

The challenges of diffusing socially innovative organizational models: the case of renewable energy source cooperatives (REScoops)

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1. Introduction

While the ability of social enterprises to generate innovative solutions to social and environmental needs is increasingly documented (e.g., Defourny 2001; Harrisson & Vézina 2006; Nicholls 2006), little is known about the processes through which social enterprises diffuse and institutionalize their innovations. These processes are important not only to understand institutionalized fields of practice (e.g., Bouchard 2006), but also –and even more– to inform the creation of new fields through the diffusion or ‘scaling up’ of social innovations (Maguire *et al.* 2004; Mulgan *et al.* 2007).

This paper examines the role of social enterprises, more particularly cooperatives, in creating and diffusing innovative institutional arrangements in the field of renewable energy sources (RES) in Europe. RES have been developed in Europe since the end of the 1970s. While social-ecological movements have been instrumental in shifting the public attention towards the need for alternative energies (Sine & Lee 2009), in most countries the sector has rapidly become dominated by corporate actors experienced in building large-scale RES projects. In an attempt to counter the corporate hegemony and to protect available lands, a range of citizen initiatives have emerged under the name of REScoops (Coen 2010).

Although not very numerous, these initiatives seem particularly efficient in terms of environmental preservation (green energy, rational use of energy), economic settings (price, sustainability, etc.) and citizen involvement. Indeed, REScoops are conceived as multi-stakeholder and cooperative schemes involving citizens, municipalities and local economic players. In spite of their evident assets, REScoops are not very numerous and their market share is still small compared with that of mainstream corporations. This article explores two possible reasons why this could be the case: weaknesses inherent in the REScoop model, and lack of awareness and recognition of this model. The latter obstacle could prove more challenging than it may seem, in the typical context of a contest around boundaries and dominance in an emerging field (Santos & Eisenhardt 2009). This is why, as a last step, attention will be paid to the legitimating strategies coops may use to have their organizational arrangements recognized as an economically, environmentally and especially democratically superior avenue to the management of RES.

This paper is structured as follows. In the next, theoretical section, the three main dimensions of the research are introduced: the assets of the cooperative model, its weaknesses, and the challenges of its diffusion. These issues are examined using both economic and sociological lenses. Then, we briefly describe the field of RES and the

methodology used. The fourth and largest section then presents and discusses the findings for the three dimensions, before concluding and opening trails for future research.

2. Theory

2.1. The cooperative model as a social innovation

Social innovations can be defined as *“innovative activities and services that are motivated by the goal of meeting a social need and that are predominantly developed and diffused through organisations whose primary purposes are social”* (Mulgan *et al.* 2007: 8). Social innovation can be understood in at least two senses: *“social innovation through the satisfaction of unsatisfied or alienated human needs; and, innovation in the social relations between individuals and groups”* (Moulaert *et al.* 2005: 1973). In the first view, social innovation refers to an outcome which takes the form of socially innovative products or services. In the second view, social innovation rather refers to the processes through which a social or environmental need is solved. Social enterprises appear to be socially innovative not so much in the nature of the products and services they offer, but rather in the way in which they govern and organize the provision of these goods and services. In this article, the social innovation we identify here is the cooperative model involving multiple stakeholders as a tool to produce and distribute RES.

The International Co-operative Alliance (ICA) defines a cooperative¹ as *“an autonomous association of persons united voluntarily to meet their common economic, social, and cultural needs and aspirations through a jointly-owned and democratically-controlled enterprise”*.² Seven principles to which cooperatives must comply were formulated by the ICA in 1995: voluntary and open membership; democratic member control; member economic participation; autonomy and independence; education, training and information; cooperation among cooperatives; and concern for community.

In economic terms, cooperatives are a distinct form of business organization because they have a different model of ownership. By definition, cooperatives are firms that are owned by their users rather than by their investors (as is the case of capitalist corporations). It means that the former enjoy what is referred to as their “double quality”. They are simultaneously members and users of the firm. Their ownership rights take a very specific configuration. First, firm's net earnings are usually divided pro rata among the members according to the volume of transactions they have realized with the firm. And second, all voting rights are apportioned among the members according to their relative amount of transactions, or, more simply, on a “one member, one vote” basis.

Coops can definitely be considered as a socially innovative model, not only at the time of their first emergence but in all the cases in which they emerge as alternative solutions better able to answer social needs than extant arrangements (Mulgan *et al.* 2007; Phills *et al.* 2008). In the 19th century, cooperatives mainly emerged within the working class to offer better opportunities to the workers. Producer and consumer cooperatives were also created as a tool to fight monopolies. Besides its economic functions, cooperatives were also part of a broader social movement with political aims of transforming society (Birchall 1997; Reed & McMurtry 2009). While cooperatives in the North and in the South remained quite powerful until WWII, they afterwards declined for a number of reasons. A large number of coops did not resist the competition with mainstream businesses and disappeared. Other coops were bought over by their competitors which were better equipped in capital. Some coops evolved themselves into traditional businesses after having opened their ownership to investors other

¹ Written “co-operative” or “cooperative”; the latter writing will be used here as well as the abbreviation “coop”.

² <http://www.ica.coop/coop/principles.html>, viewed on 25 May 2011

than the users-members. In several regions, however, coops have remained powerful economic and social actors, for instance in the Basque region (Mondragon), in Québec (e.g., Desjardins) (Vienney 1997) or in some African countries (Ghana, Kenya, etc.). However, some of the coops who have experienced tremendous growth and survived competition have been criticized by some for adopting practices similar to mainstream businesses and losing their cooperative identity (Monaci & Caselli 2005).

