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Analysis

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ABSTRACT

The field of the collaborative economy is characterized by a wide spectrum of sustainability oriented grassroots initiatives such as cooperatives, social businesses, associations and informal initiatives. However, many of these organisations are facing isomorphic pressures from the purely for profit organisational models and lack institutional support. For the further development of these grassroots initiatives, it is therefore important to better understand the organisational models that allow them to maintain a strong social mission in spite of these pressures. To this purpose, this paper develops a hierarchical cluster analysis of 50 collaborative economy initiatives operating in the Region of Brussels Capital. The analysis shows the existence of four main clusters of enterprises operating in the Brussels Region: foreign for-profit enterprises, start-ups, citizen initiatives and partnership social enterprises. Each of these clusters is characterized by a specific combination of analytical features such as the mission, the governance structure, the legal form and the type of economic resource mobilisation. On this basis, the paper explores the likely organisational trajectories of these clusters in the collaborative economy and the various institutional strategies that can strengthen the recognition and support for the sustainability oriented grassroots initiatives.

1. Introduction

Fuelled by ever more powerful digital network technologies, the collaborative economy is rapidly expanding into an important mode of consumption and production of goods. Although still an evolving phenomenon, scholars have broadly defined the collaborative economy as characterized by the shared use of under-utilised or easy to share goods and services (Belk, 2013; Botsman and Rogers, 2010). These shared production and consumption practices cover a wide spectrum of sectors of activity, such as car sharing, co-housing or exchange of skills. They can also take different forms such as the matching of “haves and wants” through online digital platforms, the collaborative use of products as an alternative to buying, or the sharing of intangible resources such as time and skills.

According to an international survey, concern for the environment, along with economic gain, is the most cited reason for participation in the collaborative economy (concern for the environment (49%), cost gains (48%) and complementary activity (39%) are the three most cited) (ING Bank, 2015). Reasonably, indeed, sharing a car while travelling reduces the need of new cars, as well as sharing of tools reduces the production of new goods. Empirical evidence provided by the studies of Botsman and Rogers (2010), Shaheen et al. (2010) and the Swiss Federal Office of Energy (2006) are in line with this argument. Nevertheless, even if concern for environment is an often-cited reason for participation in the collaborative economy, the environmental impacts remain uncertain, with a concomitant threat to nourish a new form of hyper-consumption (Demailly and Novel, 2014).

In this context of scientific uncertainty over the sustainability and socio-economic impacts, entrepreneurs of the collaborative economy have adapted over time their discourse on the societal benefits. In particular, as shown by a discourse analysis of online articles published by high profile collaborative economy organisations (Martin, 2016), the discourse shifted from the building of alternative modes of consumption and production, to the creation of new economic opportunities through digital network technologies (Schickner and Raggers, 2017). This shift in focus even affected the communication strategies of civil society driven grassroots initiatives that explicitly promote environmental and social sustainability missions (Martin, 2016).

Nevertheless, in spite of the importance of the economic growth and technology-oriented narrative, observers agree that an alternative framing still plays an important role in the case of sustainability oriented grassroots innovations (Martin, 2015, p. 154). In particular, the
framing of the grassroots collaborative economy as a pathway to new economic organisational models, with a priority of the social and environmental mission over the shareholders’ profit, has a real potential to build a coherent alternative framing (Heinrichs, 2013; Schor, 2014).

To contribute to the understanding of this landscape of alternatives to the mainstream shareholder profit organisational models, the objective of this paper is to build a typology of organisational models that exist within the collaborative economy. Some of these alternative models adopt pure social mission driven models of organisation, while others adopt hybrid business models combining social mission and profit driven economic objectives (Vanloqueren, 2014). In this context, as stated by Martin et al. (2017, p. 1404), “theories of organisational governance within the social enterprise literature might prove particular useful, given that this literature focuses on organisations that seek to create social and/or environmental value alongside economic value”.

The paper is organised as follows. After an overview of the main challenges faced by the sustainability oriented grassroots initiatives (Section 2), the paper develops the key analytical dimensions from the scholarship in social economy that will be used to capture the diversity of the organisational landscape of the collaborative economy (Section 3). The next section presents the data and methodology of the empirical survey conducted to map and analyse initiatives in the Brussels Capital Region of Belgium that fit the definition of collaborative economy (Section 4). The following section analyses the results of the analysis of 50 collaborative economy initiatives and the four organisational models that emerge based on the analytical categories used in the survey (Section 5). Based on this improved understanding of the organisational realities, the paper discusses the possible evolution of these models over time, and explores options for institutional strategies that can strengthen the institutional recognition and support for sustainability oriented grassroots initiatives within the collaborative economy (Section 6).

2. The isomorphic pressures from market-based organisational models

In their review of the main types of sustainability initiatives in the innovation literature, Seyfang and Smith (2007) suggest a distinction between two main types: market-based sustainability innovations, which operate in the context of the market economy, and grassroots sustainability innovations, operating in the context of the social economy. As explained by Seyfang and Smith, these two types differ in their resource base and the main driving forces. In particular, according to their analysis of environmental sustainability initiatives, market-based sustainability innovations aim at incorporating new green technologies, design and best practices that improve resource efficiency so that they can compete effectively in a global environment. In addition, they aim at transforming consumer markets so that consumers are oriented towards these more sustainable market choices. The driving force of these organisations is to generate profits for the shareholder-investors.

