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Abstract
This paper considers resource coordination in production systems featuring the presence of enterprises and organizations pursuing social, health-related, educational, cultural, and environmental aims, or social enterprises (SEs). The resource coordination problem is one of allocating and distributing resources towards these aims. By their very nature, these goals are very close to the Polanyian idea of the primacy of society over the self-regulating market. We ask what the specificities of organisations that pursue social aims are, and what coordination mechanisms underpin their production. The premise is that individuals are driven by plural motivations, including pro-social motivations besides self-interested ones, thus requiring a plurality of coordination mechanisms.

The paper suggests that SEs make principal use of cooperative pacts based on norms of reciprocity, but include also market and state-led coordination, both at organisational and systemic levels. We consider specific institutional solutions in support of cooperation and reciprocity. These are: combined rules on profit and asset distribution, surplus accumulation and redistribution, and multi-stakeholding.

Keywords:
Social enterprise; Polanyi; Resource coordination; Cooperation; Motivations; Multi-stakeholding; Deliberation; Public interest; Systemic governance

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1. Introduction

This paper considers resource coordination in production systems featuring the presence of enterprises pursuing social, health, educational, cultural and environmental aims, or social enterprises (SEs). In such systems, the resource coordination problem is one of allocating and distributing resources in order to further such aims. These aims are generally interpreted in terms of economic activities and organisational processes that can lead to improvements in the conditions of the weakest stakeholders (but not exclusively), including disadvantaged people, future generations, and of society overall (we will refer, from now on, to social aims to include also educational, cultural, health-related and environmental aims). The existence of SEs evidence that the aims of economic organisations cannot be uniquely defined by self-interested individual action and profit maximising aims. Rather, SEs encompass a plurality of individual motivations in support of their social objective. Specifically, pro-social motivations of intrinsic nature assume a relevant role (Ben-Ner, Ren and Paulson, 2011; Borzaga and Tortia, 2006).

By their very nature, social aims and multi-faceted motivations in these organisations are close to the Polanyian idea of the primacy of society over the self-regulating market (Polanyi, 1944). In this context, the self-regulating market does not offer the main principles for coordinating resources. This is because market coordination is functional to trade-for-gain, which is supported by a restricted set of motivations: i.e. self-interested, usually monetary motivations. Rather, if individuals are driven by a plurality of motivations (Sen, 1987), it follows that an analysis of SEs must explore solutions beyond classic market-centred coordination tools.

What are, then, the specificities of SEs and what resource coordination solutions underpin production? To answer this question, the paper builds on Polanyi’s conceptualisation of resource integration systems. In The Great Transformation (1944) and in The Livelihood of Man (1977), Polanyi associated economic activities in neo-liberal systems with exchange and material gain. Social activities, on the contrary, are normed by reciprocity. The thesis of the subjugation of society by the market states that when the idea of the self-regulating market became the dominant pattern of society, social relations started to be mediated by its corresponding principle, i.e., exchange for gain. The problem, for Polanyi, is that over time, exchange eroded reciprocal behaviours across society (Lacher, 1999b; Pais and Provasi, 2015; Hodgson, 2017).

This conclusion, however, is at odds with the SE sector. Far from giving rise to a stark division between social and economic spheres, SEs seem to embody “the irreducible social aspects of economic activity” (Hodgson, 2017: 1). In production systems with a strong presence of SEs, resource coordination mechanisms are both social and economic. The specificity of the SE, as scholars have remarked, is that coordination goes beyond the use of material resources and the production of monetary outcomes. It involves also the use of pro-social and non-monetary motivations of intrinsic nature (Ben-Ner and Putterman, 1998; Borzaga and Depedri 2005; Ben-Ner, Ren and Paulson, 2011;
Degli Antoni and Sabatini, 2013), cooperative pacts based on fair procedures and trust (as in Moular and Nussbaumer, 2005; Borzaga and Tortia, 2017) and values of inter-generational solidarity—guaranteed by the non-profit distribution constraint—and respect for the environment (as in Coraggio et al., 2015).

The SE typically operates to provide to their users—members and non-members—social, health-related, educational, cultural, environmental, and work integration services. Some of the services currently provided by SEs were traditionally offered using market-centred and state-led solutions. In the first case, resources are coordinated by self-interested actors by means of exchange, in the second by means of welfare provision, with the state undertaking a redistributive function to the public. Though SEs sell their services, resource coordination cannot be explained uniquely and primarily by market exchange mechanisms, which say nothing about how pro-social motives and aims work towards the allocation of resources in SEs.

Several experiences (Pestoff, 2012; 2014) indicate that the SE is one node, or part of a system populated by multiple actors who cooperate to integrate their resources and to reinvest the surplus for public interest purposes. Within SEs, actors are expected to cooperate mainly, and sometimes only, around norms of reciprocity. Yet, a large margin of interaction within the SE, but also between the SE and private for-profit businesses and public administrations exists and involves other resource integration tools (i.e. welfare redistribution and market exchange). In SEs and their systems, in fact, the coordination of economic and environmental resources, as well as people, their relations, opportunities, and multiple motivations, entails the cooperation of diverse groups of actors, public and private. When welfare services are provided, for example, diverse modes of delivery overlap and intersect: state-centred, market-centred, and reciprocity-based mechanisms at national, regional and local level. Interactions across these modalities can be institutionalised with formal agreements within and among organisations, for example private-public partnerships, or informally amongst communities of actors who associate on the basis of shared common values and complementary motivations (Sacchetti and Tortia, 2016).

