)

The SCIC (« *Société coopérative d'intérêt collectif* ») corresponds to the principles of the SSE Act and can operate with different public and private actors. The emergence of a new generation of cooperative structures seems to adhere to the idea of social entrepreneurship. The SCIC will develop the cooperative goals. Indeed, it is a hybrid form gathering the worlds of NPOs, businesses and cooperatives. It is defined by a social entity and a collective interest.

From a sector specific point of view, a low dynamism of SCICs is noted in the industries directly linked to social economy⁴: nearly 47% of SCICs are in the service sector, 17,3% in the construction industry, 13,1% in manufacturing and only 8,9% in education, health and social action.

The SCIC economic model is based on economic profitability while having social and societal aims. But social and societal effects are more difficult to value and monetize than economic or financial efficiency. The basis of the SCIC's statute created in 2001 rests upon the cooperative model and multiple shareholders (natural, legal, public, private entities). In order to avoid that a SCIC body takes over the majority, the law

⁴ In the website: <http://www.les-scop.coop/sites/fr/les-chiffres-cles/>

planned the interdiction of one category of associates (“College” in French) to hold the majority within the General Assembly.

In that regard, the cooperative form that sees its employees being shareholders of their firm with the same weight in the decision making, no matter what their capital contribution is, usually undertakes a project going beyond its legal and organizational framework, namely regarding a collective interest, a commons. The SCIC should satisfy the common and social aims of the company. However, in the cooperative form, the implication and risk-taking both focus on the capital investment and personal commitment.

The governance of this form is embedded between the individual and the collective and between general interest and the commons. The definition of property rights may seem essential and the transactions costs are relevant (Coase, 1960) in this hybrid form. Indeed, clearly specified property rights allow to regulate and to establish contracts tending to be complete. These minimize the transaction costs. One of the limits relates to the confusion between the formal and informal, the social and economic dimensions of the actors’ rules in the SCIC and the goals of individuals and society.

1.3. Development and delineation of social enterprises

For the past ten years, the SSE emerged as a concept whose delineation sometimes triggers lively discussion. The 2008 crisis has been a catalyst of the development of the SSE. “The introduction of quasi-market, and public-private partnership are some of the many processes embedded in this collective movement and therefore contributing to put the company at the heart of social production (Petrella & Richez-Battesti, 2015, 2)”.

The development of social entrepreneurship and social enterprise brings about renewed theoretical analysis grids. This change of dimension and broadening of the enterprise’s social object linked to the general interest is both an asset and an obstacle to its own future. The institutions and actors of the SSE are not always able to convince the citizens of their efficiency, since the evaluation remains based on requirements of financial profitability and short-termism.

The cultural obstacles and the lucrative image of the private company remain dominant and make the hybrid forms difficult to grasp: indeed, the widely spread idea is one of a blurry structure advocating profitability while having cooperative and social objectives.

The informal rules, the habits and customs and all the cultural dimensions developed by Douglass North (1990) are important and can sometimes prevent the implementation of a lasting change and even the choices boosted by the institutions. “No institutions are necessary in a world of complete information. With incomplete information, however cooperative solutions will break down unless institutions are created that provide sufficient information for individuals to police deviations (North, 1990, 57)”.

The commons’ realization depends on the construction of a governance system that is a set of rules and of standards governing the relations between actors. Everybody is

involved in the use and/or in the production of a given good, basing on rights and obligations of such actors. Citizens are not used to this new mix and are often very confused about it.

Obstacles can also be linked to the ownership of the social capital of the cooperatives such as the SCICs as well as to the shared power of voting rights and operational and strategic decision-making. The social and solidarity based enterprises are characterized by an internal and democratic governance, a limited profitable aim with a surplus allocation aiming at maintaining and developing the activity and employment. Social and solidarity based enterprises have to reconcile economic efficiency, social progress, sustainable development goals, and, territorial and local development.

Yet, this disrupts sometimes the reading and the analysis of the social project effects in an election context for example. In this case, public actors can privilege the short-term and financial analysis and would not invest in a new SCIC, or could even turn their back to it.

