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Diversity of organisational and economic models in the collaborative economy

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Executive summary: in this policy brief, we use the Social Enterprise typology, developed by Defourny and Nyssens (2017), to describe the diversity of organizational and economic models within the collaborative economy in Brussels. Our findings show that there is a wide range of organizational models in the collaborative economy including many for-profit organizations but also a plurality of social enterprises and other third sector organizations. We also look at some major institutional trajectories shaping some of these organizational models within the collaborative economy field.

Diversity of organizational and economic models in the collaborative economy

Jacques DEFOURNY, Tom DEDEURWAERDERE, Louise LAMBERT and Marthe NYSENS

1. Context

Mapping initiatives labelled as Collaborative Economy by researchers or the media brings into light the great variety of the field. Indeed, the concept of collaborative economy covers a wide range of organizational and economic models, from multinationals like Uber to local social enterprises like Taxistop. Most of the literature on collaborative economy focus on capitalist platforms. In this policy brief, we would like to highlight the diversity of models and the existence of collaborative initiatives that can be labelled as social enterprises or as part of the social economy¹. Therefore, this policy brief aims at understanding the diversity of organizational and economic models in the collaborative economy and particularly the diversity of social enterprises. To that purpose, the recent typology of social enterprises developed by Defourny and Nyssens (2017) seems highly relevant. In the first part of this policy brief, we will explain the main building blocks of this typology. Then, we will apply it to the field of the collaborative economy. We will

¹ For a definition of social enterprise in Brussels, see <http://bruxell-es.be/entrepreneuriat-social/>

finally conclude with some policy recommendations.

2. A typology of Social Enterprise models

The typology of Social Enterprise Models developed by Defourny and Nyssens (2017), combines different types of principles of interest (namely the mutual, general and capital interest) and resource mixes to identify four major SE models

2.1 Principles of interest and economic models

Three principles of interest can be identified in the economy: the general interest (GI), the mutual interest (MI) and the capital interest (CI). When speaking about "the economy", the first type of organization that is generally identified is the "for-profit firm" driven by capital interest. In conventional approaches, the economy even merges with this unique logic. *Capital interest organizations* are controlled by investors who are mainly interested in the overall return of their capital ownership. Profit distribution and increasing the value of the shares are the main goals of these investors. However, it is well known that for-profit enterprises do face market failures, which call for an intervention of the state, driven by *the general interest*. Some associations driven by a social mission are close to the general interest logic, although their general interest (the community they serve) is usually not as wide as the one served by the state. There is also a third principle, often neglected when describing socio-economic realities: *the mutual interest*. The mutual interest refers the production of services or goods provided to members under their own control, provided the latter are not investors (the members' main goal focuses on such provision, not on the return on investment). In other words, mutual benefit organizations include all traditional types of cooperative enterprises, as well as voluntary associations driven by the interest of their members (such

as sport clubs, professional associations, etc.).

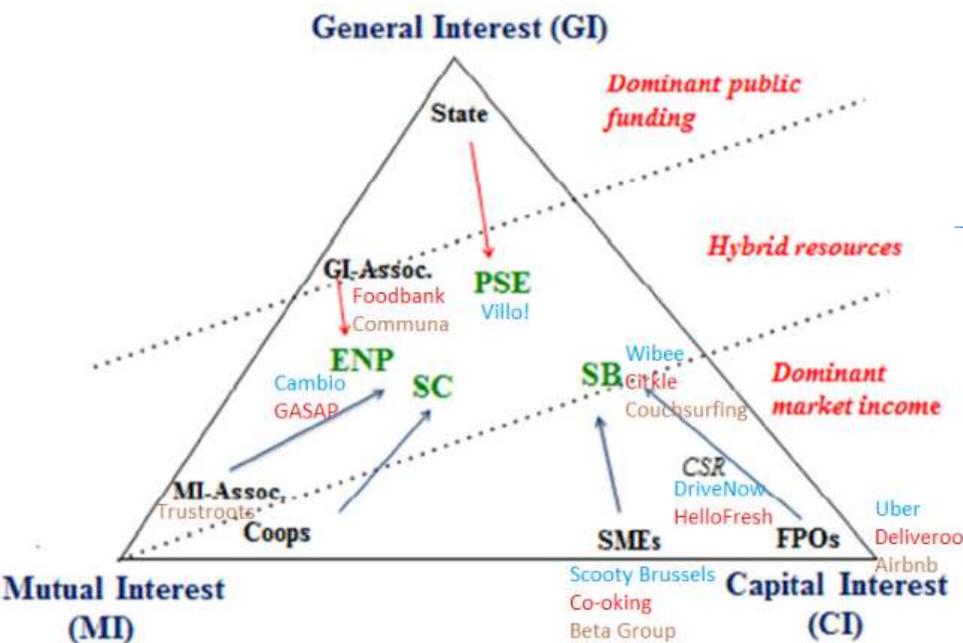
In addition to principles of interest, the type of resources that are mobilized also contributes to define “economic models” at large. More precisely the "resource mix" can include various combinations of three resource types: market income, public grants and philanthropic resources.