While the last decades have seen many coops disappearing or evolving into mainstream businesses, several authors suggest that, in recent years, cooperatives have been experiencing a renewal (Birchall 1997; Gijssels *et al.* 2007). Far from reaching the same diffusion and power as in the past, the cooperative model has proved to be particularly suited in a number of new fields of practice responding to current societal challenges (Borzaga & Spear 2004). These challenges include employment for low-skilled workers (work integration coops), respect of the environment (organic farming and consumption, renewable energy, insulation, etc.), access to housing (e.g. grouped housing), access to market opportunities (fair trade), etc. Coops have thus emerged in these new fields, but also in more traditional sectors where mainstream business solutions failed (for instance industrial firms recuperated by their workers in Latin America). New types of “multi-stakeholder” coops have been developed which gather different categories of stakeholders: workers, consumers, producers, partners, etc. (Galera 2004; Münkner 2004). This is especially striking in the new cooperative models oriented towards the general interest (not only the interest of the members), as institutionalized in several countries (social cooperatives in Italy, collective interest cooperatives in France, etc.). These new coops including a general interest dimension can typically be described as ‘social enterprises’, together with other organizational models combining a commercial activity with the pursuit of social aims (Borzaga & Santuari 2001; Borzaga & Spear 2004; Levi 2001).

2.2. Cooperative assets

The adequacy of socially innovative organizational models such as coops have been highlighted by several authors (Hansmann 1999; Levi 2005; Mertens 2005; Spear 2000). Drawing on new institutional economics and transaction cost theory in particular (e.g. Coase 1998; Williamson 2000), Hansmann (1996) suggests that organizations adopt the organizational form that enables them to minimize the costs of their transactions with their “patrons” (i.e., all those who transact with the firm): investors, customers, suppliers, employees, etc. We will refer to those persons as stakeholders of the firm. Assigning ownership to a particular stakeholder allows firms to reduce the costs that would be endured through a traditional market relationship with that stakeholder. For instance, giving ownership to the investors enables for-profit firms to access capital at a much lower cost and through more flexible solutions than if the same amount of capital had to be purchased on the market, typically through bank loans. This is referred to as the *cost of market contracting*: the likelihood of taking ownership will be stronger for stakeholders whose transactions with the firm through the market would be costly.

However, assigning ownership also entails costs. Such *costs of ownership* include monitoring costs, costs of collective decision-making and costs of risk-bearing. Monitoring costs (also called agency costs) are the result of the need to control managers and of the inefficiencies inevitably caused by the managers, over whom control is necessarily incomplete. The costs of collective decision-making result from the difficulty of owners in making common decisions. The costs of risk-bearing are related to the risk of bankruptcy or negative financial results of the firm.

There is thus no universal “best way”, but there are a set of efficient (i.e., cost-minimizing) solutions. Thus, according to Hansmann, the most efficient assignment of ownership is the

one that minimizes the sum, over all the patrons of the firm, of the costs of market contracting and the costs of ownership.

Assigning ownership to the users of a firm, as is the case in the cooperative model, can be depicted as an efficient solution in a number of well-known cases. The literature identifies three situations in which the cooperative model minimizes the costs of market contracting while not generating too high cost of ownership (Hansmann 1999; Spear 2000): excessive market power; contract failure; and production of quasi-public goods and externalities (Mertens 2005; Ostrom 1990). Although these three situations are different, they have in common to enhance opportunistic behavior. To avoid being the victims of opportunism, stakeholders need to implement mechanisms for monitoring and control, which increases their transaction costs. In these cases, becoming owners of the firm may be a less costly solution for these stakeholders. Although the situations described in the literature are broader, we limit the scope here to situations in which *consumers* are likely to suffer from opportunistic behavior by a firm owned by its investors.

The first situation described in the literature is that of excessive market power. In this situation, for instance in a monopoly, a firm can use its market power to set high prices or offer poor quality products, at the expense of its consumers. In response, groups of consumers may find the cooperative form structurally more trustworthy and less exploitative (Spear, 2000). In the consumer cooperative, consumers are the owners and they may decide to emphasize access to quality products at lower prices rather than profit maximization. They use this form of organization to fight against excessive market power, *“through a spirit of self-help by weak actors in the market”* (Spear, 2000: 513).

Opportunistic behavior may also occur in a second situation. When there is a lack of information available to the consumers and a lack of capacity to monitor the quantity and quality offered, economists recognize that there is a failure of contractual arrangements, giving rise to exploitation by for-profit firms. *“In these circumstances, customer ownership has the virtue that it reduces the firm’s incentive to exploit its informational advantage”* (Hansmann 1996: 28). The cooperative model has a competitive advantage because it engenders trust. The configuration of ownership rights prevents managers to engage in opportunistic behavior: the profit distribution constraint and the democratic governance system protect the members as consumers (Spear, 2000).

Finally, institutional economists also recognize that investor-owned firms are not the most efficient form of enterprise for providing quasi-public goods and dealing with certain externalities. Without entering into details, let us recall that the production of quasi-public goods requires nonmarket resources (public grants, philanthropy). For the aforementioned arguments of trust, these resources are less accessible to investor-owned firms. In addition, the production of positive externalities or its corollary (the reduction of negative externalities) means that the firm supports additional environmental or social costs. Producing these externalities creates a conflict of interest for owners who are trying to get the maximum return on their investment. The cooperative, by contrast, is able to mobilize non-market resources and may, if its members agree, accept lower profits because it voluntarily supports additional environmental or social costs. The democratic model of governance that is observed in coops has also been described by Ostrom (1990) as one of the best solutions for the management of common resources.