Grassroots innovations, on the other hand, operate through social economy organisations such as non-profits and cooperatives, and involve committed activists experimenting with social innovations that respond to the interests and values of local communities. In contrast to the extraction of Schumpeterian rents from green technological innovations, they strive at fulfilling unmet social needs or develop practices based on ideological alternatives to economic growth per se, such as quality of life or local community oriented development.

Empirical evidence shows that this classification is too rough. In their review of the main types of sharing economy organisations, Davies et al. (2017, p. 215) show indeed a much wider spectrum of initiatives such as for profit enterprises, start-ups, social enterprises, cooperatives, charities, associations and informal initiatives. They underline the importance to consider this diversity of organisational forms to better grasp the impacts of sharing economies practices. Their seminal work on organisational diversity however calls for a better articulation to the scholarly literature. In particular, the proposed types do not distinguish clearly between analytic categories such as the mission of the enterprise, the governance structures, the legal forms and the type of economic resource mobilisation model. A more in depth analysis of these analytic distinctions is however important to understand the differences amongst these organisational forms and the various means of providing support.

Indeed, mission driven grassroots organisations are facing important challenges when striving to preserve their sustainability oriented organisational mission, in particular related to the isomorphic pressures and to their weak socio-political institutionalisation.

The first challenge is related to the isomorphic pressures exercised on the grassroots innovations to mimic the organisational forms from large-scale market-based initiatives. These pressures are coming from competing market-based collaborative economy organisations, but also from policy actors and from funders, and drive these organisations to become more complex and commercially oriented (Martin et al., 2015). In particular, the impact from funders is confirmed by the comparative analysis of 36 cases, selected to cover all the sectors of activity within the sharing economy by Munoz and Cohen (2017). As shown by the authors, “most of the current sharing economy flagships have been supported by mainstream investors, moving business models away from the still predominant view of sharing businesses as driven by social-oriented goals” (Munoz and Cohen, 2017, p. 31). Along the same lines, Martin et al. (2015) show the pressures that can jeopardize the primacy of the social and environmental goals of the mission driven organisations. Indeed, on the one hand, “becoming more formally organized and commercially oriented enables associations to enhance their organisational capability to mobilize resources, sustain external relations, and make an external impact” (Martin et al., 2015, p. 242). On the other hand, “as associations become more complex, the values of efficiency and effectiveness can come to dominate organisational activity” (Martin et al., 2015, p. 242).

The second major challenge comes from the weak socio-political recognition of the grassroots organisational forms in policy and organisational networks. The latter is clearly illustrated by a Nation-wide social media analysis of over 5000 posts on the sharing economy in Sweden in 2016/2017. This analysis shows that, amongst the posts, around 90% refer to market-related transactions (renting and selling), while only 10% deal with non-market sharing practices (gift, swap, lending, shared ownership) (Laurell and Sandström, 2017). In addition, the analysis shows that amongst the 121 platforms the users refer to, only 35 are platforms that explicitly describe a sustainability orientation on their websites.

Nevertheless, in spite of these challenges, several studies also show more pro-active strategies, beyond the mimicking of purely market-oriented organisational models. Based on the reality of diverse strategies to reach socio-political legitimacy and support, Zvolska et al. (2019) identified various categories of so-called institutional work that go beyond the mimicking of market-based models of incumbent players. Through interviews with urban sharing organisations in Berlin, London and Malmö, they adjusted the framework initially proposed by Lawrence and Suddaby (2006) to the case of the urban sharing economy and mapped out a variety of prominent institutional strategies. As shown in their analysis, the strategies used by urban sharing actors cover both political work, such as change of regulation or the design of public accreditation schemes, normative work, such as the building of normative networks and organisational identities, and cultural-cognitive work, for instance through education and training.

Another analysis of a major food sharing platform in Germany, Foodsharing.de, shows intense institutional work in order to match the sharing practices with the food safety and health regulation by the public authorities (Morrow, 2019). The latter strategies of partnering with public authorities – instead of mere lobbying – are also shown to be important in the field of shared mobility. For instance, an in depth
case study of car sharing in Sydney, Australia, shows the importance of public-private partnerships in implementing successful sustainable transportation through shared mobility (Dowling and Kent, 2015).

The picture that emerges from these various studies shows, first, the need to go beyond the dichotomy between pure market-based organisational models and non-market grassroots models. Indeed, in spite of the dominance of the market-based models, the field is characterized by a diversity of organisational models, enabled by the platform based business models. Second, a diversity of institutional strategies is adopted by the various players, which allow to resisting some of the isomorphic pressures and gaining recognition for the social mission driven types of organisational models. Therefore, for the further development and up-scaling of sustainability oriented grassroots organisations, it is important to better characterize the range of organisational options that allow them to maintain a strong social mission, beyond the adoption of pure-market based models.

3. Analysing organisational diversity within the collaborative economy

The literature on social economy has paid considerable attention to the analysis of organisational diversity, with the view to better understanding the organisation of mission driven organisations and businesses. Social economy includes not only organisations associations, but also cooperatives and mutual societies. In other words, the social economy is generally considered to encompass all organisations whose primary purpose is non profit maximisation for their shareholders, but their stated societal aims (Borzaga and Defourny, 2001).