The complexity of studying coordination in production systems with a consistent SE presence, therefore, derives from the plurality of solutions adopted, which supports the mix of motivations (monetary and non-monetary; self-interested and pro-social) and of corresponding social and economic activities undertaken in pursuit of social aims.

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1 Work integration services, in particular, can be provided by diversifying production activities in non-service sectors, such as manufacturing and agriculture, where SEs pursue social aims by employing disadvantaged groups of workers.

2 Political economists had for a long time argued that resource coordination oscillates between the use of markets and organised transactions, and that the latter can be arranged resorting to private for-profit solutions or public sector ownership. The work of Ostrom (1990) has placed these consolidated convictions under perspective, and advanced a new theory, by which under specific situational contexts or privatisation and use of markets, nor state ownership and use of authority represent the best solutions. Rather, a third way is possible whenever actors can cooperate to manage common resources. Her work on common pool resources suggests that there are societal and environmental challenges that are better served by cooperation, rather than for-profit organisations or the state.
Moreover, SEs operate within market systems, but because of their aims and economic features, they are not “subjugated” to the market mechanism as other forms of enterprises. Rather, it can be argued that SEs organise within markets but give primacy to the social or environmental element, thus using the market without overtaking society. At the same time, SEs operate complementary and sometimes in substitution to public welfare, and can become recipients of public transfers from central authorities, thus becoming part of the process of centralised re-distribution.

Given the specificities of SE systems, the objective of this paper is to discuss how SEs contribute to embed norms of reciprocity in economic production, and to point out the institutional solutions underpinning production systems centred on SEs. The paper proceeds as follows. Following this introduction, Section 2 presents Polanyi’s conceptualisation of resource integration movements and supporting structures. The section reconstructs the apparatus that Polanyi used to analyse the specificities of neo-liberal ideas, the remedies in defence of society put in place by states, and the incompatibility of this system with traditional forms of reciprocity. Section 3 identifies the basic features of SEs. We try to grasp the specificities of these organisations, and emphasise the primacy of the social over the market element. Section 4 discusses some institutional solutions that can be put in place by SE systems in support of cooperation and norms of reciprocity, focusing in particular on surplus accumulation and its reinvestment, multi-stakeholding forms of governance, deliberation, and their application at systemic level. Section 5 concludes by advancing possibilities for future research.

2. Structures and mechanisms of resource coordination in Polanyi

In The livelihood of man, Karl Polanyi (1977) presents redistribution, reciprocity, and exchange as the three forms of resource integration, which occur within a society. These are differently institutionalised movements of goods and people, which have the function of preserving human livelihood. They affect the localisation of resources, or the transactions resulting in changes in ownership.

Redistribution happens with two opposite movements: one towards the centre, where resources are accumulated, and a subsequent one towards the periphery, when resources are distributed back. On the other hand, Polanyi defined reciprocity as a movement of resources among the subgroups of a larger community, with whom they find themselves in analogous or symmetric positions. Finally, exchange is defined as a movement of resources between two random points placed anywhere in the system, based on some notion of equivalence.
Different institutional structures underpin each form of integration. Redistribution implies the presence of a consolidated centre, which is legitimised to exercise authority; reciprocity requires a symmetric structure that joins two or more actors; exchange may imply the existence of a market and the use of money\(^3\).

Over the second half of the 20th century, the most prominent institutionalised solutions in support of integration movements have been the use of the self-regulating market to support exchange and the use of a centralised redistributive system (the central state). For Polanyi, the idea of the self-regulating market is typical of the neo-liberal trends in society, politics, and science. They shaped the development of a market society. His analysis brings to light major failures of this system in ensuring the reproduction of society itself. For Polanyi, the so-called “self-regulating market” is a specific type of market, which has the power to disentangle itself from society and erode humanity and reciprocity in relations. State-centred policies of redistributive nature were introduced, through the public sector of the economy, to defend the social system from the damaging effects of this approach to the market. However, they were not effective in restoring the central role of society and, at the same time, stimulated detractors to identify in state intervention the cause of market failure and of inefficient economic outcomes (Lacher, 1999a). Polanyi’s analysis applies to many European countries, which have been characterized over the last decades by both deregulated markets and by a strong redistributive role of the state.

The combination of the praxes derived from the fictional existence of a self-regulating market, and from redistributive policies restoring the capacity of societies to prosper despite market failures, have enlarged the scope of market solutions on the one hand, and the size of welfare intervention on the other, building a development model restricted to two major players.

Yet, more recently, interactions based on reciprocity have re-acquired some weight in several countries, as signalled by a growing presence of SEs, even if neo-liberal institutions still support the market system, as well as its interaction with the redistributive system operated by the central authority. With the SE, multiple actors with an interest in a specific social or environmental activity become aware and recognise each other and agree to cooperate on the definition of aims and processes, abiding to norms of peer-to-peer reciprocity.

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\(^3\) Though this is not the only means, as illustrated by non-monetary forms of exchange such as barter and gift relationships aimed at reinforcing inter-personal bonds.
3. Features of the SE model and its coordination solutions

SEs are perfect endeavour to study the combination of coordination possibilities analysed by Polanyi, and to start exploring how economic organisation and exchange can serve societies rather than the other way around. This opportunity can be better understood by clarifying the nature of the sector. SEs are positioned within the broader social economy sector (Figure 1). The latter includes other forms of not-for-profit organisations, which—differently from SEs—lack either the business element (such as associations, foundations, mutual-help societies) or the broad social aim (such as most cooperative enterprises). Moreover, the social economy includes what has been called “solidarity economy”, which finds its roots in the Latin American tradition and forms of solidarity practiced by native populations (Sandbrook, 2011; Giovannini, 2014; Coraggio, 2015; Utting, van Dijk, and Matheï, 2014; Raffaelli, 2016). We do not focus here on all of the social economy, but only on SEs. Not because other forms of cooperation are not relevant for understanding reciprocity in general, but because we are interested here in those organisations that act as private business, not only in favour of owners or members, but joining also wider and explicit societal and community aims.