Giving ownership to particular stakeholders in the context of cooperatives, however, also entails costs. The democratic governance may slow down decision-making processes or lead to inefficient decisions (Couret 2002; Hansmann 1999). This may be even more difficult when the stakeholders have diverging interests, because agreements will be more difficult to achieve and because some decisions are likely to favor particular members over others. Diverging interests may be particularly strong in “multi-stakeholder” cooperatives, gathering

different types of stakeholders such as producers, consumers, investors, etc. This is why cooperatives are typically found in contexts in which the interests are made convergent thanks to a common identity: regional, cultural, religious, ideological, etc. (Defourny *et al.* 2000).

In summary, cooperatives are likely to emerge where some stakeholders (among which consumers) have a strong advantage in becoming owners whilst having convergent interests. In these cases, cooperatives may enjoy competitive advantages through a privileged, “win-win” relationship with the key stakeholder group(s). Such win-win relationship is likely to ensure loyalty of the members and attract other members over time.

2.3. Cooperative weaknesses

Given the assets of cooperatives, many of which have been observed in various fields and regions, one may wonder why this organizational model is not more widespread. While economists tend to enumerate exceptions to the abovementioned assets or bring complexity in the arguments, we believe that the lack of scaling up of cooperatives has also to do with other types of factors: barriers to entry and legitimacy issues.

A first series of factors may lie in what industrial economists call “barriers to entry”. This includes all the obstacles that make it difficult to enter a given market, such as: economies of scale, government regulations, customer loyalty (or inertia), distributor agreements, size of the investments, etc. All these barriers may prevent a competitor from entering a market, despite its potential competitive advantages. In other words, cooperatives may be the most efficient solutions in a number of cases, if they do not have access to the market for instance because of the existence of a monopoly (due to large economies of scale) or because of an unfavorable legislation, such efficiency will remain theoretical and not be converted into market shares.

It is worth noting that the previous section precisely presented market configuration as one of the factors explaining the emergence of cooperatives. But it is not because many cooperatives emerge to counter imbalanced market configurations such as monopoly and monopsony that these configurations *automatically* lead to the creation of cooperatives. In many cases, the monopoly is too strong to enable the creation of competing firms at all, let alone cooperatives. While monopolies often lead to a strong dissatisfaction of consumers, on which cooperative entrepreneurs may build, the entrepreneurial process is much more complex and hazardous than just seizing the opportunity caused by such dissatisfaction.

One of the most challenging barriers to entry faced by cooperatives is probably the difficulty to gather sufficient capital, particularly in capital-intensive industries. By definition, non-investors-owned firms are less attractive to investors seeking to maximize the return on their investments. Capital is limited to the amount raised from the members. This sometimes leads to under-capitalization, which prevents the firm from entering a market that requires a large capital base (Chesnick 1997; Cook & Iliopoulos 2000).

More fundamentally, the relatively weak development of coops in spite of their assets refers to the fact that institutionalization is all but automatic and that efficiency is not synonym with legitimate. Indeed, “efficient” organizational models, and social innovations in general, may not be legitimated and institutionalized at all; on the other hand, there may be very legitimate success stories that are based on weak economic grounds. In brief, there is no automatic link between the theoretical assets of an organizational model and its diffusion. Accordingly, the way in which social enterprises manage the legitimation of their organizational innovations is probably as important as the intrinsic qualities of these innovations.

Different types of legitimacies can be distinguished, three of which are often put forth in the organizational literature (Deephouse & Suchman 2008; Suchman 1995): pragmatic

legitimacy, resulting from the advantages stakeholders perceive in the initiative; normative legitimacy, relating to how stakeholders consider the initiative based on their values and moral judgments; and cognitive legitimacy, referring to the extent to which the initiative falls into the stakeholders' pre-established categories and is "taken for granted". Cooperatives enjoy certain pragmatic legitimacy for a number of stakeholders, primarily users (consumers, producers, workers, depending on the type of cooperative) who enjoy both the ownership of the organization and a privileged use of its services. Many other stakeholders may find an interest in coops; but probably in a more indirect way, for instance the local community who may indirectly enjoy economic and social benefits from the action of the coop. Other stakeholders, however, may find no such benefits or even be disadvantaged by the coop's action. External investors, for instance, have no access to the shares of a coop. Competitors, typically, may suffer from the (potential) development of coops, especially if it provides better and/or cheaper services to its users.

Normative legitimacy is less likely to be problematic. In Europe, except a small part of the public opinion who would see coops as socialist-minded models inherited from the past, most people would have a rather positive opinion of coops, if not for its potential of alternative to the classical for-profit firm, then at least due to its democratic governance and its community involvement.

The most problematic type of legitimacy for coops and social enterprises in general is undoubtedly cognitive legitimacy (Dart 2004). People do not know what is a cooperative. It is certainly not a taken-for-granted organizational model and it is not associated with a given field or activity. When people think business and economic activity, they spontaneously see the traditional for-profit business model. When they think of private answers to social or environmental needs, it is the nonprofit or NGO model that springs to mind. When democracy is at stake, the state appears as the natural guardian. Few people would consider the very notion of hybridity between business and social or environmental needs, or between business and democracy; and if they do, even fewer will link such hybridity with the cooperative model. Definitely, coops enjoy little legitimacy simply because people, stakeholders, decision-makers etc. do not know them. Hence, much of the coops' efforts in scaling up their model, or even in only surviving, lies in gaining cognitive, before pragmatic and normative legitimacy.