Within the social economy, the concept of social enterprises is especially relevant to understand the organisational forms of the collaborative economy. The concept of social enterprises characterizes organisations that combine an entrepreneurial dynamic, to provide services or goods, with the primacy of their societal aims (Defourny and Nyssens, 2017). As such they can be considered as “hybrid” organisational forms that combine features from more basic economy organisational types, as illustrated in Fig. 3.1. Four representative models of social enterprises that has been distinguished in the scholarly literature are the entrepreneurial non-profit model, the public social enterprise model, the social-business model, and the social-cooperative model (Defourny and Nyssens, 2017). The two first models result from a move towards increased marketization of non-profit associations (the case of the entrepreneurial non-profit) or of public sector organisations (the case of the public social enterprise). The two latter result from a move towards a strong general interest orientation of organisational types that are initially oriented to the capitalistic interest (the case of the social business) or the mutual interest of their members (the case of the social cooperative). However, new social enterprises might emerge that do not follow one of these two trajectories but are directly created “form scratch” as a social enterprise organisational type, with the view to balance social and economic aims in a certain way. In addition, organisations itself are evolving through various stages of development, and with this evolution, economic and governance models of societal mission driven organisations might change over time.

Two core analytical dimensions have been proposed to capture this broad diversity of social enterprises (Defourny and Nyssens, 2017), which have been tested in countries across the world (Defourny et al., 2019). This scholarship on the analytic dimensions has the advantage to use a set of quantifiable indicators that can be adapted for the analysis of the institutional diversity within the collaborative economy, as explained further in the methodology section below.

The first dimension concerns the major drivers or “principles of interest” that can be found in the economy: the capital interest, the mutual interest and the general interest. These principles of interest are shaped by two main organisational features: the type of the “dominant decision making category” and the “beneficiary category of the organisations” (Gui, 1991; Hansmann, 1996). The dominant decision making category is composed by the stakeholders who have the ultimate decision-making power. The beneficiary category is the category of stakeholders to whom the residual income is explicitly (for example through direct payments) or implicitly distributed (for example through the improvement of the service delivery). The residual income is the income that is not assigned by contract to other stakeholders than those who ultimately control the organisation (Hansmann, 1996). As stated in Defourny et al. (2019), “beneficiaries are those who are at the heart of the organisation’s mission—more precisely, in the case of mission driven enterprises, of the enterprise’s social mission”.

On this basis the key features of the three principles of interests can be specified:

- In “capital-interest-driven” enterprises, profits are distributed to the investors, who also control these for-profit firms. Investors are both the dominant and the beneficiary categories.
- “Mutual-interest organisations” are those in which the stakeholders (other than the investors) that have the ultimate decision-making power (the “dominant category”) also make up the “beneficiary category”. Such convergence of control and benefit ensures that

\[ \text{Fig. 3.1. Principles of interest, economic resources and the emergence of social enterprise models (in green in the figure: entrepreneurial non-profit model (ENP), the public social enterprise model (PSE), the social-business model (SB), and the social-cooperative model (SC)).} \]

Source: adapted from Defourny and Nyssens (2017).
members’ mutual interest is the objective pursued by the organisation as illustrated for instance in the case of cooperatives.

- As for “general interest organisations”, they correspond to those in which the beneficiary category is different from the dominant category: these organisations are oriented to serving other people (beneficiaries) than the stakeholders who control the organisation as illustrated for instance by the case of general interest associations.

The second dimension concerns the type of economic resource mobilisation, which can be based on market resources or non-market resources (such as public grants, member fees, philanthropic resources or voluntary labour) or a combination of these various resources.

These principles of interest and modes of resource mobilisation are however closely connected in practice to the modes of governance adopted in the organisations. Analysing the interplay between these various dimensions is especially important for understanding trade-offs made in an organisation between the social mission and the pursuit of market activities, and to understanding the organisational means put into place to preserve the social mission in the long term. In this context, two additional features play an important role to distinguishing the various organisational types: the nature of the decision processes and the mechanism of allocation of profits (Defourny and Nyssens, 2017).

Decision-making processes are very different across the different models illustrated in Fig. 3.1. In the case of for-profit organisations, the decision-making power is in the hands of the shareholders according to the number of capital shares they own. In associations and cooperatives, the “one person, one vote” rule applies in the governing body that has the ultimate decision-making power (at least when the voting rights in the cooperatives are not differentiated according to capital shares). In public enterprises, when public authorities are the main shareholders, the governance will tend to be based on the rules of government bureaucracies. For social enterprises (in green in Fig. 3.1), decision-making process will depend on their proximity to one of these models.

Rules regarding allocation of profit distribution are a second important governance mechanism. The aim of for-profit organisations is to maximise profits and these are distributed to the shareholders-investors of the company. In the case of social economy organisations, constraints on the distribution of profits can be observed as a means of precluding pure profit-maximising behaviours and to ensure the primacy of the social mission. Different situations can occur from a total non-distribution constraint (like in non-profit organisations or public organisations), to various forms of limitation on the profit distribution. These limitations can be strengthened by asset lock clauses. The latter prevent the distribution of residual rents to members, so that assets of the organisations are not used for individual gains instead of the social mission purposes of the organisation.

4. Data and methodology

4.1. Systematic mapping

The analysis in the paper is based on a set of in-depth case studies of collaborative economy organisations operating in a similar socio-economic environment, which is the Region of Brussels-Capital, Belgium. The inhabitants of the Region of Brussels-Capital seem to be especially attracted to the collaborative economy, as 16.1% participate as provider and/or user from time to time in the collaborative economy, compared to an overall average of 8.5% in Belgium (Vaughan and Haskeworth, 2014; ING Bank, 2015).