Figure 1 – The SE in the context and resource coordination possibilities

In sectors where both market and state failures are significant, SEs have represented a solution, which has been able to coordinate resources and direct them towards socially marginalised groups and, more generally, to produce merit goods (Salomon, Sokolowski and Anheier, 2000; Kerlin, 2006).

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4 This lead to the increasing use of a new concept: the Social and Solidarity Economy.
5 Differently from SEs, other social economy organisational forms may not have a social aim. For example, traditional cooperative form of business focussed on accruing members’ benefits only, foundations may promote aims that are not oriented towards increasing social or natural justice. Moreover, contrary to SEs, social economy organisations may not be required, in general, to apply the distribution constraint to the economic surplus produced.
Even if being commonly understood as alternative solutions, SEs are placed in situational contexts characterised by state-led and market-centred institutions and, by all means, they not only interact with those institutions, but base at least part of their activities on them (Figure 1). But how are different resource coordination solutions combined? And what is the specificity of coordination in systems with a strong SE presence? Institutional scholars suggest that the way in which redistribution, exchange and reciprocity are combined depends on the prevailing structure of society. And, SE models too: they tend to reflect the broad institutional context where they are established.

In Anglo-Saxon countries, the SE narrative emphasises the role of the entrepreneur, her drive to innovation and market success (Kerlin, 2006; Nicholls, 2010). These socio-economic systems have a long-standing tradition in neo-liberal market ideas, where social unbalances are compensated by benevolent activities of charitable organisations established by philanthropists and governed by trustees. Building on this tradition, SEs are usually not conceived as collective stakeholder-based organisations, but as the product of the “heroic” personality of the entrepreneur, or as the product of the corporate social responsibility of large business investors. Consistently, at a more formal institutional level, limitations to entrepreneurial action, like distribution constraints and asset lock, are minimal or not required, so to open SE finance to private investors. A number of US-based organisations started from the 1980s, such as Ashoka, Skoll Foundation, Schwab Foundation, and UnLtd, are dominant promoters of the entrepreneurial model, whilst the UK Government has been the main supporter of the dissemination of the social impact investment approach to SEs across the world (Yunus, Moinggeon and Lehmann-Ortega, 2010; Huybrechts and Nicholls, 2012).

Differently, in socio-economic systems with democratic welfare, regulatory, and corporative tradition, SEs tend to be embedded in communities of users. Innovation stems from a process of co-production between users and the public sector, as in Sweden (cf. Pestoff, 1994; Fennel, 2001), although a co-production approach to services is now present in most European countries. With the same logic, SEs may require that the public administration is present in the governing bodies of the enterprise (as in France). In addition, where institutions deep their roots in mutual aid organisations, solidarity and self-help groups, (which find a strong tradition in economic cooperation), SEs attach great importance to collective governance and may favour sharing strategic control with a plurality of stakeholders, including volunteers (as in France, Italy, Spain, Portugal; cf. Cafaggi and Iamiceli, 2009, Borzaga, Fazzi and Galera, 2016).

Last, in former communist countries where, in the past, state coordination has been all-embracing, SEs are seen as organisations that may fill the gap left by state authorities, rather than as socially embedded welfare innovators (Borzaga and Galera, 2012).

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6 Differently, and as observed by Chang (2003), in transaction cost theory, a zero transaction-cost market is the starting point of analysis. Markets are prior to any other form of production coordination. For instance, Williamson’s analysis starts by stating, “in the beginning there were markets…” (Williamson, 1975: 20).
Our analysis focuses on economic systems where the neo-liberal market approach has not been so prominent but where, at the same time, the idea of welfare provision is under large transformation. In our framework SEs address unresolved community needs by engaging communities with shared interests (with or without ownership rights) by means of cooperative pacts, whilst at the same time making use of exchanges and private market contracting consistently. At the same time SEs have absorbed the demand of part of the welfare services previously offered or never offered by the state. They also reinterpreted standardised public offers in terms of new and more personalised services. This movement has placed SEs inside a renewed welfare system, thus integrating these organisations with state-centred redistribution.

In these regards, the SE can be defined around four characterising features that go hand in hand with reinstating the primacy of society\(^7\). These four features are identified as (i) social aim; (ii) inclusive approach; (iv) surplus accumulation and reinvestment; (iv) non-monetary motivations, and they are recurrent in SEs that thrive in the above-mentioned socio-economic contexts.

The first feature is the social aim\(^8\), including environmental aims, which SE activities must transform into social impact. By means of organised activity, SEs aim at the provision of meritorious goods, such as social and environmental aims\(^9\). The social aim objective is mandatory for this type of enterprise, which signifies that there is a sectoral specificity determined by the type of activities that can be undertaken. The SE pursues these aims, in practice, by advancing the opportunities and the conditions of access to services and employment for the weakest categories, and sustainable use of natural resources (Laville and Nyssens, 2001; Spear and Bidet, 2005; Defourny and Nyssens, 2010)\(^10\).