2.4. Institutionalization strategies

Little is known about the diffusion or institutionalization of cooperative and other socially innovative organizational models. Especially, the reasons why institutionalization attempts meet success or not remain little known. To what extent does "successful" institutionalization depend on the "quality" of the social innovation, on the networking capacity of social enterprises, or on the strategy of other key actors such as governments and businesses? Given their lack of (cognitive) legitimacy, coops have a major interest in answering these questions.

Institutionalization dynamics are at the core of "institutional theory", more particularly its recent agency-based developments, commonly grouped under the banner of 'institutional entrepreneurship' (Battilana *et al.* 2009) or "institutional work" (Lawrence & Suddaby 2006). While the first approach is focused on the emergence of new fields, the second encompasses the whole set of processes of creating, maintaining and disrupting institutions.

Two main sets of strategies for institutional work have been highlighted in the literature. First, at the discursive level, the promotion of a model as superior to existing arrangements involves at least two steps: the delegitimation of these arrangements based on the diagnosis of their failures; and the justification of the new model as better able to overcome these failures (Battilana *et al.* 2009; Garud *et al.* 2002; Lawrence & Suddaby 2006).

A second set of strategies is networking and alliance-building. Several authors consider that interorganizational collaboration sets the basis for replication and diffusion of practices at the field level (Lawrence *et al.* 2002; Phillips *et al.* 2000). Two types of collaborations deserve attention: the internal alliances with same-status actors and the “cross-sector” alliances involving different types of actors (eg. businesses, governments, NGOs, social enterprises, etc.). While the former alliances are easier to build because of the convergence of interests between the actors (pioneers promoting the innovation), it is the second type that probably has the strongest impact in terms of institutionalization, which necessarily requires support from actors with other types of resources than the pioneers. Fields centered on social innovations offer good examples of these dynamics (Mair & Marti 2006), with collaborations observed both among social enterprises pioneering the innovation (Davies 2009) and between social enterprises, governments (eg. Young 2000) and businesses (eg. Di Domenico *et al.* 2009; Le Ber & Branzei 2010). A large part of the institutional work literature is devoted to examining which alliances and which actors are most likely to succeed in diffusing new institutional arrangements..

3. Field and methodology

To illustrate the balance between the intrinsic quality of the socially innovative organizational models and the challenges of their institutionalization, we chose an emerging field with evident assets of the model but severe challenges in terms of scaling up. Within the field of renewable energy sources (RES), we focused on cooperatives involving citizens and other stakeholders (REScoops). Their assets appeared in a quite striking way, as will be developed in the next section. However, their relatively poor replication (the degree of which varies according to the countries), their weak position with regard to for-profit competitors and the lack of support from stakeholders such as governments gave a good illustration of the difficulties to scale up even good ideas.

The field of RES has tremendously developed over the last two decades, including wind and solar energy, but also hydropower, biomass and geothermal energy. These sources have been increasingly promoted in the context of public climate policies aiming to reduce the dependency on non-renewable energies. This is especially the case in Europe. The “20-20” strategy (aiming to reduce carbon emissions by 20% in 2020) has included several strategies to promote RES production. These tools have been developed both directly by the EU (e.g. the “Intelligent Energy Europe” program), and indirectly through the member states, whose situations and priorities vary a lot.

Two main economic functions can be distinguished relating to RES: the production of RES, and the distribution of electricity based on RES (“E-RES”). In terms of production, according to the European Renewable Energy Council (EREC), the percentage of RES in the total production of energy in the EU has evolved from 8 to 12% between 2005 and 2010, and from 15 to 21% if we only consider electricity. The proportion of this energy produced by REScoops, however, remains weak although growing: from 1 or 2% in Southern and Eastern Europe, to 6% in Belgium and France and an estimate of 15% in Scandinavian countries (REScoop.eu 2011). Besides production of RES, a related market is that of the distribution of the produced energy, particularly in the form of electricity. This market is even more difficult to enter for REScoops, as it has only recently been liberalized and is still controlled by a small number of electrical companies. An additional difficulty is that the electricity grid is often owned by the historical electricity provider in each country. Several REScoops, however, have started distributing E-RES, with the goal of increasing their membership and controlling a larger part of the supply chain. According to the EREC, the total RES turnover, including both production and distribution, is located around 100 billion euros (2011).

In all countries, however, the RES market is dominated by large corporations. Although REScoops offer numerous advantages in terms of both economic efficiency and citizen involvement, they still represent a small share within the RES market. The reasons explaining this seemingly paradoxical situation given the assets of this model constitute the main motivation of this research.

To better understand the challenges facing REScoops regarding the diffusion of their model, this paper draws on a qualitative methodology, using case studies to confront theoretical propositions (Yin 2009). Two sources of data were used and triangulated (Patton 2002). First, two reports related to REScoops were analyzed, respectively by a European network (REScoop.eu 2011) and a Belgian social economy agency (Coen 2010). Second, 12 semi-structured interviews were led with key informants in the field, including REScoops (7), social enterprise networks and support structures (3) and local government representatives (2), mainly in Belgium. The cooperatives were all members of the REScoop.eu network, a recently created network aiming to represent European REScoops. Their representatives (managers, board members or public relation officers) were met in Brussels during a one-day meeting officially launching the network. Hence, the choice of the cooperatives is all but representative: we deliberately chose the REScoops most involved in defending and diffusing their model.