The fieldwork in Brussels-Capital focused on initiatives that are part of four specific sectors of the collaborative economy: mobility, housing, food and object sharing. These specific sectors have been chosen for two reasons. First, the choice of cases from four sufficiently different sectors allows to identifying common features and trajectories of organisational models, in spite of their belonging to different sectors of application (following the “similar outcomes within different cases” methodology, cf. Rihoux and Ragin, 2009, p. 23). Second, the Region of Brussels-Capital, in the context of its regional competences, has specifically supported and documented initiatives in these four sectors over the last decade, which made it possible to access already available information in constructing the data set (cf. for instance the work at COOPCITY and Brussels-IMPULSE, Herfurth, 2015; Naralingom, 2015).

The fieldwork was conducted between June 2017 and November 2017. To map the Brussels’ initiatives that fit the definition of collaborative economy presented in the first section, we did a systematic review of on-line repositories of umbrellas organisations within the collaborative economy and key-word search for individual organisations. For robustness and completeness check, we organised a stakeholder workshop and 8 in depth stakeholder interviews with key stakeholders in the Brussels Region (mangers from collaborative initiatives, incubators and well informed public officials). Within the resulting group of 99 initiatives, 52 initiatives accepted the invitation of an in depth face to face interview, and 50 provided sufficiently complete answers to be included in the analysis.

The distribution of the 50 initiatives amongst the different sectors is the following: 28% of the initiatives belong to the mobility sector, 30% to the food sector, 26% to the housing sector and 16% to the sharing of objects sector.

4.2. Quantification methodology and cluster analysis

The paper uses a quantification methodology of the analytical features of social enterprise models explained in Section 3 above. The operationalisation of these features through a standard set of indicators used in social enterprise research allows to conduct a cluster analysis and identify the combination of features that define the main organisational models.

The information on categorical (having two or more items, but without ordering) and ordinal (with ordering amongst the categories) variables was gathered through a structured survey, composed of over 120 closed multiple-choice questions (provided as Supplementary data 3 to the article). This structured survey was based on the adaptation of an existing survey tool for comparative analysis of the social enterprises, used within the ICSEM project (https://emes.net/research-projects/social-enterprise/icsem-project/). An in depth adjustment of the tool was needed to account for the specificity of the platform-based business models of the collaborative economy. This adjustment was conducted by an interdisciplinary research team composed of legal scholars, economists and political scientists that work on the sharing economy.

For each initiative, the researcher collected first available information (website, balance sheets, and annual reports) on these variables and then filled in the questionnaire during a face-to-face meeting with the manager of the platform or a high-level staff member. The interview protocol included standard confidentiality clauses used in social science surveying.

To quantify the results of the survey, we coded the answers to the questions that dealt with the analytical features explained in Section 3 (32 questions selected amongst the 120 of the questionnaire). These coded answers were then organised into 26 discrete variables (5 discrete ordinal variables and 21 discrete categorical variables), according to the coding scheme detailed in the Supplementary data 2 to this article.

In the next step, hierarchical cluster analysis was conducted based on Ward’s aggregation method (Morey et al., 1983; Köhn and Hubert, 2015). However, this method requires only discrete quantitative variables. We therefore used a two-step approach (Pagès, 2002), by first running a multiple factorial analysis on the 26 variables in order to combine the variables in several quantitative factors. The aim of this analysis is to represent a maximum of the initial information with a
minimum of factors. The multiple factorial analysis has led to the construction of five factors which represent altogether 46% of the total inertia (variance) of all the initial variables. After this treatment, we ran the hierarchical cluster analysis in order to classify enterprises in different clusters. The optimal number of cluster (n) is the one for which when one considers n + 1 clusters, the sum of the intra-clusters variances does not decrease significantly. Based on that criterion, the algorithm converged towards the four main clusters discussed below.

5. Governance structure, economic resource mobilisation and development strategies of the main organisational models

5.1. Overview of the clusters

The results of the hierarchical cluster analysis is presented in a schematic form in Table 5.1 below, which lists a selection of the most salient variables for characterizing the clusters. The detailed numerical values over the 26 variables are provided in the Supplementary data 1 to the paper.

5.2. Cluster 1 – foreign FPOs

The organisations belonging to the cluster of foreign for profit organisations (FPOs) are all for profit companies (all are limited liability companies) which have been created, for most of them, more than 10 years ago mainly by one or two individuals (8 cases). The two other cases in this cluster were created by private companies. Today, they nearly all belong to a foreign institutional group, which is active in several countries. In most cases, these companies have started as small start-ups (SMEs) and have rapidly expanded, either by reaching new markets or by buying, being acquired or merging with their competitors. Their size is substantial for the sector.

The owners of these companies are mainly either private companies, financial investors (i.e. angel investors) or individuals. Only one company integrates in its governance structure another type of stakeholder than shareholders, by having a citizen representative on the board.