The question of governance and of the shareholders' relationship with respect to capital ownership in these new structures is a curb or even a real hindrance. For some investors, such as institutional or private investors in the SCIC entity, it is a real disadvantage. For example, the French « *Caisse des Dépôts et Consignations* » remains fearful regarding investments in some structures because they do not hold majority voting rights in the decision making. Other investors such as « *La Nef-Finance Ethique* », a financial cooperative, went over those obstacles, including in the evaluation requirements.

This is why some rhetorical interpretations lead us to offer another way of thinking, of being rational to avoid the social washing. This way is to build, co-build the activity within the structure of SSE (Petrella & Richez-Battesti, 2010). The company becomes a place where the social matters and social representations are shared and common, when and once its governance structure is democratic and shared. The question of property rights associated to the commons is left out normally (Orsi, 2015), but the shared power in the decision making determines the rules and the ability to influence the decisions and the strategic and operational orientations.

The issue of the governance is not very often tackled in research when decision comes from an organizational and democratic process in which the power cannot be exercised individually and directly.

1.4. The Social Impact Bonds (SIB): a means to overcome the obstacles of financing the SSE or social enclosure?

A new form of shares emerges in France, but this is the counter example of the shared governance. A social impact bond is a financial mechanism in which investors pay for a set of interventions to improve a social outcome that is of social and/or financial interest to a government commissioner. The State's vision searches in this case to overpass a dichotomy in the SSE financing: financial markets and social activities.

If the social outcome improves, the government commissioner repays the investors for their initial investment plus a return for the financial risks they took. If the social outcomes are not achieved, the investors stand to lose their investment.

On 15th March 2016, Mrs Martine Pinville, Secretary of the State in charge of SSE, made public the launch of the first appeal to SIB in French “Contracts of Social Impact” (CIS). They had been invented in the UK and generalized by the G8 in 2013.

Through such a procedure a new type of Public Private Partnerships (PPP) applied to social action thus appears in France. In fact, it is a question for the banks, multinationals firms and the entire financial system, to not only make profitable the financial investment within the social framework, but also to take over the social field (norms and implementation) by a form of enclosure.

The implementation of SIB refers to a whole, to social entrepreneurship crowdfunding, company sponsorship, philanthropy... In these cases, firms try to justify their implication in order to provide answers to the aims of corporate social responsibility, imposed statutorily in France.

A public authority (often advised by investors) would like to start an action in a social field (integration, second offence, school dropout, parenthood...) but is struggling financially or would like to break off with the associations’ subsidies. The public authority thus calls upon an intermediary financial organization (which will then be paying itself off), which collects funds with investors (banks, companies, foundations, small investors) willing to involve themselves in a social field while making profitable investments.

The public authority sets targets to reach. The amount of the final payment to the investors is based on the success of the operation. Those targets will be quantifiable, in others words based on financial and economic criteria.

The intermediary then chooses an “operator” –an association or a private company– which will be in charge of the implementation. An “independent” audit firm is in charge of the assessment, although it is very difficult to assess results in social fields. In the end, according to some results, the investors will have received a double-digit return on investment (up to 13% or even 15% per year, depending on contract) paid by the public authority (and hence by citizen taxes). Increasing the number of intermediaries in order to finance the SSE contributes to raise the global cost of financing. Each intermediary will try to cover itself up and, as in the case of PPPs, it is the taxpayer who pays by default. The reason for resorting to SIB is a context of constrained financing.

This is not shared governance because the investors impose the capital return rate. In certain SIB, the financial director is chosen by the intermediary body of the investors. Governance is not independent anymore and the sense of the social and cooperative commitment completely lost.

On the public side, this mechanism allows to finance some services of general interest without increasing the debt of the territorial authorities, even if the global cost is higher than the cost of resorting to public order as in the case of the PPP (Report to the Senate from the 16th July 2014). The private partner takes over the evaluation of the actions. The public partner feels that it is protected. Poorly designed PPPs and

other blended structures can lead to high returns for the private partner, while the public partner retains all the risks.

According to the authors, the detention of capital and the target of the SSE are contradictory. Indeed, when not being in an altruistic dynamic, it is difficult to give a definition of the quantitative and quantifiable criteria because of their socio-economic dimensions (Zadra-Veil, 2009).