The individual interviews and the content of the meeting were recorded and transcribed. Then, the most significant elements were coded according to the three research dimensions: what the REScoop representatives considered as their assets; why their model remained relatively confidential; and the strategies for scaling up their model. The cooperative assets in terms of economic, environmental and democratic efficiency were examined in the three situations described in the theoretical part. Second, the weaknesses were categorized based on whether they related to efficiency or legitimacy arguments. Third, according to the aforementioned institutional arguments, the elements of answers were categorized according to four strategies: (1) delegitimation of dominant arrangements; (2) discursive promotion of the model; (3) internal alliances (networking) and (4) external alliances.

4. Findings

4.1. Cooperative assets

The study confirmed many of the theoretical assets suggested in the literature. The field of RES indeed appeared as fertile ground for the emergence of coops enjoying significant comparative advantages.

4.1.1. Efficiency in fighting excessive market power

First, most of the European REScoops emerged in a context of recent liberalization of the electricity market after a historical state monopoly. In several countries, particularly in Belgium, the liberalization merely transformed the monopoly into an oligopoly that did not lead to a decrease in prices and a large choice for consumers. The emergence of REScoops was partly explained by the dissatisfaction of consumers and their desire to better control the prices and sources of their energy. The lower prices offered by most REScoops were seen as a confirmation of the high margins generated by the mainstream operators and obviously increased the interest of citizens in becoming consumers of a REScoop. For instance, at Ecopower (the largest Belgian REScoop), 600 new applications were registered every month, with a waiting queue of several weeks; membership increased from 21.000 to 35.000 over the last two years.

The challenge, however, laid not only in attracting consumers, but also in making them members. This “double capacity” seemed crucial for two main reasons. First, when

consumers become members, they also contribute to raise the capital. This strengthens the balance sheet structure of the cooperative. Second, when becoming members, consumers are automatically involved in the decision-making processes within the governance structures. Many interviewees emphasized such involvement as necessary to instil trust in the eyes of potential consumers, public authorities and other stakeholders. Certain REScoops (such as Ecopower) automatically linked consumption to membership. While this introduced a certain threshold, as potential consumers needed to buy at least one share, the investment was quite profitable, with an average of 5.5% annual return (6% being the statutory maximum). Other REScoops offered the possibility of choosing only consumption (only one case) or only investment (several cases). This enabled REScoops to attract investors who could not consume the electricity (because of their location outside the serviced area), or consumers who were not able to buy a share. However, the latter situation being problematic in terms of cooperative principles, solutions were elaborated by most cooperatives to eliminate the threshold linked to the acquisition of a share. For instance, the REScoop Emissions Zéro aimed to offer one share to citizens unable to buy it in exchange of the latter's commitment to reduce their energy consumption – a type of loan available to anyone.

4.1.2. Efficiency in the context of asymmetric information

REScoop promoters suggested that their model addressed trust issues, especially responding to consumer concerns. Three types of consumer concerns were highlighted: the “environmental quality” of the electricity; the efficiency of RES facilities such as windmills; and the generation of huge profits on the back of consumers as well as landscape destruction.

On the first point, it clearly appeared that REScoops reached outstanding records in terms of green energy production. The 100% green origin of the energy and the excellent transparency about the energy sources, being most of the time directly produced by REScoops (and not bought from other suppliers), attracted support from both ecologically-minded consumers and environmental NGOs. In Belgium, for instance, Greenpeace promoted the environmental records of Ecopower as “best-in-class” among the Belgian electricity providers, thereby increasing consumers' interest.³

Moreover, REScoops were able to obtain social acceptance for the construction of renewable energy production facilities (typically windmills). In all European countries, resistance to the construction of windmills increased over the last decade. Such resistance formalized into citizen networks such as Vent de Colère (France), Vent de Raison (Belgium), Opzione 0 (Italy), laeden (Spain), etc. As it appears in the mission statement of Vent de Colère⁴, these networks target windmills on two aspects: their inherent characteristics (especially in terms of poor environmental performance and hinder to landscapes), and the economic organization behind them (“industrial” or “corporate” logics).

Built only on the basis of several distortions of the truth, the industrial windmill in France does not have any economic justification, nor does it offer any energy, environmental, or social benefits. Therefore, and also because of its numerous nuisances, we fight against any industrial windmill, as the only reason for its existence is the guaranteed wealth that it provides to its developer, paid for by consumers and the French taxpayer, to the detriment not only of energy efficiency but also of research and development for other forms of renewable energy .

³ <http://www.greenpeace.org/belgium/nl/nieuws-blogs/nieuws/ls-jouw-groene-stroom-echt-groen/>, viewed on 30 March 2011.

⁴ <http://www.ventdecolere.org/>, viewed on 5 May 2011

On the criticism relating to the inherent characteristics of windmills, REScoops did not offer an alternative regarding mainstream corporations: the windmills were the same. However, by having citizens, most of which live nearby the windmills, as owners of the organization, REScoops were able to organize the process in a very different way. They seemed better able to convincingly inform citizens about the real assets and risks of windmills. Through REScoops, citizens also had the ability to participate in the decision-making concerning for instance the location of the windmills. But more fundamentally, it is the democratic dimension and the absence of profit-maximizing shareholders which provided assets to REScoops by invalidating the criticism relating to the appropriation of public resources (such as air) by corporate players. The presentation of windmills as community-owned facilities seemed quite powerful in fostering social acceptance. As stated by REScoops in one of their documents (REScoop.eu 2011): *“no longer easily vilified anonymous big companies earn from [the economic and environmental] developments, but the local community and even the individual citizens will benefit”*. The involvement of citizens substantially decreased the resistance to RES projects: success stories in this regard were available in almost all the REScoops' countries.