2.2 Institutional diversity in the collaborative economy

a. Different models of enterprises

In order to represent major models of social enterprises, Defourny and Nyssens (2017) draw a triangle based on these two dimensions: the interest principles and the types of resource mix. On the triangle hereafter (fig.1), the three principles of interest are quite remote from each other with some possible intermediary positions when different principles of interest are combined. The resource mix is represented by the two dotted lines across the triangle. They set up a distinction between situations in which public funding dominates, those in which market income is prevalent, and those in which a resource mix is chosen.

FIGURE 1: Typology of social enterprise models built on two dimensions: interest principles and resource mix. Source: Defourny & Nyssens (2017, p.12)



Legend: mobility examples are in blue; food examples are in red; housing examples are in brown.

Figure 1 first shows six traditional enterprise models (written in black) that can be seen as matrices from which social enterprise models are emerging (in green). On such a basis, we argue it is also possible to locate examples of Brussels collaborative initiatives for each of the “sectors” highlighted by the City4CoEN project , i.e. food, housing and mobility. In such a perspective, we start from the same **six traditional forms of organizations**:

1. Mutual interest associations (MI-Assoc) are *mutual interest organizations*. An example of MI-Assoc in the City4CoEN project is Trustroots. It is a closed travelers’ community managed by an English Foundation. It is run by volunteers and its services are provided for free. Each participant can become a member of the General Assembly. Trustroots therefore acts in the interest of its members, who control the organization.

2. Cooperatives (Coops) are also *mutual interest organizations*, owned and democratically controlled by their members. There is no coops in the City4CoEN project.

3. General interest associations (GI-Assoc) are driven by the general interest. An example of GI-Assoc in the City4CoEN project is the foodbank Brussels-Brabant. It is an association collecting food from large retailers and redistributing it for free to the less fortunates. It is operating on philanthropic resources (volunteers and donations).

Third sector org.

4. The State includes public organizations. There is no public organization in the City4Co project.

Public org.

5-6. For Profit Organizations (FPOs) are *capital interest organizations*. Although capitalist as well, many small and medium-sized enterprises (SMEs) may balance in a different way the search for profits and non-financial goals. SMEs and FPOs are numerous in

For-profit org.

the City4CoEn project. Uber, Deliveroo and Airbnb are examples of FPOs.

According to Defourny and Nyssens (2017), social enterprises emerge from these six traditional models through two distinct institutional trajectories : (1) an “upward” move of mutual or capital interest organizations towards a greater orientation to the general interest (blue arrows in the figure 1); (2) a “downward” move of general interest organizations towards more market activities in order to complement their existing resources (red arrows in the Figure 1)².

We now look at these trajectories in order to discuss how collaborative economy initiatives may be represented in this figure as well. **The upward move to a larger general interest orientation gives birth to the social cooperative model and the social business model.**

1. The social cooperative (SC) model differs from traditional mutual interest organisations (Coops and MI-Assoc) in that it combines the pursuit of its members’ interests (mutual interest) with the pursuit of the interests of the whole community or of a specific group targeted by the social mission (general interest). This model aims to implement forms of democratic governance and includes many multi-stakeholder organizations³. An example of SC in the City4CoEN project is the short-circuit agricultural cooperative Agricover, jointly created by producers and consumers of organic

food. Users, producers, workers and other cooperatives are members of the general assembly. Besides the commercialization of agricultural products, Agricover also is building a network of farmers and it develops activities to raise awareness on sustainable agriculture. It therefore combines the pursuit of its members’ interests with the pursuit of the interests of the whole community.

2. Social businesses (SB) are rooted in a business model driven by shareholders’ interest, but they mix this logic with a “social entrepreneurial” drive aimed at the creation of a “blended value”, in an effort to balance and better integrate economic and social purposes. Circle is an example of such social business. It is a commercial company (SPRL) selling organic and local food baskets. It is part of the circular economy movement: it tries to reach zero waste in its activity. Furthermore, it collects unused objects (clothes, furniture, food, etc.) and gives them to charities.

The second movement can be observed among public and non-profit organisations, namely a movement towards marketization.