The second feature is the inclusive and participatory approach, which embodies actors’ orientations towards shared decisions. Inclusivity rules also entail preferences towards diversity, positive freedom, mutual respect, tolerance, cooperation and peer-to-peer communication, making marginal use of hierarchy and command-and-control coordination (Grimalda and Sacconi, 2005; Sacchetti and Sugden, 2009; Ben-Ner and Ellman, 2012). Inclusion can be implemented at institutional level by giving control rights to a plurality of interested actors (Gandz and Bird, 1996). This can be done by assigning

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\(^7\) There are multiple definitions of SE. We refer here to the one that fits better with our research interest.

\(^8\) Sometimes SEs can have mutualistic aims. In this case, they focus on the production of benefits for the members of the organisation, such as users, workers, or producers. Differently, when abiding to broader social or environmental aims, activities benefit also non-members by means of fiduciary pacts between the members and other interested actors (Sacconi, 2012).

\(^9\) SEs are not, of course, the only organisations with social and environmental aims. Good examples of different forms of organising are mutual help groups and self-organized voluntary associations that, often, associate informally to address a shared need or concern (Katz, 1981; Rappaport, 1993; Salamon, 1994). Self-organised initiatives do not necessarily take the form of organisations, but may be aimed at ensuring the resilience of natural resource systems, by introducing environmentally sustainable solutions to community needs (Ostrom, 1990). What distinguishes these organisations from SEs is the entrepreneurial nature of the SE.

\(^10\) The social aim implies that SEs undertake specific activities to serve the poor and the marginalised in general. This is a distinct element, which differentiates SEs from other non-profit organisations such as charities, which can offer their services also to categories who are not at risk of marginalisation.
ownership, or by including communities of interest in strategic control in other substantive ways, for example through board membership, without ownership. At this level, inclusive governance structures can favour actors’ participation, since the institutionalisation of their presence in decision bodies is expected to stimulate awareness and responsibility (Ben-Ner and Jones, 1995). At a less formal level, participation can be implemented by providing platforms that improve communication and consultation practices, deliberation and accountability (Spear, 2004; Sacchetti and Sugden, 2009), by controlling opportunism, enhancing fairness and relational quality (Williamson, 1975; Ostrom, 1990).

The third feature of the SE is the accumulation and reinvestment of the surplus produced for shared social purposes (Defourny and Nyssens, 2010). Surplus reinvestment can be interpreted as the prevailing mechanism used to redistribute and ‘give back’ to the community. In practice, the economic, social, and environmental surplus produced using community resources is shared, thanks to the institution of surplus accumulation rules and in view of pursuing social aims. Accumulation and reinvestment have been shown to support and enable growth and expansion of activities, access to services, work opportunities, and social impacts.

The fourth feature refers to specific non-monetary individual needs and motivations that are satisfied as a result of the other three elements. In this perspective, financial and monetary elements become instrumental to the pursuit of “higher” level needs of individuals, which can be reached individually or collectively, and can take a social and relational dimension. Individuals can choose to work in SEs to fulfil non-monetary, alongside monetary needs, for example to satisfy intrinsic and relational needs (Ben-Ner, Ren, and Paulson, 2011; Ben-Ner and Ellman, 2013). SEs are (as a norm) able to satisfy these needs, by offering working conditions, on-the-job relations, and interactions with clients, users, and other stakeholders that privilege relational quality (Zamagni, 2005). Inter-personal relations hold a special role in SEs, because of their sectoral specificities. Relations are often a substantive component of the service produced. The production of relational goods, in particular, pertains to the process of service production, which generates direct benefits for users as well as workers and volunteers, and also reduces the costs of standardization coming from hierarchical control (Gui, 2000; Destefanis and Maietta, 2015). The ability to generate high quality relations and trust among participants has been envisaged as key explanatory element of the emergence of entrepreneurial non-profit organizations such as SEs (Hansmann 1988; 1996; Bacchiega and Borzaga, 2001; Borzaga and Depedri, 2005). Instances of non-monetary motivations, also include psychological needs attached to participation and inclusion, leading to the accomplishment of more creative activities, including non-profit organizations working in the performing arts sector (Rose-Ackermann, 1996). These considerations are supported by empirical studies, which have emphasised that specific sectors\textsuperscript{11} grew even in the presence of lower than average monetary remuneration, thanks to their ability to create

\textsuperscript{11} Specifically, studies refer to multi-stakeholder social cooperatives in Italy and in other countries operating in the social service sector (Borzaga and Galera, 2012).
good relational contexts within and outside the boundaries of the organization. This was helped by organizational fairness and coordination solutions based on inclusive and reciprocal interaction (Handy and Katz, 1998; Leete, 2000).

The plurality of actors that can contribute to SE activities, and the importance of non-monetary motivations, suggest that resource coordination solutions in SEs and their systems do not undermine the socially embedded nature of activities. The remaining of the paper addresses these solutions, and introduces the idea of cooperation in the conceptual apparatus that Polanyi developed to theorise resource movements in contemporary and in traditional societies.