4.1.3. Efficiency in producing quasi-public goods and positive externalities

Finally, the field of renewable energy also appeared as a field in which the stakes are collective. Beyond the production and distribution of renewable energy, REScoops contributed to responding to the climate crisis through reducing consumption. The promotion consumption reduction clearly appeared as a quasi-public good. This involved informing the consumers, making them aware of environmental issues, and giving advices to reduce consumption. In this, REScoops distinguished themselves from other market players. Indeed, although some claim the opposite, mainstream electricity corporations have no incentive in reducing the consumption of their customers, because this would simultaneously induce costs and reduce their turnover. REScoops, on the contrary, are much more legitimate in promoting the reduction of consumption, as this is in line with the interests of the consumers who are controlling the organization. In the study, this was confirmed by several REScoops who had implemented methods and devoted people to helping consumers reduce their consumption. As a result, REScoops were able to substantially reduce such consumption⁵ (from 20 to 30% decrease).

In summary, in the field of renewable energy, cooperatives appeared as a solution to the problem of excessive power market, provided social and environmental guarantees in a context of asymmetric information and seemed more committed to encourage the reduction of energy consumption.

4.2. Barriers to diffusion

The previous section confirmed the numerous assets of REScoops in terms of economic efficiency, environmental performance and citizen involvement. This makes the second question of this article even more relevant: why is the REScoop model not more developed if its assets seem confirmed? Different elements emerged from the interviews and seem to partly correspond to the elements put forth in the literature.

4.2.1. Barriers to entry

The study confirmed REScoops' limited access to capital, at least in the start-up phase. The high costs of acquiring windmills and other RES facilities was mentioned as the main obstacle for setting up REScoops. This required innovative solutions such as combining

⁵ For instance, the customers of Ecopower diminished their average level of energy consumption in the initial 3 years from 4000 kWh/year to less than 3000 kWh/year.

citizen investment, public funds and bank credits. At further stages, access to capital was less problematic, especially when REScoops distributed their electricity. Indeed, coops such as Ecopower then linked consumption with investment (at least one share), thereby raising its capital together with its consumer base.

Second, for producing RES, another critical resource that was reported was access to locations for RES facilities, typically suitable lands or sea concessions for windmills.. The lack of access to locations was a serious barrier to entry. This, combined with the huge amounts of capital required for the development of the projects, clearly favored larger players and led to the emergence of an oligopoly. This was clearly confirmed in all European countries, both for the production and the distribution of renewable energy. For windmills for instance, there were only a limited number of businesses and promoters. Promoters played the role of intermediaries, buying lands suited for windmills, obtaining the construction permits, and then selling everything to large groups. The interviewees perceived this as a speculation strategy, disabling a real competition among RES exploiters.

A third barrier which came out of the interviews concerned E-RES distribution. In some countries (France, Italy), such distribution was not possible for small citizen-based projects such as REScoops. Even where it was allowed, REScoop promoters pointed at the consumers' loyalty (or inertia), which was explained in all countries by the historical presence of a state monopoly. Even with an oligopoly, private consumers and municipalities remained rather passive when dealing with the firms. This enabled the firms to exploit their information advantage concerning the profitability of RES projects, at the expense of consumers and municipalities, who generally accepted what the former offered them without realizing the more favorable deal they could obtain. In fact, there would be many reasons for consumers and municipalities to support the emergence of coops. But given the low awareness of the current situation (see next section), the level of dissatisfaction was low. Moreover, where such dissatisfaction existed (with part of the consumers for example), there was little awareness of the potential of better deals through coops.

A fourth barrier to entry was the lack of transparent information enabling the public authority to compare among different offers. In the Belgian legislation for example, sales of lands and authorizations of windmill and other RES projects are too small to fall under the public procurement scheme. Hence, there is no systematic comparison of the offers and coops thus have less chance to put forth their assets.

Moreover, as most municipalities are involved in "inter-municipal partnerships" for the management of energy and many other issues, decisions are taken according to the governance mechanisms of these partnerships. Often, Electrabel, as the historic public energy company, still held seats on the Board of these inter-municipal arrangements, even after the liberalization of the market. Several REScoop leaders suggested that this was a serious obstacle, as Electrabel representatives tended to favor their own RES solutions

4.2.2. Cognitive barriers

Behind the previously mentioned barriers to entry, and more generally behind the poor development of the model at this date, the study confirmed the lack of awareness and recognition not only of the cooperative model but also of the challenges that this model addresses. Indeed, the lack of support for this model also seemed to result from a lack of awareness of RES as public goods with a high potential of involvement of and return to the community. This may be linked to the lack of knowledge about RES in general. Interviewee 2 emphasized this when stating: *"This is a public, natural resource [...]. It is like oil that is blowing above our heads"*. The same interviewee also made a grim diagnosis of the private appropriation of this public good: *"Why let others seize [the wind]? In which country are 97% of the revenues from a natural resource in the hands of private investors, often based*

abroad? That's what is happening here with wind energy. The current situation is not so different from that of a third world country".

Taking the perspective of local governments, the potential advantage of coops (pragmatic legitimacy) seemed off-set by the lack of awareness of such potential (cognitive legitimacy). The study confirmed a total ignorance of municipalities and local governments regarding the potential benefit they would enjoy when getting involved in a coop. Interviewee 3 observed: *"what they [the municipalities] are interested in is selling the land for a good price and not wait too long. They only see the short term. They wouldn't even consider the idea of getting a financial benefit after they've sold the land"*. REScoop supporters explained how, according to them, private promoters buying the lands exploited the information asymmetry by remaining silent about the profitability of windmills. Several interviewees criticized politicians for being "blind" about these potential benefits, even if improvements were observed. *"If politicians only knew what they lose when they negotiate with private promoters... [...] Now with the help of [a RES network] we sometimes have the possibility to explain them, give them numbers [...], but it's a bit late, so many contracts have already been signed"* (interviewee 4).