Table 5.1

<table>
<thead>
<tr>
<th>Main features of the clusters.a,b</th>
<th>Cluster 1</th>
<th>Cluster 2</th>
<th>Cluster 3</th>
<th>Cluster 4</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Organizational facts</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Country of headquarter</td>
<td>Other EU (not Belgium)</td>
<td>Belgium</td>
<td>Belgium</td>
<td>Belgium</td>
</tr>
<tr>
<td>Employment (full time equivalent: (mean/median))</td>
<td>Large (93/14)</td>
<td>Very small (3/1.75)</td>
<td>Very small (0.77/0)</td>
<td>Medium (10/7.3)</td>
</tr>
<tr>
<td><strong>Governance</strong></td>
<td>Investores</td>
<td>Investores-managers</td>
<td>Community stakeholders</td>
<td>Community stakeholders</td>
</tr>
<tr>
<td>Dominant decision-making category</td>
<td>Investores</td>
<td>Investores</td>
<td>Users</td>
<td>Users</td>
</tr>
<tr>
<td>Main beneficiaries of surplus (direct distribution, favourable prices, non-monetary advantages, etc.)</td>
<td>Capitalistic</td>
<td>Capitalistic</td>
<td>Democratic</td>
<td>Democratic</td>
</tr>
<tr>
<td>Type of decision making</td>
<td>No rules</td>
<td>No rules</td>
<td>Limited or prohibited</td>
<td>Prohibited</td>
</tr>
<tr>
<td>Profit distribution</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Asset lock</td>
<td>None</td>
<td>Volunteers, public subsidies, donations</td>
<td>Volunteers, donations</td>
<td>Public subsidies, donations</td>
</tr>
<tr>
<td><strong>Economic model</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Main sources of non-market economic resource mobilisation</td>
<td>None</td>
<td>Volunteers, public subsidies, donations</td>
<td>Volunteers, donations</td>
<td>Public subsidies, donations</td>
</tr>
<tr>
<td>Networking</td>
<td>For profit enterprises</td>
<td>For profit enterprises or none</td>
<td>Social economy or none</td>
<td>Public bodies</td>
</tr>
<tr>
<td>Main business partners (bilateral collaboration with external entities)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a Each of the four sectors of activity are more or less equally represented in each cluster.
b Initiatives in cluster 1 and 2 nearly all use digital platforms for the transactions, while cluster 3 and 4 have both initiatives with and without digital platforms (in the latter case it is the organisation that does the brokering between the providers and the users).

c Cluster 1 contains two very large organisations (over 200 FTE), the mean FTE over the 8 remaining cluster 1 organisations is 16 FTE.
d Employees, users, providers, volunteers or citizens.
e Voting rights are allocated according to the number of capital shares.
f “One person, one vote” rule.

Distribution of profits is not limited (except for one organisation) and net assets are distributed amongst the shareholders in the event of bankruptcy or sale of the company.

The economic resource mobilisation model of these enterprises is based almost exclusively on market resources: only one company receives public subsidies. These companies therefore fully assume the economic risk inherent in their activities. All these companies are experiencing growth in their revenues, while 80% of them still operate at a loss. The latter might be related either to their young age (for the few of them which are recent) or to their willingness to expand into new markets. Competition in the market is mentioned as the most important external difficulty (along with fund raising). However, this is a larger phenomenon, as it is also ranked the most important by the cluster 3 and the second most important by cluster 2.

These companies are clearly driven by capitalist interest, as the beneficiaries are the investors (mostly external to the company) and they nearly exclusively rely on market resources. These initiatives can be located close to the capitalist interest vertex (FPOs) in Fig. 3.1. These foreign FPOs mainly network within the private sector. They have almost no partnerships with public bodies. The strength of the private sector links is also shown by their strong ranking on the belonging to social networks. Further, they are the only cluster where several organisations have recourse to a form private accreditation, as 4 out of the 10 have a private label with external third party control. Finally, “growing market” is indicated as the main future opportunity by the majority of the members of this cluster.

5.3. Cluster 2 – start-ups

The organisations belonging to this cluster are mostly for profit companies (eight limited liability companies and two informal organisations (ad hoc team of independent entrepreneurs)). However, compared to the previous group, the organisations are essentially very recent and very small enterprises (3 FTE on average). Unlike foreign FPOs, all start-ups are Belgian, initiated by one or two individuals.

All these companies, but one, are controlled by their investors who
are, in these cases, also the founders and the managers of the companies. Therefore, the same persons launched the company, invested money in it and control it, according to the proportion of shares they hold. Few organisations have formal governance bodies: only 40% have a General Assembly and 50% a Board. In the other 50% of cases, an executive committee with the founders holds the ultimate decision-making power.

These organisations are SMEs driven mainly by capitalist interest. The distribution of profits is not limited and net assets are distributed amongst shareholders in the event of bankruptcy or sale of the company (except in one organisation). Even if these companies do not integrate any other type of stakeholders than shareholders in their GA or board, 40% of them integrate users and/or employees in the decision process through other channels.

The economic resource mobilisation model of these enterprises is quite different from the one of foreign FPOs. As a matter of fact, half of start-ups receive public subsidies and all, except one, receive in-kind support (mainly from public authorities). Furthermore, the proportion of volunteers in the total workforce (in number of individuals) is high (41% on average in the sub-sample of start-ups). Resources are therefore more hybrid, with a mix of market and non-market revenues. However, like foreign FPOs, start-ups do not receive private donations, receive very few tax benefits and do not have public accreditations (except one organisation). Most of them make a loss (70%), but 50% enjoy a growth in their revenues.