Moreover, the development of SIB raises a certain number of questions, regarding their suitability to the general interest.

In the SCIC the value and the benefits are shared, based on the amount of the initial capital investment and of the unquoted share. The SIB can be a mechanism to finance the social activities but with the financial constraint of the cost effectiveness and uneven shared risks.

2. A new organization and governance: the living labs

The living labs (LL)⁵ on its side depicts the case of “immaterial and common construction”, where commons are defined together and where the created value is shared in the LL. The LLs can contribute to the economic, social development and create new ways for social innovations with citizens’ participation. The created value rests within the LL.

2.1. A new context

Before tackling the LL, it is worthwhile to consider the empirical as well as theoretical dimensions of public-private partnerships (PPPs), which define a new form of governance: that is a reduced formalization with cooperation based on trust. In the common features of this hybrid form (Ménard, 2004), one can find: pooling resources of the stakeholders with a shared and legal distribution, resorting to contractual agreement more or less formal, and dispute resolution mechanisms.

Further, looking at a particular form of PPP, the research and innovation PPP, will help to set the frame to better grasp the potential of LL in terms of governance. Research and innovation PPPs are hybrid forms because those research organizations are created together between the European Commission and the different partners to guarantee the respect of the goals and themes of the 7th Framework Program (now called the Horizon 2020 Program). The AAIG (Ad-hoc Industrial Advisory Group) is an *ad hoc* consultative group, which establishes the basis of a new cooperation form. These groups are the relay between the public and the private partners. We can consider them like micro-institutions implementing the goals set by the European Commission: *“a clear definition of the public and private roles, simple and transparent procedures, monitoring of the implementation by independent observers and the long-term stability of the running research PPPs.”* (European Commission, 2011, 15).

Through calls for projects, the ongoing dialogue between different actors is an *ex ante* step to innovate. The number of participants increases over time, together

⁵ See the ENoLL (European Network of Living Labs) website (<http://www.enoll.org/news>) for a definition.

with the number of selected calls of projects. This positively influences the quality of proposals. When the needs are defined *ex ante*, the information asymmetry is reduced. The micro-institutions are the vector and the intermediary actors where the best practices are shared. They limit the opportunistic behavior of economic actors (Williamson, 1994, 70) by an institutional regulation, and not only a contractual regulation (Zadra-Veil, 2010, 189).

The governance of the partnership's relation is often minimized in the PPP, because the partners are connected to the contract, and its execution; whereas these Research and Innovation PPPs bring an essential theoretical contribution to the analysis of new hybrid forms.

The hybrid institutional arrangements are made between European, national institutions and companies. The latter define together common objectives, here in terms of innovation and research, while seeking to minimize the costs of governance and with limited contractual formalization.

The perpetual negotiation process paves the way to possible new opportunistic behaviors. Besides, according to the transaction costs theory, if the hybrid form does not allow for enough flexibility in the relationship between partners, then a form of integration will be favored and substituted by a relationship of subordination. In the case considered, this risk can be set aside. *De facto*, other forms of cooperation are developing and encourage us to think that the obstacles of the SCICs linked to the governance can be overcome in the case of LLs.

Westerlund and Leminen (2011) defined the LL in an extended concept where the link between PPP and LL is formalized. LL are "physical regions or virtual realities, or interaction spaces, in which stakeholders form public-private-people partnerships (4Ps) of companies, public agencies, universities, users, and other stakeholders, all collaborating for creation, prototyping, validating and testing of new technologies, services, products, and systems in real-life contexts".

