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# **Territorial clusters of economic cooperation: a new attempt to build entrepreneurial and institutional partnerships within a social economy?**

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**Abstract:** Coming from the civil society and entrepreneurial processes in a bottom-up strategy, territorial clusters of economic cooperation (inspired by French economic clusters) could not emerge and develop without support from public institutions. Indeed, jointly developed local strategies by groups of citizens and institutions tend to foster the emergence of groups of social actors. The study of TCEC in the Rhone-Alps Region highlights the many practical forms that the involvement of public institutions can take in the development of a social cluster, and shows the strategic importance of reaching an agreement, both from the social economy and local public institutions point of views. However the forms of public-civil society governance differ according to the types of clusters and their evolution.

**Key words:** deliberation, entrepreneurship, governance, local authorities, social innovation, TCEC

As the political approach to economic problems shows (Ostrom, 1990), local development projects are partly based on the ability of social actors to create collective intelligence (Heurgon, 2006) through deliberation in public spaces (Habermas, 1978), involving all stakeholders, including Universities (Goujon, Goyet, Poisat, 2011). However, local democracy cannot be imposed and collective intelligence requires broad mobilization. Consequently, the questions of the actors' coordination and of the emergence of new forms of regulations in territories become strategic, including in the social sector.

Thus, after a long period of social innovations, the organizations in social and solidarity economy (SSE) experiment new forms of coordination between actors, companies and local authorities to pool resources and develop cooperative projects in territories. For example, the concept of "territorial clusters of economic cooperation" (TCEC), which was inspired by the French competitiveness clusters launched in 2005, has recently emerged under the influence of the main networks of SSE. This approach was backed by public authorities.

In July 2013, a first government call for projects (*"Support to the dynamics of TCEC"*), with a budget of three millions euros, allowed to finance 23 clusters (including 4 in the Rhône-Alps Region) among 180 candidates. A second call for projects was launched on April 21<sup>st</sup>, 2015. Above all, the TCEC were defined by the law of July 31<sup>st</sup>, 2014 on social and solidarity economy: *"territorial clusters for economic cooperation are defined by the association of local social businesses and local companies, in connection with local authorities, associations, research centers, higher education and research institutions, training organizations or any other person or entity, in order to implement a common and continuous strategy based on sharing, cooperation or partnership for innovative economic and social projects for local sustainable development."*

So, TCEC are part of the territorial strategies supported by the French State. In fact, the evolution of TCEC led to the reconsideration of the issue of the governance, understood as the coordination between actors. The approach by local collective strategies (Gundolf, Jaouen, 2009; Poisson, Saleilles, 2012) shows that entrepreneurial / citizen and institutional processes combine to bring out collectives. If the dynamics of local actors, indeed, is essential in a bottom-up logic, public institutions play a key role. In other words, coming from the civil society and entrepreneurial dynamics, TCEC could not emerge and develop without public authorities.

The aim of this paper is to analyze the cooperation between the various TCEC and the local public institutions in order to identify the keys elements of effective governance.

Our analysis is based on interviews with TCEC leaders in the Rhone-Alps Region, as well as our participative observation of social innovations in the Roanne area. As researchers, we have been following these initiatives as part of a project, financed by the Rhone-Alps Region, called *"Citizen and Solidarity University"*, and since 2013, as part of the ARC8 academic research community in the Rhône-Alps Region. Based on a new cooperation between stakeholders and researchers, this operational working group has identified several key criteria for collaboration between members of the TCEC: the importance of the place, role of each stakeholder, institutional proximity and promotion of the cluster. Regarding the cooperation between the TCEC and the public institutions, the challenge is to consolidate existing partnerships and to initiate new collaborations. This momentum is based on a constructive partnership with local stakeholders, a complementarity between TCEC and local needs as well as an active business intelligence.

After analyzing the many practical forms that the involvement of public institutions can take in the development of TCEC, we will see that the forms of public-civil society governance differ according to the types of clusters and their evolution.