3. The entrepreneurial non-profit (ENP) model gathers all non-profit organizations, most often GI-Assoc, which are developing any type of earned-income activities in support of their social mission. It may also include MI-Assoc evolving towards a greater orientation to the general interest. An example of the latter is GASAP. GASAP is a group of consumers who connect themselves directly to a local farmer for a long period in order to buy in advance seasonal and organic products from him on a regular basis. It is informal and self-managed by consumers. It operates with a mixture of market income and philanthropic resources (volunteers). The target groups are both the consumers (mutual interest) and the producers (general interest).

4. The second model resulting from the movement towards marketization is the public-sector social enterprise (PSE) model that embraces “public-sector spin-offs”. The latter

² At first sight, when looking at Figure 1, the four SE models seem to arise from new dynamics at work in pre-existing organizations. Thus, it may seem that social enterprises cannot be created from scratch. “Such an interpretation is clearly misleading as individual social entrepreneurs or any group of persons can in fact start and take place almost wherever they want in the triangle; their location will depend on their general interest orientation, on the way in which they balance social and economic objectives, etc. » (Defourny and Nyssens, p.17).

³ In a multi-stakeholder organization, a plurality of stakeholders (it can be users, workers, volunteers, providers, investors, etc.) are part of the governing bodies (mainly the General Assembly and the Board of Directors).

can be the result of externalisation of public services to private entities. Brussels city-bikes Villo! is an example of PSE. Villo! is managed by the commercial company JCDecaux while staying under public control.

b. Lessons from the different models

When looking at the figure 1, we can argue that there is an **important diversity of organizational models** within the collaborative economy with structures having different modes of governance, resource mixes and principles of interest.

Indeed, although the **governance structure** is not represented in the triangle, we should keep in mind that the governance “shapes the respective places of the social aims and the economic objectives in most social enterprises” (Defourny and Nyssens, 2017, p.20).

The governance structure can be studied through the decision making process and through the allocation of profits. The **decision making process** can be qualified as democratic, bureaucratic or capitalist. It is democratic when the “one person, one vote” rule applies in the governing body that has the ultimate decision-making power or at least when the voting rights are not allocated according to capital shares (for example as in Agricover or Trustroots). In the capitalist type of governance, “the ultimate decision-making power is in the hands of the shareholders according to the proportion of shares they hold” (for example as in Uber or Circle). Finally, when public authorities are the main shareholder, the governance will tend to be bureaucratic (as in Villo! For instance).

As far as the **allocation of profits** is concerned, constraints on the distribution of profits can be observed as a mean of precluding pure profit-maximizing behaviors. Different situations can occur from a total non-distribution constraint (as in Foodbank or Trustroots) to limitations on the distribution (as in Agricover), to the absence of any constraints (as in Uber or Circle).

On the basis of all identified Brussels collaborative initiatives in the three industries (food, mobility and housing), we can make

three observations. First, capitalist organizations (FPOs and SMEs) are the most numerous within the collaborative economy in the Brussels Region. Second, a few initiatives are part of the traditional third sector, especially as GI-Assoc and MI-Assoc. Third, we find an important number of social enterprises, mostly as social businesses and social cooperatives.

A striking finding is that **initiatives developing a same activity can take quite diverse organisational models.** For instance, ridesharing is organized in Brussels by foreign for-profit companies (BlaBlaCar and Commuty) but also by local non-profit associations (Carpool, Eventpool). The same can be said for the housing sector where we find, for example, for-profit companies (eg. Couchsurfing), foundations (eg. Trustroots) and associations (eg. Be welcome), all organizing free hosting services amongst peers. Actually, most of the activities organized by for-profit companies have their counterpart as non-profit organization.