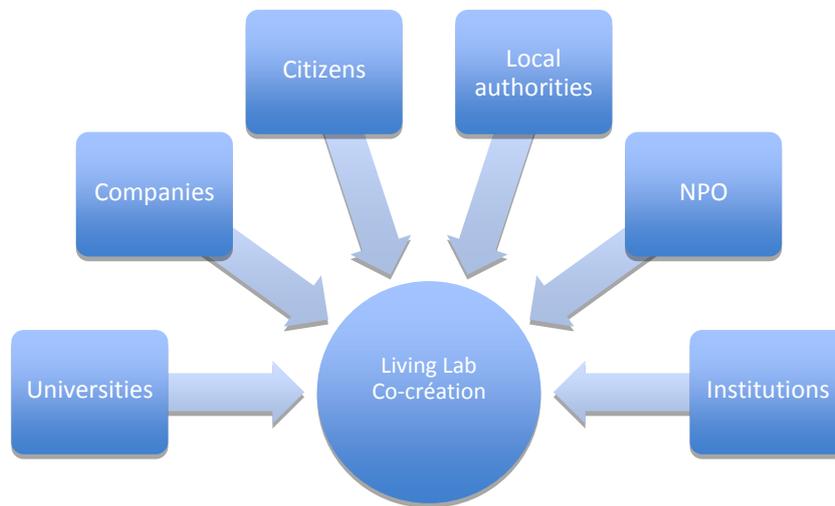
2.2. Living Labs (LL)

The example of European LL disrupts the traditional borders of the market, of the firm and also of the organizational hybrid forms. Their development in different sectors shows that the transaction costs are lower. Their expected benefits exceed the estimated costs. The co-creation overtakes the contractual relation with a collective form of trial and error and with back and forth between the different partners. The members of the LL co-construct a shared basis made of a set of rules and of defined property rights. A specific system of property rights is stabilizing itself in the LL.

The LL allows reconciling the local and the global. Indeed, the local level is set with the territorial integration of the LL while the global dimension embeds the LL in a European and even global network. The economic actors: researchers, manufacturers, local authorities and especially users... meet up to share ideas in fields as varied as the last features of a high-tech product or on the new urban fabric and

frame of a city. The social, public, private, university and research partners are grouped and together co-create and try out new ideas, new uses in a reasoning of “open-innovation”.

Figure 1 - LL actors



From the 1990s, the work of William Mitchell shows the features of a LL (Corbineau, 2008):

- Being an ecosystem of open innovation, that is to say of exploration, testing and assessment of new ideas and processes. Their common point is to mobilize the communities of users through scenarios of different products.
- Centered on the user that is to say by co-creating the research and the process of innovation,
- We thus have to add to PPP a fourth “P” for People.

The LL is difficult to define, but we can identify different dimensions (Fasshauer, Zadra-Veil, 2017). LL appeared in Europe in the early 2000s, in relation with the development of “digital cities”. It became clear that they had different specificities than the original concept developed by Mitchell. Instead of recreating a “lab” in its traditional meaning, users were to be studied in their everyday context.

Fasshauer and Zadra-Veil (2017) distinguish generic dimensions and new dimensions with the case study of a rural LL. There is a multiplicity of stakeholders. The user is at the heart of the device, but the LL also includes public or private companies, associations, public authorities... A LL is an open organization. It is easy to enter and exit. The free access and the possibility to leave the LL is a condition to respect the democratic principles of the LL. Actors may participate only to one project, while ignoring the other activities of the organization. There are no boundaries and the work within the LL is interacting with the environment. But the finality is the co-creation of the innovation with all stakeholders. It is a process of collective contribution where the different actors (public, private, citizens...) can contribute to

the process of innovation. LL actors can be described as providers, enablers, utilizers and users (Leminen, 2011). The process is complex and a lot of different LL with different objects and stakeholders in different sectors can be observed. The property rights are not specified, like in commons (Ostrom, 1990), and this is a guarantee against opportunistic behavior in this open relation and co-creation process of innovation. The existence of a real environment context where the innovation will be created and/or tested ensures the adequate response to expressed needs. LLs are open to multi-method approaches. One can add two dimensions to define the LL: the first is a long run relationship among the different members of the LL, and the second is a democratic co-construction.

These five dimensions impact the value creation and the value appropriation, which is shared among the stakeholders, or become commons. The issue of sharing the value created is embedded in the LL governance.

3. A new form of governance of the commons: self-governance

The LLs developed and represent today in Europe over 300 effective members, with a network structuring the relations (ENoLL: European Network of LL). This network is supported by the European Commission through the Horizon 2020 Program, and thus allows to go 'from local to global' when the LLs put in place do not have the means to do it.