## **1. The general framework of the cooperation between institutions and TCEC**

Many institutions are involved in the TCEC:

- the State,
- local authorities (regions, "départements", municipalities),

- semi-public institutions (association for employment),
- industrial and commercial public institutions (Chambers of Commerce),
- national and regional chambers in charge of SSE interests,
- national federations of SSE,
- research centers, higher education and research institutions, training organizations,
- the European Union (structural funds)

Since the 80s, French public authorities have taken an interest in SSE as a way to formalize social innovations. Today many institutions implement and coordinate the development of the SSE sector.

### **1.1. A fundamental question: the sharing of power between institutions and TCEC**

With the decentralization policies of the 80s in France, a new form of governance has grown and transformed the public forms of governance into a partnership between public authorities and local networks, including those of the civil society. Institutions play a leading role as coordinators in the territory. In the same way, TCEC are SSE organizations which implement a logic of territory development that come from their promoters as well as from various institutions. However, the modus operandi of institutions and TCEC varies, especially as public interventions are more and more regulated by market mechanisms. Consequently, TCEC gradually have to define their own self-financing model (Matray, Poisat, 2015).

The characteristic of TCEC, and more widely of the SSE sector, lies in the plurality of private and public actors that need to come together to create a collective project. In that regard institutions play a role of facilitator and collaborate as partners within a network of local actors, according to the mode of “partnership governance” (Enjolras, 2005). However, a recurring question must be considered: do institutions have to be members of the TCEC or can they remain partners? In fact, the institutions’ involvements vary according to their competences.

- The Rhone-Alps Region subsidizes the TCEC in order to develop the SSE and social innovations. But the Region may assign missions of economic development to TCEC, with the risk of instrumentalization of these clusters.
- Being closer to the project managers of the clusters, institutions take part in the professionalization of actors as well as in the evaluation of their actions. In some TCEC, for example, council representatives are part of the board of directors. It doesn’t necessarily mean that those TCEC are being used by the public authorities. Indeed, they play different roles and are quite independent. On the other hand, other TCEC set up technical committees involving civil servants from local councils. In that case, they are often confronted with coordination problems (red tape, subdivision of municipal services, frequent changes of project managers in local councils), and their legitimacy are often questioned when local councils assign public service missions to TCEC.

The cooperation between institutions and TCEC is inherent to the clusters’ projects and indirectly to the SSE’s projects in the territory. However, cooperation is difficult to implement because of the risks of power games between the various public and private actors, even within this non profit framework.

## **1.2 Cooperation practices between institutions and TCEC**

In France, 23 TCEC benefitted from the first government call for projects in 2013 and were supported by the State. According to the General Secretary for Modernization of Public Action *"local authorities were indeed already heavily involved in the structuring of these clusters, through financial support and / or engineering, and continue to be."* Ceteris paribus, the first government call for projects, had a relatively modest public budget (€ 3 millions). At the same time, the majority of TCEC were granted public funding for their local SSE actions from local authorities.

### **1.2.1 Prospective and networking**

For some TCEC (such as Pollens, Loire) the role of local institutions preceded the creation of this TCEC. These have involved a large number of SSE organizations and members of the local economic, social and academic worlds in the emergence of the cluster. In this case, local institutions acted as facilitators as they identified and put together an SSE network, which is an essential step when generating a TCEC. Therefore, local institutions are in charge of identifying emerging needs in the territory.

In effect, local public authorities facilitate the creation of networks since they serve the territory and its inhabitants, like the TCEC. Therefore both cooperate with the same actors, and the involvement of institutions in TCEC projects enable them to be legitimized in the eyes of local actors. Furthermore, as TCEC implement a horizontal approach, they interact differently with the local actors. The TCEC follow a structuring logic of vertical organization (TCEC Ulisse, Isère; TCEC InnoVales, Haute Savoie/Ain) or a more horizontal logic of territorial complementarity (TCEC Smac 07, Ardèche).