The initiatives in these organisational clusters are highly dependent on capitalist modes of decision-making and therefore are probably under the pressure of shareholders to maximise profit. The governance structure of these organisations fosters the pursuit of profit maximisation most probably at the expenses of other concerns. Therefore, most of these initiatives can be located close to the capitalist interest vertex in Fig. 3.1. A closer analysis of actual practices is arguably necessary to assess whether or not the profit motive dominates the social and environmental concerns and to open the possibility to qualify, at least some of the organisations in cluster 2, as “social business”.

These start-ups develop a strong identity around the promotion of sharing practices, along with the raising of funds for the expansion of their activities. They use some of the strategies of the previous cluster, but overall they rank much weaker on these. For instance, they have a moderate level of partnering with for-profit enterprises. None of them have recourse to accreditation and few are part of social networks. The dominant opportunities for the initiatives that are mentioned are the change in social patterns and lifestyles. One obstacle is strongly indicated, which is the difficulty to raise funds. Finally, when indicating the main mission statement of the initiatives, they obtain the highest score amongst the 4 clusters on the items, “reduce amount of underutilized goods/services” and “building community”.

5.4. Cluster 3 – citizen initiatives

This cluster includes 9 associations, 6 informal initiatives (managed by ad hoc team of volunteers or independent entrepreneurs), 4 accredited cooperatives (with a legal limit on profit distribution to shareholders) and 1 non-accredited cooperative. They are very small organisations, launched mainly by civil society actors (47%) (groups of citizens or groups of inhabitants of the same neighbourhood) and controlled by them (42%) or by the users (31%).

The governance of these organisations is democratic as the “one person, one vote” rule applies in all organisations (except one) in the body holding the ultimate decision-making power. Most of these citizen initiatives (74%) prohibit or limit the distribution of profits and all, except one, set up asset locks (meaning that net assets will be redistributed to an organisation with a similar social mission in the case of sale of the company or in the event of bankruptcy). Initiatives that do not prohibit or limit the distribution of profit belong to the group of the informal initiatives. In the majority of cases (68%), the beneficiary category is the user. Otherwise society at large or providers have been identified as the beneficiary category by the survey respondents.

Citizen initiatives have a hybrid economic resource mobilisation model but with a clear predominance of voluntary resources. Indeed, in this cluster, non-market resources come mostly from the civil society rather than from public bodies: 33% of these initiatives receive public subsidies, 47% receive donations (mainly from citizens) and 79% receive in-kind support (mainly from their members and from citizens). Furthermore, the proportion of volunteers in the total workforce (in number of individuals) is the highest amongst the clusters (84% on average). Paid workforce is very low (median is 0.77 FTE and mean is 0 FTE). Their revenues are, in most cases, stable or growing. In 2016, many organisations reached a break-even at the end of the year (42%) or made a net income (37%). In comparison to other clusters, fewer organisations make a loss.

Although in some of these organisations market dynamics are probably stronger, most of them are formal or informal associations relying mostly on voluntary labour and resources and can be qualified as non-market “general interest associations” (as indicated in Fig. 3.1).

Networking strategies of cluster 3 organisations are quite different from cluster 1 and 2. They have a moderate involvement with business partners, mainly from the social economy sector. Social networking is also moderate and they do not have a formal accreditation. However, they are the only initiatives to mention the winning of prizes and awards (6 out of the 19 has won a prize or an award) and they rank also highest on the organisation of workshops, training and events. Finally, they show a strong collaborative economy identity, as the options for the mission statement “reducing amount of underutilized goods/services” and “building community” also rank very high.

5.5. Cluster 4 – partnership social enterprises

Cluster 4 brings together seven associations, two public limited liability companies and one social cooperative (legal form in Belgium as “cooperative with a social aim”). The organisations grouped in this cluster are the oldest in the sample and have a medium-size for the sector (median is 7.3 ETP, mean is 10 ETP). They were mainly initiated by a group of citizens (54%). Some were initiated by one individual (18%) or by a social enterprise (18%).

The governance of these organisations is predominantly democratic and the “one person, one vote” rule applies most of the time (90%) in the body holding the ultimate decision-making power. Moreover, the body holding the ultimate decision-making power is multi-stakeholder (in 72% of cases): employees (in seven organisations), citizens (in seven organisations), social enterprises (in seven organisations), public bodies (in five organisations), users (in five organisations) and providers (in one organisation) collaborate as members of the governance bodies. Except for the two limited liability companies, all these enterprises prohibit or restrict the distribution of profits and set up asset locks.

Like start-ups and citizen initiatives, the economic resource mobilisation model is marked by a hybridity of resources. In addition to market resources, almost all these companies (90%) receive some form of public subsidies (compared to 33% for citizenship organisations and 50% of start-ups), half of them receive private donations and in-kind support. The vast majority (81%) of these initiatives are experiencing revenue growth. However, in 2015, the majority of them suffered net losses (60%). In addition to receiving public subsidies, these organisations enjoy other forms of support from the government: many of them form business partnerships with public bodies, have tax benefits and are accredited. They also seem to have a strong territorial anchorage: 90% of them are part of a network and 45% are in charge of building this network.

We label these organisations as “partnership social enterprises”. Indeed, they have consolidated their model over time by relying on a hybrid economic model, on multi-stakeholder governance and through networking with organisations including public bodies. This
consolidation has been built up over years, as these organisations started their activities without such extensive networking and partnering.