This new form of governance of the LL puts the user at the heart of the process, which implies participative and adaptive governance. The analysis of Elinor Ostrom puts back the collective dimension at the center of the process, which allows a better solution, and the most adapted to the common good. Overcoming the tragedy of the commons means avoiding that the known and individual interest of each and everyone takes precedence over the general interest. The general interest of the concerned community is to keep the common resources, which implies a new form of governing. The governance would be decentralized and collaborative with a strong territorial integration.

The common can be a knowledge common derived from information. A knowledge must be defined as "all types of understanding gained through experience or study, whether indigenous, scientific, scholarly, or otherwise nonacademic." (Ostrom, Hess, 2007, 8). They are defined as "human artefacts which can be at the same time tangible and intangible, while being generally non-rival, non-exclusion and renewable goods." (Hess, 2015, 260). The last three characteristics present a major difference with pool commons that are rival and non-renewable. The knowledge commons were really developed only recently in the field of the research, during these last 15 years.

Claude Ménard examines the impact of this approach implementing and following up these alternative and collective forms (Ménard, 2011). The assessment and monitoring are carried out collectively by all stakeholders. The presence of a third party, in this case the citizen, allows to reduce the risk of opportunistic behavior of all actors. This citizen (or third party) fits in a game of actors where the State is both referee and participant.

Therefore, the governance cannot be hierarchical, even in the case of an increased specificity of assets. According to the transaction costs theory, governance is, in principle, hybrid. The contractualization process is low or even non materialized, which raises the question of a new form of governance: neither market nor hierarchical or hybrid, but participative and cooperative.

It is based on trust with a low asymmetry of information or a total transparency. The transaction is not at the heart of the exchange anymore just like for the transaction costs theory, but co-creation becomes the object.

This is also a new form of public crowdsourcing where the created value added is not shared among all participants (Fasshauer, Zadra-Veil, 2017). Public organizations, tenderers, consulting agencies and sourcing agencies working on specific fields set up networks and relationships with all the project shareholders, even when they are not laureates, in order to catch the new changes and trends. In these new forms, the contract is not formally defined.

The purpose is the co-creation of an innovation with all stakeholders, so overtaking the “tragedy of commons” (Hardin, 1968). In this case, the opportunistic behavior is evicted by the implementation of common and shared rules. The actors of LL can have divergent interests but they have to create consensus in the process of co-creation. In the relation, a kind of agreement or contract between the various participants is created. These rules and norms define the relations of the individuals and the rights and obligations of these members. The creation of common is based on the construction of an institutional system and a governance system (Orsi, 2015).

This process may be more developed, since the governance structure is based on the relationships between the different economic actors. Different types of institutional arrangements can be noted:

“An institutional arrangement is an arrangement between economic units that govern the ways in which these units can cooperate and/or compete. The institutional arrangement is probably the closest counterpart of the most popular use of the term “institution”. The arrangement may be either a formal or informal one, and it may be temporary or long-lived. It must however be designed to accomplish at least one of the following goals: to provide a structure within which its members can cooperate to obtain some added income that is not available outside that structure...” (Davis & North, 1971, 7).

Claude Ménard’s definition of hybrid forms is: “Organizational arrangements leading to a meaningful coordination between units and keeping distinct property rights (Ménard, 2003, 4).” In the case of the LL the property rights are specific to each LL. Elinor Ostrom developed the idea that during the construction of a common, sets of rules are created. They delimit the distinct rights through operational rules, rules of collective choices as well as constitutional rules. Each LL creates its own rules and institutional arrangements. Property rights are even shared because here we go beyond the collective dimension, as we get in the dimension of a co-created common good.

Besides, Claude Ménard notices six forms of institutional arrangements: the subcontracting networks, the networks of companies, franchisees, collective brands, partnerships and alliances. They have 3 common dimensions: pooling of resources, contractualization and competition.