In all cases, TCEC play a major role in planning networking and territorial structure, and in particular they reduce the "structural holes" (Burt, 1992) in social networks, hence the interest of local public institutions in accompanying the TCEC. The first government call for projects funded the projects which fitted their program on priority areas of social policy. The second government call for projects had the same objective and encouraged TCEC' socially and technologically innovative projects, and especially in areas supported by the public policies of the National Steering Committee (for example : priority areas of the social policy, deindustrialised areas, overseas territories, academic support, guidance and support for young people, short circuits, organic agriculture...).

### **1.2.2 Integrating TCEC in local public policies**

In most cases, public financing enables the emergence and development of TCEC. Municipalities / local authorities generally finance clusters by taking over the coordination of the structure. Such financing agreements are granted on condition that the TCEC develop a strategic plan for sustainable local development. Gradually, a partnership grows between local institutions and the TCEC, which begin to appear in the programs of "départements" and regions, for example in the Regional economic development Schemes or in the Regional Innovation Strategies (Cornu, 2014, pp.28-30).

### **1.2.3 Direct and indirect interventions of institutions**

Direct interventions of institutions take the form of subsidies and collaborative infrastructures. The survey of the “Network of local authorities for a solidarity economy”<sup>1</sup> underlines the strategic importance of the place as a tool for identification and visibility, cooperation/mutualisation area, exchanges facilitator, synergies, and social innovations (Cornu, 2014, pp.34). The collaborative infrastructure projects are supported by local institutions that enroll TCEC in territorial planning policies. For example, the TCEC "Culture and Cooperation" (Loire) is a cultural cluster. It offers to its members shared administrative services (Human Resources mutualisation) and takes part in the emergence of innovative activities. Thus “Culture and Cooperation” initiated the development of Arts / Science / Design coworking premises called "Le Mixeur" (collaborative R&D laboratory, FabLab...), in partnership with local councils. In other cases, local councils lend premises to the TCEC free of charge (Pollens, Loire).

However, real estate investment is not enough to create a dynamic cooperation, which requires financial resources and engineering.

Beyond financial support, local public institutions offer skills in technical and administrative engineering, in order to help the emergence of TCEC, such as : collaboration with a project manager, structuring local SSE initiatives (conventions with Regions and/or the State), professionalization of actors (including training...)... Thus, some TCEC offer training periods and develop partnerships with universities as Master'2 in the TCEC Lussas (Ardèche) which is specialized in documentaries.

### **1.3 The limits of cooperation between institutions and TCEC**

The interactions between institutions and TCEC have several limits. On the one hand, local authorities are organized vertically around a function (job service, housing service, health service, etc.) and not around an interdisciplinary problem (social exclusion, energy poverty...) like TCEC. Horizontal links between these functions are low, and greatly complicate the tasks of TCEC. For example, the TCEC Ulisse, which fights against energy poverty, must simultaneously apply to different town departments to implement a project. The same difficulties also exist to obtain public subsidies that depend on several budgets for the same project.

On the other hand, integrating TCEC in local public policies does limit their independence, especially when they have to apply for public contracts. Moreover, the second ministerial call for projects, in 2015, required that beneficiaries include at least one conventional business, which would influence the actions and the managerial choices of these TCEC. There must be a right balance between institutions / businesses/ SSE actors and the civil society. -Eventually, TCEC have self-financing objective but are aware that their activities cannot be entirely self-financed. So, they look for support from foundations or for patronage. Such entrepreneurial practices may gradually influence the TCEC forms of governance, which are based on

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<sup>1</sup> “Réseau des collectivités Territoriales pour une Economie Solidaire RTES”: This network brings together local authorities that engage around a charter for the development of social economy.

participative democracy (Matray, Poisat, 2015). In that regard, the TCEC must maintain the original sense of their mission and their independence.