3.1 Behavioural contributions: re-interpreting reciprocity as foundational element of cooperation

Cooperation takes place when actors who share the same problem agree to work together to solve it. Cooperators act voluntarily and establish a cooperative pact, which defines the contribution of each, based on the expectations of future benefits. Benefits, under cooperation, are not intended strictly for the individual, but for the collectivity of participants. Another peculiarity of cooperation is the degree of uncertainty around the realisation of benefits. Because benefits are uncertain in terms of their nature and timing, cooperators are motivated to build long-lasting relations based on norms that “work”, as if they played a repeated game (Axelrod, 1984). The basis for cooperation, under uncertainty, is different from market coordination, which assumes equivalence of values and perfect information on which self-interested actors build their decisions. Rather, cooperation requires positive reciprocity, which is not confined to the equivalence principle underpinning exchange and features higher uncertainty of outcomes. For this reason, interactions must contain a high level of trust, and be based on common tangible assets. Behavioural scholars, have argued that through repeated interaction, reciprocity can preserve and invigorate actors’ trust over time, thus mitigating risks of opportunism (Akerlof, 1982; Fehr and Gächter, 2000; Zamagni, 2005). Moreover, in order to sustain trust in the cooperative pact, both processes and outcomes need to be fair. Fairness becomes the main criteria that actors consider to evaluate the outcomes of their participation in the cooperative pact, both in terms of inclusion in strategic control, and equitable distribution of resources and outcomes (Guth, Schmittberger and Schwarze, 1982; Kahneman, Knetsch and Thaler, 1991; Tyler and Blader, 2000; Harrison, Bosse and Phillips, 2010).

These features of cooperation reinforce the ethical dimension of the SE, since this kind of enterprise cannot be operated exclusively on grounds of market exchange for gain, but requires socially relevant objectives and motives as driving forces of reciprocal interaction.

12 Axelrod refers to norms in evolutionary terms, meaning that “what works well for a player is more likely to be used again while what turns” (Axelrod, 1986: 1097).
Participants also utilise authority for resource coordination and for limiting the risk of opportunistic behaviours. The cooperative pact, in fact, also includes the use of multiple coordination tools, as long as such use is consistent with SEs aims. In this sense, the cooperative pact is broader than what norms of reciprocity entail, and also encompasses use of exchange and authority-based redistribution mechanisms. Moreover, the pact is broader than the social contract theorised in contractualist theory, since it strives at being inclusive of the actors affected by activities, and not only of few supposed impartial decision-makers. The cooperative pact requires symmetric decision-making structures, since actors can be considered as peers in strategic control and day-to-day operations. This solution allows multiple actors to be included in strategic control and to impact on social and natural aims by being involved in decisions regarding the distribution of resources ex-ante, rather than through traditional forms of state-led, ex-post redistribution. In terms of outcomes, abiding to a cooperative pact can reduce the costs that would arise in its absence, such as contractual costs, environmental degradation, inequality and high societal conflict (Borzaga and Sacchetti, 2015). Consistently, experimental and case studies have evidenced that cooperation actually matches common welfare expectations of participants, as it ensures the renewal and sustainable use of common resources.

Limits to cooperation come from the risk of opportunistic behaviour that, as transaction cost theory argues, can be especially difficulty to monitor. Cooperation can also be jeopardized by increasing numbers of participants, leading to the emergence of divergence of interests among actors and loss of trust.

In this inter-dependent context, weaknesses may come from difficulties to identify who has access to strategic control, with or without ownership. This issue is especially relevant for public, common, and merit goods, which are more exposed to the risk of users’ free-riding (Ostrom, 1990). Moreover, power asymmetries among actors may create barriers to inclusion, and to sharing of information and knowledge, ultimately reducing cooperation (Billis and Glennerster, 1998; Kendall and Knapp, 2000). Exclusion implies costs also for incumbent actors, such as costs for controlling the excluded and protection against their demands and actions. However, the main issue of exclusion from strategic control is the systematic production of external costs for excluded communities of actors (Borzaga and Sacchetti, 2015), including economic (e.g., under or over production; cf. Hansmann, 1996), social (e.g. erosion of trust; cf. Harrison, Bosse and Phillips, 2010) and psychological costs (e.g. feeling of not counting; Maslow 1943; 1998).

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13 This view is consistent with Dewey’s analysis of publics (1927), and with critiques to contractual theory raised by Gauthier (1977).
14 For instance, analysing communities of common pool resource users, Ostrom (1990) and other scholars have repeatedly shown that cooperation, under specific conditions, can lead to better outcomes with respect to solutions based on market transactions or state coordination. The benefits of cooperation have been addressed also with respect to associative and communitarian forms of coordination, as well as with respect to social responsibility of firms and cooperative firms (Valentinov, 2007; Sacconi, 2015).
Monitoring and sanctioning rules address only some of these limitations, as they strive to protect cooperators from free riders who may dissipulate cooperative attitudes to exploit the cooperative pact. The full implementation of rules of reciprocity would, therefore, imply some use of delegated authority, even when resource coordination is supported by symmetric structures.

More generally, the cooperative pact can be hampered by the reproduction and strategic use of power asymmetries, which occur when incumbent actors fail to value inclusion and the application of norms of reciprocity in order to maximise their own short-term interest. Because monitoring and sanctioning are not sufficient to prevent this form of exploitation, further reflections on how to reinforce cooperative coordination are required. Overall, several critical remarks against cooperation stressed these and other difficulties\textsuperscript{15}, without taking into account its benefits. Overtimes, they led to the dominant conviction that organizations founded on the cooperative pact are not sustainable. We strive to remark, instead, the several ways in which the cooperative pact can be supported and deliver its benefits.

4. The institutions of livelihood in production systems based on the social enterprise

In this section we analyse in further details the specific institutional arrangements that can favour and support cooperation and contribute to create symmetric communities of interest which base coordination mainly on reciprocity, albeit not exclusively. We discuss, in particular, surplus accumulation and reinvestment, multi-stakeholding, deliberation, and systemic governance. None of these elements suffices by itself, but together they all contribute to qualify the cooperative pact.

