

Social Interaction, Citizen Participation and New Institution for Local Development: The Italian Experience of Community Co-operatives

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This paper contributes to the literature on institution and social interactions in to improve the wellbeing and socio-economic development of local communities. The potential development of local areas depends on interactions between economic, social, cultural and institutional factors (e.g. entrepreneurship capital, cultural and human capital, social networks) and on the ability of local actors to implement new initiatives and activities aimed at recognizing the economic and social value of the local assets in an ongoing interplay between endogenous and exogenous factors. (Becattini, 1989; Arrighetti and Seravalli, 1999; Trigilia, 2005). The economic and social development of local areas is dependent upon the presence of cooperation and trust. An indispensable condition for local development and social innovation, in addition to access to tangible resources, is therefore the capacity to create and utilize intangible resources linked to social capital (Coleman, 1990; Mutti, 1998; Bagnasco *et al.*, 2001) as well as the symbolic and cultural capital of a local area (Ray, 1998), to promote involvement, openness, transparency and cooperation between different local actors. Cooperative dynamics and trust-based relationships are built only gradually and rely upon an initial investment by economic agents. Over time, these interactions have the potential to institutionalize trust. In this analytical context, trusting relationships act as true elements of organizational control, as a governance device (Nooteboom, 1999).

Social networks are an important determinant of the socio-economic development processes. Granovetter (1985, p. 490) argues that economic action is embedded in concrete systems of social relations and «the embeddedness argument stresses instead the role of concrete personal relations and structures (or 'networks') of such relations in generating trust and discouraging malfeasance» Moreover, social network affect the flow and the quality of information, they are source of reward and punishment, and they spread norms and values. Social networks play therefore a key role in shaping the choices and actions of the actors (single or collective entity), in conditioning the emergence and evolution of the institutions, which are indeed socially constructed, and in influencing the organization of the economy. Any actors (single or collective entity) have its own network of relationships through which they can get in touch with different 'social worlds'; they can have several special resources that can be used in different ways, allowing them the opportunity to establish new relationships between people belonging to different networks.

The institutional adjustment (efficient or inefficient institutions) will be mediated by the role played by these social networks, which can be more or less powerful and may encourage or discourage specific solutions.

Local development depends therefore on the ability of local institutions to emphasize and take advantage of their specific territorial resources (natural, economic, human and cultural) and their ability to inspire participation from the local population, encouraging cooperation and building trust within the local community. Only in this way is it possible to «promote the improvement of infrastructure and provide efficient economic and social services such as the influx of capital and business investment, whether it be local or external» (Trigilia, 2001, p. 429).

In order to produce economic and social development, local institutions, thanks to direct contact with the local community, are responsible for (1) promoting and stimulating activities, create public collective goods, both immaterial (i.e. education) and material (infrastructures and services) and preserve the historic and socio-cultural heritage; (2) creating innovation; (3) spreading knowledge, cooperation, trust and social interaction among different local actors; and (4) provide 'rules of behaviour' and enforce both 'formal' and 'informal' rules in order to coordinate individual actions and ensuring the participation of different local actors.

The concept of institution assumes diverse meanings depending on different disciplines (sociology, economics, political science, sociology of the organization, etc.) as they 'use' this concept based on their own respective fields of investigation and scientific traditions. However, generally (e.g. Weber, Durkheim, North, Selznick), institutions can influence *economic action* and *economic development* at the local level.

Institutions are norms, rules and habits that (with different levels of effectiveness) define and limit the choices of individuals, influencing their behaviour. Institutional rules may support or bind actors in everyday life, determining a structure of social relationships. Institution support an actor helping him to direct his own strategies aimed to the pursuit of his own objectives, avoiding failure and unexpected consequences, due to either scarce individual competences or to high complexity and variability of the operational environment or both. At the same time, institution may bind an actor, imposing specific symbols, values, and ways to think and to act. It is only through respect for institutional rules that is possible to reduce the different types of uncertainty, which emerge especially in social cooperation.

Institutions may be social constructions, artefacts of a specific time, culture and society, produced by collective human choice and interaction, as a consequence of particular moments of "collective effervescence" (Durkheim, 1912) or may be the «rules of the game in a society or, more formally, as the humanly devised constraints that shape human interaction» (North, 1990, p. 3). Institutions are formal (political, economic, and juridical rules) and informal (cultural and socially shared rules and values) norms, present at a given time and place. They may be created or simply evolve to influence the evolution of economic activities and therefore different economic systems (able to stimulate or hinder local development) depend on different institutional orders (North, 1990).