Furthermore, the electoral constraints can disturb and/or interrupt the projects of TCEC; that is why some of them try to sign public agreements to protect themselves. In this case, the cooperation between TCEC and academic researchers, through regional programs (like the ARC8 Rhone-Alps research community), may consolidate partnership with the public institutions.

Besides, institutions are sometimes wary about some TCEC projects because: "*Institutions must learn to accept that TCEC projects are uncertain since these are "collective experiences"*" (Colin Lemaitre, TCEC Culture and Cooperation).

Basically, the involvement of public institutions varies according to the type of TCEC

## **2. Variations of public-civil society governance methods according to the types of TCEC**

Today, if public institutions are extensively involved in many ways in the emergence and development of territorial clusters of economic cooperation (TCEC), the importance and forms of collaborations, partnerships, interactions differ according to the types of clusters and their evolution.

### **2.1. From questioning the impact of TCEC on social and solidarity based economy...**

In previous papers, we questioned the contribution of the TCEC approach to the evolution of the SSE. Don't the TCEC tend to be instrumentalized, institutionalized when they integrate local public policies and don't they become an instrument of pure economic development (Matray, Poisat, 2013, 2014, 2015)? The adoption by some TCEC of technocratic managerial logic, which characterizes economic clusters, does risk obscuring the political dimension of the SSE as an alternative to capitalism. However, case studies have revealed significant differences in the position and evolution between the clusters.

So we have proposed, as a hypothesis, to classify TCEC into four "ideal types," according to two axes (Matray, Poisat, 2015).

The first axis involves the activities which are initiated and / or coordinated by the clusters for sustainable territorial development. These activities fall within the commercial sphere, are financed by the market and / or by the redistribution (State, local authorities) and / or the reciprocity (civil society).

The second axis refers to the style of governance, *i.e* the interactions between civil society and public authorities (Enjolras, 2005)<sup>2</sup>. Do TCEC favor a technocratic method of decisions, which associates only leaders, elected representatives and experts from public or private spheres? On the contrary, do they try to seek a deliberative way to practice economy, to involve all stakeholders, recipients of solidarity actions, citizens and employees in the

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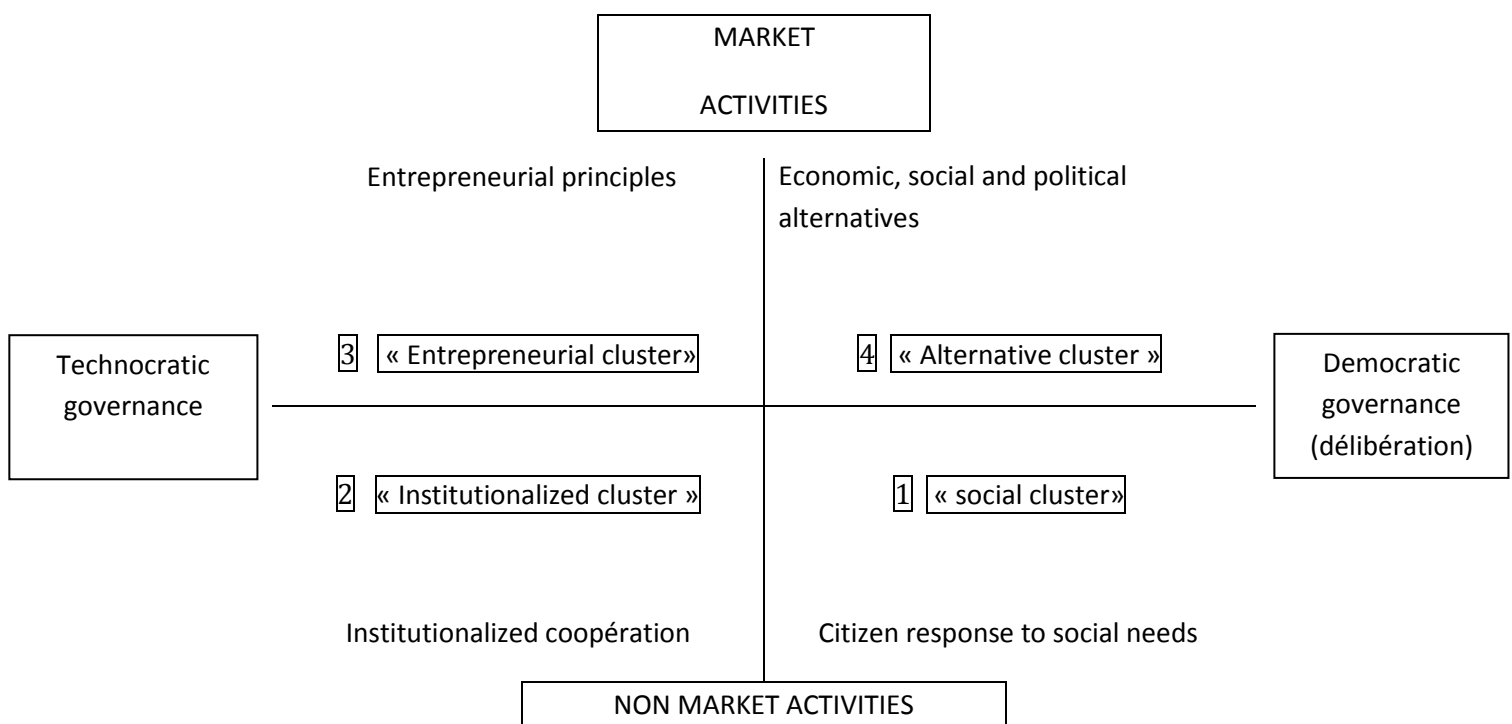
<sup>2</sup> Bernard Enjolras defines governance as "*the set of institutional arrangements governing the interactions between actors whose activities contribute to the achievement of objectives under the general interest.*"