The partnership social enterprises are at the crossroads of the different social enterprise models. They borrow features from different types: most of them have a non-profit legal form, except for two limited liability companies and one cooperative. One of the two public limited liability companies is a public company and the other one is controlled mainly by representatives of a non-profit organisation and of public enterprises. They have definitely a democratic type of governance, in line with the entrepreneurial non-profit social enterprise model and the social cooperative model. These features signal the primacy of an explicit social mission. These organisations are mostly general interest oriented, as the beneficiary category (in 82% of the cases, the users) is different from the dominant category. That means that they are organisations oriented to serving other people (beneficiaries) than their sole members, thereby representing a wide spectrum of interests (employees, user, public bodies, citizens, social enterprises...).

These partnership social enterprises put forward their sustainability and social mission statements. They show the highest level of social networks. On the question about the reason for networking, the options "advocacy" and "knowledge sharing" rank quite high. Nearly all the initiatives develop business partnerships, half of with public sector organisations. They are the only organisations that mention public accreditation as an important means of accreditation (5 out of 11 have a form of public accreditation). Growing market opportunities are ranked high in the external opportunities that could help the further growth of these organisations. Specific sustainability mission statements occur most frequently as the first in importance amongst the members of this cluster, such as "involving citizens in a sustainable society" and "contributing to a sustainable society".

6. Strengthening the development strategies of the mission driven organisational models

The results of the cluster analysis allow gaining a more rigorous understanding of the common organisational features of the main models within the collaborative economy. The discussion section aims to confront the development trajectories of the identified organisational models by summarizing data from our survey and insights from the literature. We focus first on start-ups and citizen initiatives because these two models are often the starting point of the evolution into the more complex organisational forms of the FPOs and the partnership social enterprises. Second, we analyse the institutional strategies currently used by each of the identified organisational models in the collaborative economy and discuss gaps and weaknesses for the further institutionalisation of the social mission driven initiatives.

Concerning the trajectories of the start-ups, in our sample, the Belgian start-ups are very young. In general, these start-ups might continue functioning as SMEs, go bankrupt, merge/beings taken over by larger FPOs or evolve into social businesses. We believe their likely trajectories are either to be taken over by bigger FPOs or to go into bankruptcy. Several elements from the literature and from our research sample substantiate this point of view.

First, as many international groups from the collaborative economy have already bought-up several start-ups, it is likely that Belgian start-ups will face the same fate of the foreign FPOs of our sample, which started as small start-ups. Second, start-ups in the Region of Brussels-Capital mostly have activities in monopolistic sectors. As a matter of fact, nearly all platforms connect providers and users through digital platforms. These platforms are characterized by two-sided network effects – also called crossed network externalities – which means that providers on one side of the market benefit from an increasing number of users on the other side. Hence, platforms must attract a large number of participants to both sides of the market, so that each participant has a substantial number of potential matches on the other side of the market (resulting in a “thick” market) (Gabszewicz and Wauthy, 2014; Belleflamme, 2017). Moreover, large digital platforms incur high fixed costs that result in large economies of scale (in some cases, one additional user costs virtually nothing) (Demary, 2015) and have a competitive advantage because they benefit from constant feedbacks from users and providers (Lambrechts, 2016). However, some characteristics of platforms may put into perspective these monopolistic features: platform differentiation and multi-homing are possible which mean that users can use different platforms for different needs or even for the same need.

The trajectory of citizen initiatives is likely to be quite different. The citizen initiatives in our sample are also very young, such as in the case of the start-ups. They might remain as a citizen initiative, disappear or evolve into a partnership social enterprise. Compared to the institutional trajectories in Fig. 3.1, citizen initiatives mostly emerge from civil society as mutual interest associations that move towards the general interest (such as in the case of urban gardens, collective food buying groups etc.). Citizen initiatives may therefore follow a path leading to adopt features of partnership social enterprises, developing a multi-stakeholder governance and a partnership with public bodies. These two steps can be explained by two reasons supported by the literature.

First, following classical NPO theory (Steinberg, 1987), it is reasonable to explain the emergence of these citizen initiatives as a response to market and government failures to produce collective goods. In the case of the sustainability oriented grassroots organisations, these collective services and goods belong to the collaborative economy and internalize social and environmental impacts. They provide these collective goods and services through the mobilisation of voluntary resources. However, voluntary organisations do also face failures, like the difficulty to mobilise voluntary resources in the long run, and productive inefficiencies, which can hamper their position when they compete with FPOs on the market (Salamon, 1987). These voluntary organisations may call on the government to alleviate some of the voluntary failures they face (through public subsidies) and become more entrepreneurial (through, amongst other things, greater reliance on market resources).

Second, many of these organisations pursue multidimensional general interest objectives. A case in point are the urban food sharing initiatives, which seek an objective of poverty alleviation, public health, occupational integration of long-term unemployed, and strengthening of social ties in the neighbourhood. In this context, the participation of different stakeholders (for example, users, volunteers, employees or public authorities) in the governance of an organisation makes it possible to be accountable for the multiple collective benefits generated, to build a social purpose beyond heterogeneous interests and to better evaluate the quality of services produced (Nyssens and Potrella, 2009). Due to the multidimensional objectives they pursue, these organisations may, in the future, develop a multi-stakeholder governance as in the case of the partnership social enterprises.