Yet, in the case of the LL, the contractualization does not exist or remains limited, neither does competition. The properties of the different governance structures, of the transaction costs theory can be summarized in Table 1 taken from a book written by Stéphane Saussier and Anne Yvrande-Billon (2007, 35) and also a table taken from Oliver Williamson (1991, 281), to which we will add a new structure of governance: Cooperative/Citizens/Trust.

Table 1 - The properties of different governance structures

<i>Governance Structure</i>				
<i>Attributes</i>	<i>Market</i>	<i>Hybrid</i>	<i>Hierarchy</i>	<i>Cooperative/ Citizens/Trust</i>
<i>Capacity of autonomous adaptation</i>	++	+	0	++
<i>Capacity of coordinated response</i>	0	+	++	++
<i>Incentive intensity</i>	++	+	0	++
<i>Degree of administrative control</i>	0	+	++	++
<i>Respective contract type</i>	Classical	Neo-classical	Subordinate	Participative

Source: Saussier S., Yvrande-Billon, page 35 for the first 4 columns, while the fifth is an addition by the authors.

Summarizing, the hybrid mode is characterized by semi-strong incentives, an intermediate degree of administrative apparatus, displays semi-strong adaptations of both kinds, and works out of a semi-legalistic contract law regime. The cooperative mode is more open and has a high capacity of adaptation since the players are free, and have a common way to respond but without administrative process. The transactions costs are low. The cooperative governance is characterized by a high capacity of the LL to adapt its co-product to the needs.

If we use the analysis of Elinor Ostrom, the self-governance of the common resources that she studied and which lasted, must go hand in hand with the surveillance and the regulations of the actors' action in order to avoid any 'free-rider' behavior (Ostrom, 1990). The supervision cannot be taken on by the State, according to Elinor Ostrom, but by the actors themselves. The definition of the property rights resources becomes therefore minor (Ostrom, 1990).

The implication of the actors is the reason for the success of the collective management based on trust and the wish to co-build together a new solution, which exceeds all the individual attempts and scale. Institutions can allow to regulate and to avoid the "free rider behavior". The institutions enable to regulate and avoid the dilemma of the commons. "Institutions are rarely either private or public – "the market" or "the State". Many successful CPR (common pool resources) institutions are rich mixtures of "private-like" and "public-like" institutions defying classification in a sterile dichotomy." (Ostrom, 2010, 28).

Conclusion

The context is more favorable to the SSE since the Hamon's Act. The SSE allows social, territorial and economical cohesion in France as in Europe thanks to regional policies. French public authorities also support the development of hybrid forms of SSE including the SCIC. Normally, it is a guarantee to preserve the general interest. The SCIC is the expression of a new governance model where the public, private actors or citizens respect the cooperative's goals. In this case, the property rights are specified. In the decision-making, the process may be long and the divergent goals of the actors can disturb the economic stability. As we have seen above, this combined economic model does feature obstacles linked to governance, but also to financing through the possession of a social capital without the possibility for the investor to have a decisive influence in the strategy and operation choices of the structure.

The financing cuts regarding services of general interest allowed developing new forms of financing: the SIB. In this case, the governance is not shared nor collaborative. The investors require certain guarantees and profitability from their investments. Besides, the ability of the SIB through the assessing process gives inherent limits and partially or totally questions the aims of the SSE and its action.

The concept of the commons is introduced for cases when governance must be democratic with actors who have divergent targets (time-wise and assessment-wise), the co-creation produces value that actors cannot appropriate. The co-creation and the construction of the common object, in the LL for example, allow going beyond the tragedy of the commons (Ostrom, 1990). The individual interest hands over to common value. At the same time, any relation to the capital is removed and appears an open model answering the social, economical, territorial expectations... The emerging governance model is the one of the cooperative and of citizen governance, allowing to go beyond all those limits.

The citizens' involvement is therefore the basis for success and protection of the commons.

A new type of arrangements is proposed in line with the transaction cost theory, which completes the hybrid arrangements typology of Oliver Williamson. A new form of governance of the Commons is the self-governance with the central involvement of citizens. The LL is a space for new interactions allowing the formation of new proximities, and new relationships with public actors. Including more citizens in a collective action to produce together innovation constitutes a best practice of the participative democracy.

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