Figure 2 below summarises the cooperative pact and its underpinning institutions.

\textsuperscript{15}Further obstacles may come from difficulties in scaling up production, when this is required by technology and production efficiency, without compromising the cooperative pact.
Figure 2 – The cooperative pact and its underpinning institutions

**Cooperative pact**
Actors are driven by a plurality of motivations, including both self-interested and pro-social motivations. Benefits are intended for the single participant and for the collectivity of participants. Benefits are obtained over time, through repeated interactions based on norms of reciprocity among peers.

Some degree of internal authority is used to monitor and resolve opportunistic behaviours.

Marginal use of market exchange and central state redistribution, consistent with SE features.

**Institutional solutions supporting cooperative pacts in SEs and at system level**
- a) Non-distribution constrain and surplus reinvestment
- b) Multi-stakeholding
- c) Deliberative nexus
- d) Systemic governance

Source: authors’ elaboration.

4.1 Surplus accumulation and reinvestment

The socialization of assets is one of the main institutional solutions that emerged historically in different countries to allow the overcoming of profit maximization as the dominant objective of the organization, and to favour intergenerational solidarity and financial independence of socially oriented organizations. In purely economic terms, asset socialisation was meant to favour the utilization of owned (self-financed) capital resources to strengthen patrimonial stability and to finance investments in the activity of the enterprise, rather than private appropriation (Hansmann, 1996; Birchall, 2013).

SEs show indeed forms of socialization of assets. Three main models can be singled out:

i. Complete socialization. In this model, all residual resources are mandatorily reinvested to pursue organizational objectives. The main example is represented by the voluntary application or the imposition by law of a non-profit distribution constraint, which requires that all residual earnings cannot be distributed among members who have decision-making power and control the organization. It must be used, instead, to pursue social and public benefit aims;

ii. Partial socialisation. This model is intended to protect only the core assets and the patrimony of the organization. It is not meant to completely halt surplus distribution and its private appropriation. Examples include different models of
cooperative enterprises, especially in western continental Europe, and social enterprises (Young, 2007). When social enterprises are membership based (e.g. cooperatives), limited forms of distribution are usually allowed (for example membership patronage refunds). The instance of partial non-distribution constraint (NDC) can be further sorted into two sub-categories:

a. The NDC is coupled by complete non-appropriability of reinvested self-financed funds (asset lock), not even in the case of firm dissolution or sale (this category includes Italian and Finnish cooperatives);

b. The NDC does not correspond to non-saleability of the firm assets, which can be liquidated either during or at the end of the life of the firm. In this case, the NDC can loose its original meaning when incentives for incumbent members to sell or liquidate the organization to cash in its residual value are not properly controlled for.

iii. Use of trust funds. The assets or part of them are separated from the direct disposition of the members and management of the firm and kept in trust funds, which are managed by trustees in the best interest of the organization aims in statutory bylaws. Employee-owned companies, for example in the UK, often choose this kind of instrument to protect their patrimony against misuse and fraud.

The role of the NDC and the asset lock in the SE can be seen in light of the necessity to protect the cooperative pact (except for cases at point ii-b). In the first place, it suits social aims, since it allows to accumulate dedicated resources, which are directed to pursue mutual benefit or social objectives in the presence of limited access to external finance and to financial markets in general. Secondly, it places a protective roof on the SE patrimony, against risks of misbehaviour from actors controlling the organisation. Misbehaviour incorporates several instances: actors holding strategic control can be induced to increase distribution of dividends and private appropriation of assets in a way that is incompatible with the pursuit of the social objectives and with the sustainability of the organization; or they can be induced to sell the organization or liquidate the firm assets when their market value increases. The elimination of potential gains halts incentives to sell the organization and can strongly increase its expected life. Third, the asset lock supports inter-generational justice by introducing intertemporal consistency, since efforts made by the organization to accumulate funds and assets in the past, which often goes back several decades, are protected from possible misbehaviour by incumbent members and/or stakeholders.

In countries that have adopted such solutions, the combination of the NDC and the asset lock has made SE organizations remarkably stable over time, and resilient to negative economic conditions. Furthermore, as main consequence, the risk of demutualization of cooperative enterprises in countries adopting such solutions has virtually disappeared16.

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16 Several studies compared SEs behaviour with commercial enterprises in the 2008-2015 crisis period (Roelants et al., 2012; Birchall, 2013; Roelants et al., 2014).
4.2 Multi-stakeholding

The constraint that limits profit distribution is a “crude” protection device against the risk of failure to produce public value (Hansmann, 1996: 235). Albeit such device is considered somehow effective in reducing the incentive to provide a poor service (due to information asymmetries), it is possible to elaborate on a wider set of institutional solutions that can favour higher service quality and social outcomes. In this light, the pursuit of social aims can be more broadly defined as a function of inclusive governance structures, which reinforce non-distribution tools with the monitoring of organisational choices. More innovatively, however, inclusion allows actors to use their experience, creative intelligence and imagination when addressing multiple and interacting needs (Dewey, 1927; Sacchetti and Sugden, 2009; Sacchetti, 2015). Including multiple actors is a way to acknowledge their interdependence. Whether interdependence is acknowledged or instead set aside by the structure and coordination tools underpinning decisions is an empirical question, which needs to take into account several elements:

a. The discovery and acknowledgment of marginalised actors. The condition to discover new challenges and the actors affected by them is the creation of public spaces for critical action and debate, where choices are assessed on the ground of their effects on specific publics and on society more widely.