Concerning the lack awareness of the cooperative solution, several interviewees complained about the fact that few people among the politicians, bankers, potential partners, and the general public, did not know what was a cooperative. When they had an idea of it, it was generally vague or associated with stereotypes, the main ones being 'old-fashioned' and 'socialist'. Finally, even when they knew the cooperative model, most people did not understand the assets of this model for the production and distribution of renewable energy. These cognitive barriers were designated by most interviewees as the most serious problem facing the development of REScoops. Much of their energy was thus put in trying to remove the barriers, through a number of strategies which will now be analyzed.

4.3. Institutionalization strategies

The third question referred to the strategies used by REScoops to institutionalize their model in spite of the aforementioned difficulties. The elements of answers from the interviews and documentation will be structured using the four institutionalization strategies identified in the literature: delegitimation of dominant models, discursive promotion of the REScoop model, internal and external alliances.

4.3.1. Delegitimation of dominant models

Two delegitimizing strategies were identified: one aiming the hostility towards RES in general, and wind energy in particular; and another aiming corporate players in the RES field. This led to an ambiguous situation where citizens were criticized for their opposition to wind energy (see previous section), and corporations criticized for being unable to involve citizens and take other considerations than profit-making into consideration.

On the delegitimation of hostility towards RES and windmills in particular, different private statements illustrate the discursive strategies used by REScoops. The leaders of these groups were depicted as "manipulators" and their techniques as "scaremongering". Their arguments were invalidated using analogies, for instance by describing how the use of such arguments should lead to attacking in priority many other devices than windmills (e.g. highways, plants).

Corporations were then depicted as inadequate to simultaneously reach the economic, social and environmental challenges of RES production. REScoop promoters pointed at the incoherence between the public good dimension of RES and the domination of corporations. Interviewee 2, in his afore mentioned quote, heavily criticized this situation as comparable to

that of third world countries. Corporations were also described as weakly tooled to deal with citizen resistance. Interviewee 5 commented: *“These guys [promoters of windmill projects] are all engineers. They believe in numbers and don’t understand the social mechanisms behind resistance to windmills. They come with their expensive reports on the benefits of windmills, but these guys [citizens] don’t speak their language. Until we can explain this to windmill developers, they will fail over and over again”*.

Business corporations were also criticized for exploiting the information asymmetry concerning the profitability of RES projects. Promoters buying the lands, obtaining construction permits and selling the whole to businesses, were also criticized as speculative brokers making money on the back of citizens and municipalities.

However, the study showed that much of the delegitimation strategy remained at the internal level and did not reach the public opinion. There was no explicit communication strategy commonly led by the coops. Even their websites and documents remained relatively soft compared with the analyses made internally. The accent was rather laid on the promotion of their own model.

4.3.2. Discursive promotion of the model

First of all, several interviewees showed an emphasized desire to affirm their identity with regard to mainstream RES players. After having recognized each other across the country borders, REScoop managers seemed in search of self-trust, motivating each other to feel confident about the assets of their model. Interviewee 6 stated: *“we have another way of generating energy supply. We can do it ourselves, we don’t need to give all the space to big business – these people are not bigger than we are”*.

In terms of which assets to promote in priority, the accent was clearly laid on citizen involvement and green energy, thus not so much on the economic arguments. Two interviewees suspected that the commitment of people to the project, especially consumers, would be lower and more fragile if it was based on the economic advantages only. Interviewee 1 argued: *“we need a fair and transparent price: but even when we have a cheaper price, we shouldn’t use it as a marketing argument”*. This seemed confirmed, for instance, when looking at the communication of Ecopower. On its website and in several leaflets, it insisted on the strength of the cooperative model in reaching the targets for renewable energy. Concerning the advantages for citizens, the emphasis was laid on their participation in organizational decision-making and on the support in decreasing their energy consumption. Their cheaper prices and the return given to the members only came later in the argumentation. Ecopower even discouraged some consumers (those who used electrical heating) to become members. The coop also preferred pointing at external actors such as those comparing the prices of different providers and analyzing the “green” nature of the energy production in order to enable consumers to make their own choice.⁶

4.3.3. Internal alliances

As already mentioned, one of the first and main challenges identified by REScoops was their networking. This was closely related to the issue of defining their common identity to later be able to promote and diffuse their model. In the meetings preparing the launch of their European network, REScoop managers spent much time in identifying how they differentiated themselves from private businesses. While some pointed at the differences in the economic model (ownership, goals, etc.), others suggested more ideological features. The first type of arguments was predominant, especially among REScoops of Nordic countries which seemed more pragmatic than those from Southern Europe. The resistance

⁶ www.ecopower.be, viewed on 14 April 2011

to a too strong ideological positioning was illustrated by interviewee 7, manager in a Dutch REScoop: *"to keep it open for the 700 Danish coops, it shouldn't be too socialist or Marxist"*.

While the "coop" part of the name suggested a strong differentiation based on their specific but little diffused organizational model, the other part of the name ("RES") was deliberately aligned on the term used by the primary legitimating actor in the field, the EU.