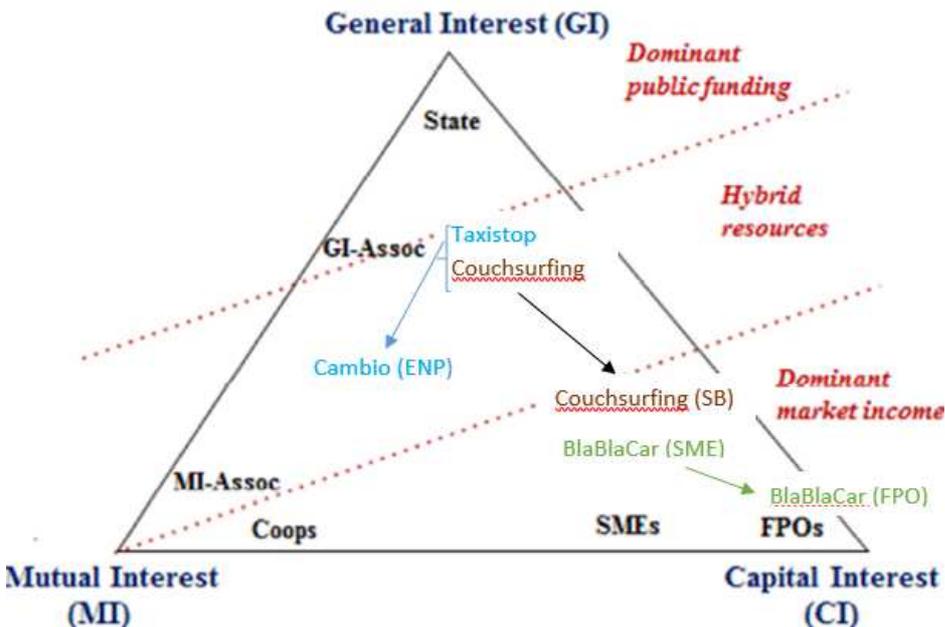
So far, we described the institutional diversity within the collaborative economy in a static way that took SE trajectories for granted. To complete this picture, we now would like to adopt a view paying attention to dynamics at play in the collaborative economy itself.

2.3. Institutional trajectories in the collaborative economy

The institutional diversity of a sector evolves over time with initiatives appearing, disappearing or changing its economic or/and organizational model. In this policy brief, we focus on changes observed within collaborative initiatives.

In the collaborative economy in RBC, most initiatives mapped here above are relatively new and therefore did not yet change their legal status or organisational model. However, some initiatives show interesting institutional trajectories. The figure below shows three examples thereof.

FIGURE 2: Institutional trajectories in the collaborative economy



The first example (**Taxistop**) corresponds to the downward move of general interest organizations towards more market activities. At the beginning of its activity, in 1975, Taxistop first created a project to secure hitchhiking and a few years later, in 1979, a carpooling project. In the following years, many different projects have been launched in the mobility and housing sectors. By that time, it was a general-interest organization with very little market income. In 2000, Cambio was launched as an important platform of car renting relying much more on market income. To manage this new activity, a new corporation has been created under the legal form of a public limited company, owned, amongst other, by the STIB⁴ and Taxistop. Cambio is therefore a social enterprise driven by the general interest resulting from a movement towards marketization⁵.

The second example (**Couchsurfing**) corresponds to an institutional trajectory not theorised, as such, by Defourny and Nyssens (2017) but presented as a risk, widely recognized by the literature (Hudon, 2017). It is the movement of general or mutual interest organisations towards a greater orientation to market income and to capital interest, which

can be explained, amongst other things, by a need to attract venture capital. Such a move towards marketization generate tensions in SEs. In other words, the hybrid logics of SEs might trigger a mission drift, and so jeopardize their social goals. Mission drift is observed when an organization loses sight of its original mission.

Couchsurfing was created in 2000 as an American non-profit organization. In 2011, its founders wanted to get the American status 501(c)3, which would exempt the site from federal income taxes and allow it to accept tax-deductible donations. They did not get the licence and instead of, they opted for a new designation – the B Corporation, a certification for socially responsible for-profit companies – like Patagonia for instance. With this certification, the corporation would be submitted to an audit every two years to ensure it respects its mission⁶.

Couchsurfing was originally financed by donations. However, since the change in 2011 to a for-profit company, the firm no longer accepts donations. Instead, it passed several deals with venture capital funds and angel investors who are now part of the Board of Directors⁷. Until 2011, the development of the website mostly took place at Couchsurfing Collectives, i.e. through events which lasted a few days or weeks and brought members together to improve and develop the website⁸.

After the change to a for-profit corporation, these collectives no longer occurred as the use of volunteers' work is forbidden in commercial enterprises in the US. Members were opposed to this evolution especially because founders now have a financial interest in an organization that was financed by donations and built using

⁴ Public enterprise managing the public transport in Brussels

⁵ Cambio, https://www.cambio.be/?cms_knschluessel=HOME&cms_Feurocode=BXL, consulted on 11-07-17

⁶ <https://www.inc.com/magazine/201206/issie-lapowsky/couchsurfing-new-profit-model.html>, consulted on 11-07-17

⁷ <http://www.businesswire.com/news/home/20110825005488/en/CouchSurfing-Raises-7.6-Million-Series-Benchmark-Capital>, consulted on 11-07-17

⁸ <https://gigaom.com/2015/01/10/how-couchsurfing-became-the-friendster-of-the-sharing-economy/>, consulted on 6-07-17

volunteer work⁹. Today, Couchsurfing has evolved to become a worldwide commercial company with 14 millions users.