These features may indeed lead to a move of some citizen initiatives towards “partnership social enterprises”. However, we must not underestimate the willingness of some of these citizen initiatives to stay outside the market adopting a strong “anti-market standpoint”, even if they are mission driven organisations. In such case, they are more likely to continue to exist as a pure voluntary grassroots organisation.

The most innovative outcome of the analysis in this paper is a better understanding of the organisational diversity of alternatives to the conventional for-profit and shareholder led models. In particular, the analysis has shown the possibility of building larger-scale mission driven organisations, without falling prey to the isomorphic pressures of the profit driven models, through the building of partnership social enterprises. The comparative analysis conducted in this paper contributes to a better understanding of the key characteristics of these partnership social enterprises. Indeed, as seen above, the key
distinguishing feature is the broad multi-stakeholder composition of the governance board, which allows to construct and collectively discuss the social mission. Both the citizen led organisations and the larger partnership social enterprises face important challenges to preserve their strong social mission and to receive support in a context of a strong focus on the market-led and technology-oriented growth of the collaborative economy. In particular, as seen through our survey results above, the citizen led initiatives show a relatively low level of institutional work, in comparison to the FPOs and the partnership social enterprises. They mainly focus on strategies related to imitation of sharing models and educational outreach. Although important, these strategies all belong the cognitive-cultural mechanisms reviewed above, and it seems that there is still an opportunity for strengthening some of the mechanisms of the two other categories of institutional work deployed by the partnership social enterprises, which are belong to normative networks and regulatory work.

Some strategies already developed in the collaborative economy might inspire such a further investment in institutional work. For instance, the role of building strong social networks is underlined in the analysis of Gruszka (2017) of the innovation ecosystem in Vienna. Indeed, the authors recognize the poor contribution of the current collaborative economy models to the transformation of the production and consumption patterns in direction of more sustainable development. In this context, they see the embedding of the collaborative economy in collaborative governance networks as an important step forward in that direction.

A last strategy that might be interesting for fostering further support is the establishment of collaborations with public sector through public subsidies or other forms of public support and business partnerships. Few studies however have analysed the role of public authorities in the sustainability oriented collaborative economy. One analysis, by Rauch and Schleicher (2015), shows that cities can make a strong case for promoting financial support to environmental and social sustainability oriented collaborative economy initiatives. Indeed, these authors show that such support can generate substantial public goods in the form of alleviating negative environmental externalities, promote community related social capital, and accompany certain urban renovation programs (Rauch and Schleicher, 2015, p. 906). However, Rauch and Schleicher (2015) also highlight important research questions that remain on the issue of public support. In particular, there are substantial questions about which entities will have the power to provide such subsidies under the applicable laws, to figure out when and to what degree they are justified, and to better understand how to control such support while preserving the necessary autonomy of orientation of the organisations.

7. Conclusion

As shown throughout the paper, actors of the collaborative economy operate in a rapidly evolving environment dominated by for profit enterprises. Competitive pressures are high, as evidenced by the ranking of competition and fund raising as the most cited external challenge in our survey results, even though a high rate of take-overs tend to create monopolistic markets in some areas of activity (Belleflamme, 2017). Nevertheless, a subset of initiatives is led by grassroots citizen initiatives, with an explicit orientation towards environmental and social sustainability goals. As a result, in spite of the commercial pressures, many grassroots initiatives have developed hybrid organisational forms that are organised around a social mission, but also develop commercial activities in the market.

The analysis in the paper has shown that the organisational model of these grassroots lead initiatives in the collaborative economy is more diversified than usually depicted in the literature. In particular, as shown through the cluster analysis of socio-economic, organisational and governance features of 50 initiatives in the Region of Brussels-Capital, the “grassroots collaborative economy” is not limited to small-scale voluntary civil society initiatives. The latter also includes a cluster of organisations that are large and rely on a diversity of voluntary, state and market resources, the so-called partnership social enterprises.

The comparative analysis conducted in this paper contributes to a better understanding of the key characteristics of the cluster of partnership social enterprises. They share with the cluster of citizen initiatives the key role of democratic decision-making rules and the prohibition or limitation of distribution of profits to shareholders. The analysis also shows important differences. From the point of view of the organisational structure, the governing board has a much stronger multi-stakeholder composition. From the point of view of the institutional strategies for gaining recognition and support, they have a much stronger embedding in social networks (quasi absent in the citizen initiatives) and, partner with public authorities.

Nevertheless, more research is needed to identify the various conditions that allow these organisations to up-scale, without losing their identity as providing an alternative within the collaborative economy to the mainstream for-profit oriented firm. In addition, further knowledge is needed to understand the various ways to organise more democratic decision-making and to implement limits to profit distribution and asset locks, which are both key to their identity, with the view to optimizing both their long-term economic sustainability and their societal mission. Finally, this study was based on the analysis of organisational models with common organisational features in spite of their belonging to a set of different sectors of application. More in depth study is however needed, to understand how the specific bio-physical constraints and behavioural contexts of each sub-sector also impact the choices and strategies within each of the organisational models.

Seen the growing maturity of some major grassroots collaborative economy initiatives, Regions such as the Region of Brussels-Capital could create favourable conditions for partnership social enterprises when they promote environmental and social sustainability. Indeed, these initiatives can contribute to implementing urban sustainability plans and promote community related social capital amongst others. However, important research questions remain on the way to organise such support. The analysis in this paper hopes to contribute to this agenda through a more accurate understanding of the main organisational dimensions of sustainability oriented initiatives in the collaborative economy.

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