



Social innovation in the new co-operative model

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1. Social Innovation: Definition and Dimensions



- **Social innovations** can be defined as: “innovative *activities and services* that are motivated by the *goal of meeting a social need* and that are *predominantly developed and diffused through organizations whose primary purposes are social.*” (Mulgan [2006])
- **Traditional (technical) innovation** (Schumpeter [1934])
 - Innovation as ‘newness’ (discontinuity): new (quality of) products, new markets, new raw materials, and new ways of organizing the production process; and risk involving
 - A model heavily based on manufacturing and a narrow view of economic agents: emphasis on manufactured goods; pecuniary incentives and profit-maximizing behavior; innovations often unintended by-products, not necessarily doing good

Innovation in the 'Knowledge Economy'



- **Structural change:**
 - from industrialization to post-industrialization; from manufacturing to 'services,'
 - Less dependence on physical capital and economies of scale than *human and social capital* and externality (based on 'complementarity' and 'coordination')
 - The characteristics of services: *intangibility; inseparability; perishability; and co-production*
- **Innovations shaped as a *complex process*:**
 - A *collective* process in which people and organizations have to cooperate (from the 'lonely genius' to social capital-based)
 - Importance of institutional context and the role of public policy

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Features of social innovation



- **Social aims and deliberate efforts** to address a 'performance gap'
 - Economic crisis, and resulting unemployment, poverty and inequality issues at local, regional, and global level
 - Social exclusion and marginalization
 - Sustainable development (triple bottom line of economic, environmental, and social)
- Involving capacity, capability and competence to demonstrate different kinds of 'newness': ***social entrepreneurship***
 - new ways of combining and organizing resources (labor, human and social capital, finance) including non-commercial resources in the process of service delivery/new ways of coping risks

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2. The new co-operative model and social innovation



- **The new co-operative model** : cooperatives (*functional* but not necessarily *legal*) newly created or re-defined themselves in the 1990s and characterized by new social entrepreneurship
 - **Collective identity** (definitions, values, and principles) in accordance with the new ICA Co-operative Identity (1995);
 - **Strong social orientation** towards sustainable development and services of general interest (not only the interest of members)
 - Evolving **multi-stakeholder structure and network**: co-production; 'bonding' and 'bridging' social capital
 - Developing and diffusing innovative activities/services in the production (delivery) process in a more *sustainable* manner
 - Examples: work and social integration co-operatives, regional development co-operatives, renewable energy co-operatives

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3. REScoops in Europe an example



- **REScoops**: co-operatives as co-investors (→ consumers-producers, distributors) of renewable energy sources (RES); (also as providers of services to new initiatives)
 - **Objective**: To facilitate a shift from fossil/nuclear to renewable energy and energy saving through citizen initiatives
 - Born in the 1990s, developed in the favorable political and institutional environment
 - **Representative co-operatives**: Ecopower (Belgium), Middelgrunden (Denmark), Energy4All (UK), EWS (Germany), Enercorps (France & Spain)
 - **REScoop.eu** (European Federation of Groups and Cooperatives of Citizens for Renewable Energy): an initiative created at the EU level in March 2011
 - Existing studies on REScoops: Huybrechts and Mertens (2011); Mendonc, Lacey and Hvelplund (2009); and Warren and McFadyen (2010)

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Social innovation and RES



Recognizing the nature of renewable energy:

- Environmentally beneficial technology to cope with climate change
- More than 'hard' technology:
 - Intrinsically decentralized, small and medium scale, and democratic, resilient to disasters
 - Economies of scale less important in production and perhaps also in local (lower voltage) distribution
 - Suited to rural and remote areas and for decentralized production: contribution to rural development; crucial to human development (energy security) in low-income countries
 - Local public goods: should be owned by the community, and the benefits accrue to the community (Dirk Vansintjan, Ecopower, Belgium)

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Social innovation in REScoops:



- Advantage of the cooperative model (over the NPO model): collective ownership and democratic principle (e.g., Spear [2000])
- Originated from social movements/addressing sustainable energy as an **explicit social goal** and preserving '**associative factors**'
- Different legal forms (historical context/financial consideration) but **collective identity** as cooperatives (e.g., Bylaws of Middlegrunden)
- **Innovative democracy**: beyond 'one person one vote' → a bottom-up process with *direct* member participation (local farmers/landowners/community groups) from the very beginning (during the pre-planning stage)
- **Good returns with limited distribution** to members
 - Low minimum shares owned to many members (in non-legal co-ops)
- **High economic and social performance**
 - Lower-cost energy supply; local production demanding less transmission lines and minimize grid loss; promoting local acceptance of RES; fixed electricity charges (to encourage **energy saving** rather than more profits)

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Social innovation in REScoops:



- **Evolving organizational structure and network**
 - Board members from a variety of organizations (earlier developed co-ops, NGOs, etc.)
 - External collaboration (e.g. Energy4All) : grouping of co-ops; setting up NGOs, working with local development agencies
 - Expanding the member base by involving non-producer consumers, members outside the locality (e.g. Ecopower, Middelgrunden, Energy4All)
 - Alternative ownership models : 100% and Shared Ownership Models; Royalty Instrument Model; Regional Co-operative Model; Loan Model (e.g. Energy4All, Middlegrunden)
- **Education and training:** for co-operants as well as for citizens
- **Institutional supports:** national and regional policy for renewable energy; de-regulation of electricity markets; policy schemes such as FIT; commitment of local authorities

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Challenges and prospects for diffusion



- **REScoops as a promising co-operative model**
 - The Co-op Identity; successful business with high social aims and motivation; associative factors; innovative democracy including evolving organizational structure and external network (bonding and bridging social capital) ; particularly suitable for local development
 - A variety of institutional context and environment: favoring an integrated approach and more 'open models' in legal forms (as suggested in OECD [2009]), while emphasizing the need for strong institutional support
- **Under recognition of the advantage** of the co-operative model (esp., lack of *cognitive legitimacy*) and the need for 'institutionalization strategies' (Huybrechts and Mertens [2011])
- **REScoop 20-20-20** (REScoop.eu with EU collaboration)
 - An initiative launched in April, 2012 ; 12 organizations and 7 countries;
 - To disseminate the experience and best practice of members
 - To promote REScoops and contribute to achieving the EU 20-20-20 strategy

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