governance? In fact, many combinations are possible. Our target is to identify the position of each TCEC in what seems to be the heart of the political dimension of solidarity economy: the organization of citizen deliberation, understood as a process to build common standards through the confrontation of different points of view expressed by actors with equal rights (Dacheux, Goujon, 2013).

## 2.2 ... to the sketch of a typology

We finally identified four major types of TCEC, with regard to the design of the SSE that emerges from their activities and their governance. This classification seems relevant to characterize more precisely the interactions with institutions.

### Typology of TCEC



Source : Matray, Poisat, 2015

Types 1 and 2 clusters develop few activities that can be financed by the market. Their emergence and development therefore depend greatly on their ability to legitimize the projects of their members in the eyes of public institutions.

1) **The "social" cluster** is essentially part of a citizen response to the social needs of the territory. As it develops few commercial activities, it does not include capitalist firms. Acting more like a developing pole of SSE, it primarily seeks to bring together actors, to support project developers and to promote a solidarity-based economy. The active and financial partnership with local authorities is fundamental, both in the emergence of the cluster, when institutions sometimes play the role of initiator, and during its development. However, the "social" cluster should seek to maintain its operational independence towards institutions and to preserve its freedom of decision through its own deliberative processes. In that regard, it is more in accordance with the alternative political conception of SSE and advocates



deliberation as governance. Its aim is not only to involve all stakeholders - including institutions - in democratic modes of decision-making, strategy defining and to develop collective intelligence in the territory, but also to associate, in various forms, the recipients of the services offered and, more broadly, the locals. This type of clusters often corresponds to emerging TCEC, which, if they manage to expand their network of members and increase self-financing, may evolve into an "alternative" cluster.

2) In the **"institutionalized" cluster**, the greater use of public authorities as partners, because of the low self-financing of their operations, may threaten its independence and sustainability. In some cases, a mix between the ESS policies of the institutional actor and the cluster's poses a risk of instrumentalisation. Unlike the first type, that cluster is generally part of a liberal vision of SSE, where the political project of participative democracy is forgotten in favor of the economic and social utility of solidarity-based initiatives. The ultimate goal is to create wealth and jobs, by looking, through cooperation and sharing, for a more efficient structuration of SSE organizations in order to increase their spillover effects on the territory. Governance remains essentially in the hands of the members of the cluster, which combines, as appropriate, experts, technicians or elected representatives of the territory.