4.3.4. External alliances

Parallel with their internal networking, REScoops tried to build alliances with a set of actors likely to increase their legitimacy at different levels (pragmatic, normative and cognitive). Governments were the actors primarily aimed by REScoops. Much effort was devoted to lobbying at different decision-making levels. First, municipalities were targeted through exposing them the benefits of getting involved in REScoops, either as partners or directly as members. For instance, Ecopower learned to present its project in terms that could resonate positively in the public decision-makers' ears. It is worth noting that some of the contracts gained by Ecopower for exploiting windmills were obtained in municipalities in which the mayors were themselves already individual customers at Ecopower. The large and increasing number of members also included many politicians, which proved useful in certain cases. The founder explained: *"Now, many of the decision-makers are members of Ecopower, we have the president of the Flemish parliament, the mayors of big cities, you know, I'm not saying they will favor us but at least we don't have to explain them who we are!"*.

Alliances with politicians were also quite useful at the regional and national levels to influence regulation. Ecopower's founder explained how, in 1991, they lobbied to change the law which initially did not allow them to sell energy directly to their users. This was a key step in the development of the REScoop and contributed to its image of a success story among other REScoops, especially since the law is still unfavorable in this regard in several European countries. Interviewee 1 claimed: *"You can change law. That's why we're sitting here: together we can change laws in France, in Spain, in Italy – we could even change governments!"*. If not governments because of ideological reasons, REScoops attempted to influence public agencies, such as energy regulators, based on objective elements (prices, decrease in energy consumption, proportion of green energy, etc.). This advantage of REScoops in terms of 'pragmatic legitimation' made no doubt for the managers, as stated by interviewee 4: *"There must be people in the regulating body who have an interest in supporting what we do"*. The problem, however, was how to promote the assets and be heard by the decision-makers.

One indirect strategy to gain legitimacy in the eyes of decision-makers but even more consumers was the alliance with NGOs. Environmental NGOs already had a rather positive image of REScoops based on their environmental records. As already mentioned, REScoops distributing electricity, such as Ecopower, were evaluated as best-in-class for the 100% green origin of its energy. But several NGOs also gave direct support to REScoops, helping them to increase their investor and consumer basis in different ways (organization of meetings with NGO supporters, diffusion of e-mails, etc.). Other actors from which REScoops successfully found support were cooperative and social economy networks, which were quite interested in having cooperative solutions in these new fields of interest to them.

Finally, some of the REScoops sought alliances with businesses. Interestingly, businesses were screened both on their economic contributions in partnerships with REScoops and on their social and environmental profile. One REScoop established a partnership with a supermarket chain involved in environmental activities to invest in offshore windmill facilities. The founder justified the ethical value of the supermarket, saying that *"they're almost like us, they're not formally a coop but they comply with many of the values. We wouldn't have done*

it with other businesses but they gained our trust and the evolution of the project confirms our hopes" (interviewee 1). Besides the economic benefits of the partnership, the REScoop seemed in search for what can be called "market legitimacy", aiming to be recognized as a legitimate economic partner in the future thanks to its successful association with this established supermarket.

5. Conclusion

This article aimed to understand the role of REScoops in diffusing their innovative organizational arrangements. It appeared that, in spite of several assets, important obstacles hindered such diffusion. In other words, the study confirmed that the diffusion of efficient solutions was all but automatic and required much effort and creativity.

The efficiency of REScoops appeared on three dimensions: economic (cheaper price, return on investment for users-members, and rapid growth), environmental (ambitious strategy of green energy production and reduction of members' individual consumption), and democratic (less resistance from citizens in the neighborhood of RES projects, and democratic decision-making involving all the concerned stakeholders). These assets seemed to provide them a comparative advantage over the mainstream business model.

Nevertheless, the diffusion of the REScoop model seemed rather limited in most of the European countries. This was attributed by the interviewees to a number of factors that were grouped in two categories: barriers to entry (limited access to capital, few locations, consumer inertia and lack of public support), and cognitive barriers. The latter factor seemed to underlie or reinforce many of the obstacles identified by REScoop promoters.

Then, the study examined how REScoops implemented four types of strategies commonly analyzed in the literature on institutional entrepreneurship: delegitimation of extant models, promotion of the new model, internal alliances and external alliances. The first two strategies seemed used but mainly informally, without being much thrown in the public debates. Statements delegitimizing mainstream business solutions and promoting the economic assets of REScoops were surprisingly scarce. What was mainly promoted, thanks to external actors, was the environmental performance and the democratic potential of REScoops. In other words, REScoops focused more on their normative legitimation (better environmental and democratic solutions) than on their pragmatic legitimation (advantages to the different stakeholder groups).

More fundamentally, the most intensive process observed in REScoops was cognitive legitimation through the definition of their common identity (internal networking) and the establishment of alliances with other partners. Governments (local, national and supranational) seemed to be the main legitimating source; hence, REScoops tried to have their model known and recognized by politicians at these different levels. At Ecopower, an interesting strategy was the use of the individual commitment of politicians and other resource-rich stakeholders as cooperative members to increase the recognition of the model. REScoops also enjoyed their role of allies of environmental NGOs and simultaneously tried to build a reputation of trustworthy economic partners.

The experience of REScoops is certainly too recent to enable an evaluation of these strategies. But it seems clear that the different avenues for legitimation (first cognitive, then pragmatic and normative) will have to be used more intensively to improve the diffusion prospects of these innovative models. While everything does not lie in the hands of REScoops themselves (but also on political priorities, NGOs' actions, business strategies, etc.), the diffusion of their model will depend very much on their ability to gather different stakeholders around their project. As the power relationships with mainstream businesses seem unfavorable to REScoops, maybe a more dynamic strategy of selective alliances with

some of these businesses will be necessary to reach a significant share of the market. In any case, the success of the diffusion of REScoops will be a key element to assess to what extent the cooperative model is indeed experiencing a renewal in addressing new social and environmental challenges.

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