As a result of such evolution, Couchsurfing made important changes in the governance structure and its financial structure. The shift toward a capitalist governance and the mobilisation of venture capital in place of donations probably increased the pressure to make profit and changed the initial mission. It is still possible to consider Couchsurfing as a social business due to its B certification and the fact that it remains free of charge. Nevertheless, if the company wants to avoid a further mission drift, it will probably have to make strategic choices around the type of governance structure and the economic model in order to preserve the primacy of the social mission, provided it is still the main objective of the enterprise.

The **third example (BlaBlaCar)** corresponds to a category of SMEs driven mainly by capital interest with an inclination towards the general interest. BlaBlaCar was created in 2006 under the name of Covoiturage.fr as a private corporation under the legal form of a public limited company. Until 2011, it was free of charge and had activities mostly in France. Its mission was to promote sustainable transport¹⁰. In 2010 and 2012, it raised important funds through venture capital firms¹¹ and became a paid service in 2011. Since that time, it expands in many countries. In 2012, it created subsidiaries in Southern Europe, Benelux, UK and Germany. In 2014, it reached Russia, Ukraine and Turkey. In 2015, it expanded into many Eastern and South-Eastern European countries as well as in India, Mexico and Brazil¹². Parallel to its expansion, BlaBlaCar engaged in a strategy of buying locals competitors out (eg. Carpooling in Germany,

Autohop in Hungary or Rides in Mexico)¹³. Nowadays, BlaBlaCar is the worldwide leader for ridesharing. It switched from a SME model to a multinational enterprise.

These three examples show the importance to understand the evolution of the institutional diversity of a sector alongside a photography thereof. The landscape is rapidly changing. Particularly, some organizations are evolving over time and with this evolution, institutional models are changing as well as missions pursued by these organisations. Governance structures, economic models and types of mission are closely interconnected. Anyone involved in such organizations or analysing them should therefore keep a close eye on the evolution of these three dimensions, especially if they want to preserve the initial mission.

The reality of mission drift in organizations also hints beyond the structural analysis of diversity presented in this Policy brief. A broader, interdisciplinary approach is needed to deepen the understanding of such fast-moving initiatives.. This will be part of other components of the city4coEN research program. Complementary factors the research team will study in collaboration with practitioners include the analysis of intrinsically motivated behavior as a driver of organizational leadership and the role of policy in creating an environment that promotes innovation as well as long-term operations of mission-driven organizations.

⁹ <http://www.triplepundit.com/2011/09/couchsurfing-corporation-bona-fide-bogus/>, consulted on 6-07-17.

¹⁰ http://lexpansion.lexpress.fr/high-tech/covoiturage-fr-veut-faire-sauter-les-freins-du-partage-de-voiture_1385656.html, consulted on 10-07-17

¹¹ <http://www.frenchweb.fr/exclu-covoiturage-leve-75-millions-euros-60130>, consulted on 10-07-17

¹² <https://www.blablacar.fr/blablalife/nouveautes>, consulted on 10-07-17

¹³ http://abonnes.lemonde.fr/economie/article/2015/04/15/blablacar-rachete-l-allemand-carpooling_4616017_3234.html, consulted on 10-07-17

3. Conclusion and policy implications

The collaborative economy is often seen as a new sector that should be regulated with the same rules applying to all platforms and collaborative initiatives. In another perspective, this policy brief draws attention to the wide diversity of organisational and economic models within the collaborative economy. Indeed, not only capitalist platforms are part thereof. It also includes various models of social enterprises and a few traditional third sector organizations. The typology of social enterprises elaborated by Defourny and Nyssens (2017) helped us to understand and describe this diversity. On his side, Scholz¹⁴ already stressed the presence of collaborative initiatives taking the form of cooperatives. We want to pursue his work by emphasizing the presence of cooperatives but also the plurality of social enterprises and third sector organizations.

Finally, to better apprehend and consider this diversity of models, we would like to propose **two political recommendations**.

1. First, the diversity of organisational models should be better documented through data collection and statistical work.
2. Second, public bodies should be aware of this diversity and take it into account when discussing new regulations for the field.

Main reference

Defourny, Jacques & Nyssens Marthe,. "Fundamentals for an International Typology of Social Enterprise Models." In: *Voluntas: international journal of voluntary and non-profit organizations*, p. 1-60 (2017) (available on https://www.iap-socent.be/sites/default/files/Typology%20-%20Defourny%20&%20Nyssens_0.pdf)

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¹⁴Scholz, T. (2016). *Platform Cooperativism. Challenging the Corporate Sharing Economy*, Rosa Luxemburg Stiftung.