Attracted by the managerial practice of capitalist enterprises and economic clusters, the two other types of TCEC are looking for a viable business model, focusing on trade... which does not exclude the research of partnership with institutions.

3) The **"entrepreneurial" cluster** looks like a traditional economic cluster. Following the guidance of the Law of 31 July 2014 on social and solidarity economy, it does include not only social businesses but also traditional companies, *i.e* local small and medium sized businesses or large groups. Of course, unlike any economic cluster, the goal is still to build / expose / develop / transmit local resources for the benefit of the territory and its inhabitants. Therefore, social intervention is not neglected but often takes the form of integration through economic activity, training services to increase the employability of the unemployed or classic social assistance. The effectiveness of these clusters, in terms of jobs creation, does enhance the interest of public authorities involved, at various levels and in various ways, in their emergence and development: extending networks of stakeholders, establishing collaborative infrastructure, mobilizing financial resources and engineering, promotion, prospective ... (Cornu, 2014). However, the significant share of self-financing in the "entrepreneurial" cluster tends to guarantee its independence from the institutions, which are perceived rather as partners or clients who seek the TCEC to meet unmet community needs. Besides, as these clusters are used to sign contracts with the administrations, particularly through tenders or calls for proposals, they are part of the paradigm of *competitive governance*, which is based on market mechanisms and now tends to become hegemonic (Enjolras, 2000).

Like economic clusters, the "entrepreneurial" clusters favor a technocratic mode of governance. The management is marked by a concern for rationality, use traditional tools of management and assessment, although social goals and ethical issues are never ignored. In other words, this type of cluster is in the reformist / entrepreneurial conception of SSE that

aims to better regulate capitalism, to introduce an ethical dimension by combining profitability and solidarity, but without offering any real alternative.

4) Yet rare, the "**alternative**" cluster looks like the "entrepreneurial" cluster in terms of its business model, its search for profitable activities and balanced partnership with traditional companies and institutions. However, its governance is more democratic, more open to employees, volunteers, citizens - in short civil society - than conventional clusters. These clusters are often involved in the cultural or environmental sectors, which are historically characterized by a culture of exchange, deliberation and cooperation.

Of course, this typology is not static. These four categories refer to major trends, ideal types, and they do not perfectly match TCEC. Above all, the study of the Rhone-Alps TCEC showed that the positions of the different poles have evolved more or less rapidly since their creation, and in various ways. In any case, given the reduction in allocations to local authorities and the ministerial guidelines, the clusters with low self-finance will be encouraged to evolve. The second ministerial call for proposals, in 2015, requires, indeed, that future beneficiaries incorporate at least one conventional business and that *"the economic model is designed to move towards reasonable self-financing."*

## **Conclusion**

Coming from civil society and entrepreneurial processes in a bottom-up strategy, territorial clusters of economic cooperation (inspired by French economic clusters) could not emerge and develop without the support from public institutions. But such governance is not self-evident and needs to be organized, taking into account the purposes, constraints and resources of each stakeholder, while complying with the necessary but relative autonomy of each of them. The study of TCEC in the Rhone-Alps Region highlights the many practical forms that the involvement of public institutions can take in the development of a social cluster, and shows the strategic importance to reach agreements, both for the social economy and local public institutions.

However, the public-civil society forms of governance differ according to the types of clusters and their evolution. If the TCEC are broadly in line with the principles, the issues, the objectives of social and solidarity economy, they differ by the conception of SSE that emerges from their choice of activities and governance, which led us to outline a typology of these clusters. Overall, it seems that technocratic/market models of capitalist enterprises and classic economic clusters prevail today.

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