Local strategy for a functional and cooperative economy development

Institutional innovation in the French Nord-Pas-de-Calais Region course

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ABSTRACT

Nowadays, innovative business models are broadcast from enterprise cases. Those new business models (NBM) are mainly reactions to the incapacity to reach sustainable development from the industrial way of thinking and its practices. The fact that the communication about those NBM and new economic models (NEM) is mainly made through business cases could let us think that these are just individual initiatives existing only because of the specific personality of some company owners. Of course, these personal aspects are important, but the model shift does not occur in pure vacuum. The local environment as a complex combination of social practices, culture, history, policies, networks, …, has an influence on the way things are changing because it contribute to forge new way of thinking. The rapidly developing alternatives in terms of business cases have to deal with local development strategies as much as with individuals able to imagine the shift for their own organization.

Our hypothesis is that new forms of public policies dealing with support to local economic development and environmental issues are at work. The former French region Nord-Pas-de-Calais\(^1\) is testing out a strategy to support the emergence of NBM and NEM in tune with sustainable development and the macroeconomic changes toward a more servicial world.

This experiment is rooted in a 14 years reflection and cooperation between the administration, its structures dedicated to sustainable development, human sciences searchers and advisers, and the local economic networks. Innovations are born of this cooperation such as the concept of “Functional Innovative Environment”, a specific approach of Functional and cooperative economy, new kind of public intervention policies… This contribution is analyzing this trajectory to bring the key elements of this other kind of innovation at work: Institutional innovation.

**Keywords:** local development, regional development, public policy, functional and cooperative economy.

\(^1\) The region is now called “Hauts-de-France” and regroups the two Ex-region “Picardie” and “Nord-Pas-de-Calais”.
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A study from the French Nord-Pas-de-Calais Region course

INTRODUCTION

In 2002, The Nord-Pas-de-Calais French administrative region has started a study on the link between economic development issues and environmental ones (du Tertre & Combe, 2004). This study was lead by ATEMIS in cooperation with local actors. This study is the starting point of a trajectory still in progress today. The report, delivered in 2004, contains the ambitions and the nascent conceptual framework of what would become a regional strategy for sustainable development in the region. This framework takes its concepts from the work on the emerging “servicial model” led by Christian du Tertre\(^2\) in the beginning of the 2000’s (du Tertre, 2001a, 2001b, 2002). This link between the change toward a more servicial, immaterial and relational nature of economic activities and the question of the relation between environment and economic development would become the key of the functional and cooperative economy framework broadcasted from then by ATEMIS. We will deal with this link in the first part of this contribution.

From this first step, the region and the other actors of this local sustainable development strategy will start building new spaces for cooperation and new relations in the territory. Doing so, they were slowly structuring what would later be identified as a “Functional Innovative Environment”. First, the objective was to spread the Functional and Cooperative Economy framework to the enterprises to invite them to consider their model change. In 2011 the Region entrusted ATEMIS with the task of supporting 9 enterprises in their trajectory toward a model functional and cooperative economy. This first work with enterprises about their model reveals the need to spread the functional and cooperative economy concepts in the whole territory to ease the emerging of new offer. Indeed, even if the enterprises decided

\(^2\) Christian du Tertre is a professor of economy at Paris Diderot University but also one of the founder of the private laboratory ATEMIS. Nowadays he is scientific director of this organization and one of the main contributor on the concept of Functional and Cooperative Economy
to change their offer, they have to face the lack of understanding of their business partners. The actors of the regional sustainable development strategy improve the nascent functional innovative environment to face this difficulty. A part of the answer take the form a Club called Noé, regrouping the enterprises engaged in a work on their economic model. From 2011 to 2016, it is around 80 enterprises which have received support for their model shifting. These enterprises are now part of a community and part of the functional innovative environment. The second part of this contribution would deal with the functional innovative environment concept, as it is build today, from the story of the Nord-Pas-de-Calais, and as it works now. The building of this functional innovative environment is, in fact, a kind of institutional innovation process leading to a new approach of local public institutions’ role in the change toward a sustainable development.