b. Discovery and utilization of unused, or underutilized local resources, which can be included in the production process in varied ways, with positive net effects on the production of social value. For example, volunteer work, co-production of services by their users, utilization of unused local facilities and buildings, and other assets in the disposition of public authorities.

c. Inclusion. This condition is met when communities of interested actors can access and undertake meaningful action and debate. Action can occur on different bases, and can generate various degrees in the capability of actors to contribute and influence debate and decisions on strategic matters and day-to-day practices.

d. Instituting a cooperative pact, aimed at resolving shared issues and conflicting interests. Cooperation persists when it allows norms of reciprocity to prevail over time. This implies that actors acknowledge that the cooperative pact leads to fair outcomes, and that exclusion aimed at preserving unjustified power asymmetries and opportunism is not valued, but prevented and sanctioned.

These conditions provide broad principles for the generation of economic solutions in the interest of communities formed by multiple actors, and of society more broadly.

Non-discrimination and inclusion are evidenced by SEs that take the form of cooperative firms which, despite the diffused prevalence of one type of controlling actor (the workers or the users, for example), have not eliminated the possibility to integrate multiple interests. Though the so-called single-stakeholder model is largely present, the social objective has justified solutions for the inclusion and empowerment of multiple actors with diverse interests, as in dual-stakeholdership, in SEs that include both workers and users or workers and donors, or workers-users and volunteers.
The case of Italian social cooperatives, in particular, is illustrative of how reciprocity operates when multiple actors participate in a cooperative venture with different membership rights. Social cooperatives, in fact, have an explicit focus on users’ welfare, but favour the presence of more than one controlling actor in governance bodies, albeit workers normally hold the dominant share of membership positions. Yet, this does not make reciprocity disappear. Rather, it indicates that reciprocity occurs also in the absence of shared ownership and mutuality (i.e. between workers who hold membership rights and users who may not have membership but are the main beneficiaries of the venture).

The actor who receives resources does not necessarily reciprocate the actor who has contributed the resource in the first place. For example, the donor’s gift is reciprocated by reinvesting the gift to the benefit of users rather than by returning a profit share to the donor. Moreover, reciprocal transactions do not entail exchange of equivalent entities. Social workers’ contribution to make service more accessible and higher quality may imply lower service prices or reinvestment of net surpluses in service innovation, rather than to increased profits or salaries. This ‘sacrifice’ is eventually reciprocated because more and diverse users can access the service, thus providing new challenges, problem solving opportunities, and a push to service innovation, possibly leading to greater competitiveness, economic sustainability and job security also for the workers.

The limitation of stakeholder inclusion is that, although all the relevant actors have an incentive to engage cooperatively, they may fail to do so. As noticed in the previous section, there exists a number of divergent forces, such as selfish behaviours, power asymmetries and conflicting interests. In the presence of an articulated division of competences and decision-making power, one of the concurrent determinants to the impossibility to identify diverse needs and adopt a cooperative solution is the persistent lack of communication.

4.3 The deliberative nexus

Lack of communication is problematic, since it is a precondition of cooperative solutions (Ostrom, 1990; Grimalda and Sacconi, 2005). Communication can occur in different ways. Here we focus on institutional solutions that support inquiry-based, open and non-opportunistic communication among actors (Sacchetti and Sugden, 2009). This form of communication has been discussed as deliberation, especially in the context of democratic and participatory institutions (cf. Dewey, 1927; Habermas, 1996; Young 2000; Lewanski, 2017).

The deliberative element becomes an important component for coordinating resources cooperatively, especially because diversity and conflict are not ruled out of the analysis. If we re-interpret Polanyi’s symmetric model with an emphasis on cooperation and on the communicative element, we can define the deliberative nexus as a space populated by one or more diverse actors occupying equal positions, where each actor’s interests and motivations become explicit by means of deliberation. This requires a dialogic approach to the coordination problem, by which communities of interest sharing common values and aims can emerge (within or across classic stakeholder groups).
For example, by means of deliberation, families using social services for their relatives, can build a transversal community of interest together with social workers, since they both pursue the welfare of disadvantaged users and, in this process, create a new service or institution.

The idea of the nexus sheds light on the inter-subjective nature of participants’ interests (as in Dewey, 1927) and on the relational nature of resource coordination solutions (as in Granovetter, 1991; Yeung, 2005). Actors cooperate by sharing and committing to social aims and reciprocity rules, and at the same time, they interact using practices of deliberation (Allen, 1997; Bridge, 1997; Sacchetti and Sugden, 2009).

Being a practice, the deliberative nexus can pre-exist formal institutions, and it could—at least initially—develop without being institutionalised in some organisational form. A good example is provided by Casari (2007), who illustrates the evolution of communitarian forms of governance in the Italian Alps. The author tells us that, for a long time, villagers organised common pastures and forests by interacting informally. However, as the complexity of the resource system grew, ‘charters’ (or formal agreements) had to be instituted in order for cooperation to continue. Likewise, when the SE faces complex societal challenges that require articulated production processes and specific investments (that favour opportunistic behaviour), we can expect resource coordination to be supported by formal binding agreements.

Moreover, since the deliberative nexus operates among peers, we expect it to work as a form of substantive involvement, which goes beyond the formal engagement entailed in the contractual obligation to deliver a service, to respect some rules (as in commons), or in the right to vote in organisational assemblies. For example, substantive involvement can be observed when organisations with different structures come to establish linkages and patterns of interaction beyond their legal boundaries, forming networked structures for shared socio-economic actions, such as when public administrations and social economy organisations cooperate for the production of social services (Pestoff, 2012; Ostrom, 1996).