Selznick (1948, 1957) distinguishes between 'instrumental organizations', that limit its to develop technical services, and organizations called 'institutions', able to do political planning. In 'instrumental organizations', the objective is administrative efficiency and a set of procedures rationally directed to technical aims. In 'institutions', the objective is to define, propose and spread values and norms and to have a specific identity and project. Only 'institutions' have leadership and they can define their own objectives, to pursue them with success and to influence the surrounding environment.

Within this analytical framework, this paper focuses on a new type of local institution that has emerged in Italy in the last years: *Community Co-operative*. In the literature, community co-operatives are considered a recent phenomenon, although the relationship with the community has always been a fundamental element of the cooperative movement (Campos, 1997; Borzaga, Depedri, Galera, 2010; Mori, 2014). However, over the years, cooperation has seen progressively weaken its 'concern for community' (the seventh principles of the International Co-operative Alliance) to take a more sector-based connotation and more focused (in a selfish way) to the economic interest of their members. Nevertheless, during the recent economic crisis, in the debate on which policies or tools are most appropriate to come out from this negative period (e.g. fall in GDP, rising unemployment, worsening of social and economic exclusion), a growing number of citizens began to take direct responsibility to finding new solutions to the specific problems and needs that affect their communities. Building

cooperation among citizens can be a way to organize general interest activities alternatively both to public intervention and to private market (Ostrom, 1990).

Numerous experiences of 'shared administration' and 'community management' of commons or goods of general interest are developing in Italy. These experiences help to overcome the traditional classification of assets based on public/private management, in favour of a classification (private good vs common good) that allows every citizen to benefit from their fundamental rights, and fostering forms of shared and actively participated management by citizens. Among this new form of collaborative economy and citizen participation, there are the *community co-operatives*.

Community co-operatives have arisen thanks to different actors (individual or collective) that decided to implement cooperative strategies (carrying out different activities) to provide new and shared solutions to emerging needs both in marginalized rural communities and urban neighbourhoods struggling with severe social and economic problems (declining populations, lack of services, abandoned areas, social exclusion, etc.).

Community co-operatives have the following characteristic. They are the result of a voluntary and collective dynamics involving different local actors (e.g. individuals, groups, local institutions) who belong to a specific 'place', share common interests or needs, are self-organizing on the territory, and participate on the basis of their will to contribute to the development of the community. They are citizen owned, governed and managed. They produce/manage goods and services that are of general interest to a community. They implement cooperative strategies, as they institution are based on norms, rules and habits pinpoint by the founders and members based on reciprocity and mutual benefits.

Community co-operatives represent a new local 'institutional model' of social interactions and citizen participation, capable to joint together the different existing social network at local level, to provide citizens with general interest services (e.g. healthcare, water, energy, transport, communication, etc.) not provided by either the private or public sector, to increase social capital and to influence the surrounding environment. These particular 'local institutions' distinguish themselves from other institutions or organizations by embodying values such as cooperation, reciprocity and territorial embeddedness while being based on a specific governance (inclusive, participatory and democratic open structure). In community co-operatives, citizens act together to meet their needs and they do it through an enterprise model: «we have not just a generic citizen participation [such as indirect citizen participation through political representation] but a specific kind of it, i.e. participation through a business organization they own» (Mori, 2014, p. 20). They are the same local actors who change their local environment. They are not passive spectators, but they act intentionally, communicate, interpret and manipulate the existing situations overcoming the path dependence and influencing the future institutional configuration (Rullani 1998).

On the one hand, community co-operatives can reduce uncertainty, information asymmetries and information costs. On the other hand, they can address different unmet local needs (e.g. social, educational, cultural, environmental), to provide efficient basic (and fundamental) services (e.g. water, energy, healthcare), to manage public assets (e.g. buildings, roads, utility grids, railways), to retrieve, redevelop, enhance and increase both tangible and intangible resources of a specific territory, and to boost the socio-economic development of marginalized and depressed rural or urban areas.

To investigate these objectives, the research has been conducted through a case study approach (Glaser & Strauss, 1967; Yin, 1981, 1984; Eisenhardt, 1989).

Through empirical example of community co-operatives in Italy, the aim of this paper is two-fold. First, to identify the building processes that underlie the emergence and development of these new cooperative models, and their capability to create social networks between different local stakeholders, foster citizen participation and act as local institution. Second, to show the

role of community co-operative in promoting new development projects and innovative activities and services to improve the living conditions of local population.

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