4.4 Systemic governance

Drawing from the above example, we now turn to consider cooperation at systemic level. A systemic perspective on complex resource coordination problems considers many formally independent decision-making centres, which constitute, to different extents, an interdependent system of relations. Decision-making centres recognise reciprocal interdependencies and enter in various formal and informal cooperative undertakings (Ostrom, 2010; Ahrne and Brunsson, 2011). In SE systems of production, such relations build on key values (such as inclusion, reciprocity, and deliberation) and aims (social, economic and environmental) (Sacchetti and Sugden, 2009).
Nested networks of decision-making centres shape what can be called systemic governance. Examples are cooperative networks underpinning the co-production of community services, involving families and other community constituencies, public administrations, financial institutions, private SE organisations and their federations.

Another example are consortia, where cooperation amongst member organisations is structured around bureaucratic elements (the consortium). Within consortia, member organisations keep their legal independence, whilst interdependence is recognised and managed through adherence to a collective organisation for the pursuit of the members’ interests (Fairbairn, Fulton and Pohler, 2015; Sacchetti and Tortia, 2016). By institutionalising cooperation even across organisational borders, members undertake a cooperative pact. Systemic cooperative pacts in the form of network and consortia may even decide to accumulate common capital resources to support cooperation for mutual advantage (Sacchetti and Tortia, 2016). The accumulation of common financial resources represents a movement of resources from member organisations towards the centre of the network or consortium. This allows for a process of redistribution to members who are in need of resources, knowing that redistribution can benefit different enterprises and publics over time (reciprocity). In this case, the reciprocity and redistributive elements are normally grounded in the cooperative and symmetric nature of the consortium, where consortiated members occupy equal positions. The consortium bureaucratic architecture is instead functional to ensure that rules are respected.

In other less structured cases, systemic governance can develop as a form of self-regulation. For instance, SE thematic and temporary networks, as well as regional networks (e.g. on health, education, environmental or cultural services) may emerge without formal organisational structures. The Scottish experience, for example, indicates that network initiatives can build on local social capital. This is used to initiate deliberative processes, leading to the identification of affected actors, shared values and aims within a sector or a region (Campbell and Sacchetti, 2014). Systemic interdependencies of this kind can contribute to innovate on sector rules across institutional levels, for example by defining stringent criteria on who can claim to be part of the system. In addition, networks of peers who operate for the public good can contribute to align actors towards cooperative action also where there are no joint property rights defined (Heath, 2006).

In general, the application of shared values at system level also provides a solution to the problem of asset specificity, because it increases coordination along the value chain of service provision by supporting long-term investments and planning. At system level, the cooperative pact defines how actors link and work together to coordinate production.

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17 To avoid a “silos” approach to problems that require complex resource coordination solutions, public administration scholars have developed holistic approaches to governance. Typically, these have been applied to the study of metropolitan areas services such as policing (Ostrom, 2010), to the management of commons, such as water resources (Ostrom, 1990; Wallis, 2015), or to the study of public services such as higher education (Capano, 2011).

18 A third example of formalized systemic governance is represented by groups of enterprises, for example joint cooperative groups, in Spain and Italy. However, given the presence of a dominant actor (one or several member cooperatives), individual organizations may lose their operational and legal independence. In these cases, groups can be understood as unitary firms (Travaglia 2004).
Actors would abide to the pact without the constraints imposed by profit maximisation and self-seeking behaviours, but with the aim of accruing both individual and collectively beneficial outcomes.

5. Conclusions

The difficulty to explain resource coordination in organizations pursuing social and general interest aims, such as SEs, comes from the fact that their prevalent mechanism, reciprocity, was observed by anthropologists in primitive and traditional societies and it is of difficult interpretation within multi-faceted systems. This work has introduced the broader idea of cooperative pacts involving a plurality of actors within SEs and their systems, giving centrality to reciprocity but without confining the working of cooperative interactions to it.

In this light, the paper’s analysis has provided a contemporary interpretation of resource coordination, and has suggested that, in SE systems, movements of resources are based on the cooperative pact among diverse actors who may form a community of interest around specific social or natural challenges. At systemic level, the cooperative pact entails symmetric governance solutions and reciprocity, while the use of market exchange and redistribution by means of public authority remains ancillary (Heath, 2006). In particular, the analysis suggests that:

a. In articulated systems of production defined by increasing interdependencies among diverse actors, ‘livelihood’ is grounded in the ability of actors to apply norms of reciprocity within the SE and at system level, among actors, formally and informally.

b. Mixed solutions are implemented under a broad cooperative pact within the SE as well as at system level. Institutional solutions to achieve this regard surplus accumulation and reinvestment, inclusion, and deliberative praxis.

Several questions remain open. More inquiry would be needed on the consistency of coordination layers inside SEs and across their systems. Inside the organizations, resource allocation, governance, and managerial practices all represent interacting institutional layers whose coherence needs testing. At system level, research is needed to explore how SEs build their networks, within and across territories. Another issue pertains the role of rules and legal frameworks that are under scrutiny in an increasing number of countries. Are these enabling or constraining when compared to the peculiarities of the SE? Moreover, albeit this paper has pointed at the centrality of reciprocity within the cooperative pact, risks of isomorphism can be researched further.
**Reference list**