I. ENVIRONMENTAL ISSUES, ECONOMIC DEVELOPMENT AND SERVICIAL ECONOMY

I.1. The industrial way of thinking: a dead end

For more than 25 years now, tensions have been identified between economic growth and environmental issues. These tensions are coming from a specific approach of economic activities and economic performance inherited from the dominant industrial model deeply rooted in all institutions by over 200 years of practices and theories. This model can be defined by a production approach based on the production of a standardized output – products or services – reproducible and exchanged in a transactional way. This way of thinking focuses on material attributes of outputs and their standardization; a productivity based on scale economies, labor intensification and technical progress (du Tertre 2013: 112); production processes more formalized and standardized allowing more automation and production forecasts (Detchessahar, Journé et Kessous, 2003: 104; Veltz, 2015: 25-27; Hatchuel, 2015: 46-47).

As a consequence, the economic development in this perspective is volume dependant. All these characteristics have lead to a performance definition which focuses on quality, productivity and profitability, but put aside externalities. By externalities we mean unintentional effects of production process which affects other territorial actors (du Tertre 2006). These effects can be material and immaterial, negative or positive (Barrère and al. 2005; Barthelemy, Nieddu & Vivien, 2004; Demissy 2014). In that perspective, every actor
has an interest in the fact that other have to deal with the bad externalities of their activities and to try to take over the positive ones created by other in the territory.

The question of the link between sustainable development policies and economic development ones, formulated by the Region Nord-Pas-de-Calais, is a way to express the dead end of industrial way of thinking when we consider environmental and social issues. From 2000 there are a lot of nascent economic models trying to face this dead end, to overpass it. The hypothesis chosen by C. du Tertre and H. Combes in the 2004 report for the region on this question rest upon the particular dynamic of immaterial resources and the specificities of services. From then, the answer to the industrial way of thinking dead end lies in the broadcast of a servicial way of thinking and doing (du Tertre, 2005; 2013).

I.2. A servicial view of the performance as a key for sustainable and economic development

The 2004 report insisted on the non-price competitiveness as a lever for sustainable and economic development complementarities. It also insisted on the fact that immaterial investments are key elements to develop this kind of competitiveness. The fact that immaterial aspects are getting more important today is based on C. du Tertre concept of an emerging servicial model since the industrial dynamic has encounter its limits in the late 1970’s (du Tertre 1989, 2001b). Offers value have changed toward a more immaterial composition. By the word “immaterial” we mean unnumbered and non measurable elements as C. du Tertre defined them (du Tertre, 2002). Consumers are seeking new benefits from the offers, other than the material services a product can deliver. In addition, the relationship based part of the economic activities has grown, reinforcing those immaterial aspects of the value. Industrial tools for evaluation and its conception of performance are questioned by the immaterial aspects development (du Tertre 2002, Gorz 2003, Veltz 2001).

Out of the lack of relevance, the immaterial aspect increasing importance is analyzed as an opportunity to join economic development with environmental issues. The value creation in that perspective should concentrate on developing immaterial positive effects for every stakeholders and reducing the impact of its production on environment. Dealing with these immaterial aspects means pay attention to the cooperation through people and to the people themselves, which means taking account of social effects induce by the offer. This concentration on immaterial resources goes through immaterial investments aiming to develop immaterial resources as trust, health, capabilities or organization relevance (du Tertre
2008). These immaterial resources have several specificities in comparison with material ones:

- they are not limited;
- they can develop on and on, according to the way we use them so, they don’t necessarily get exhausted by use;
- they are non-exclusive, sharing them do not take them away for somebody else;
- they are individual but also collective and a part of them are territorially settle, rooted in “territorial immaterial heritage” and so available to every local actors;

Immaterial resources are a key factor to understand how functional and cooperative economy allows the junction between sustainable development and economic development. The ambition of this new economic model is to activate the *scissor’s effect*, which means developing the value created while reducing the material resources drain (Benqué, du Tertre & Vuidel, 2014: 11). The immaterial resource development dynamic enables such a perspective of increasing activity but decreasing pressure on natural resources.

**I.3. The functional and cooperative economy conceptual framework as a result**

To build a relevant approach of enterprises and local economic development and sustainable development, the Region in cooperation with ATEMIS and other territorial actors, will elaborate the Functional and cooperative Economy conceptual framework. This elaboration is the result of the 2002 study, but also the later ones, and the research work lead by ATEMIS and based on the first experiments of enterprises support in 2011. This combination of study, action and research in cooperation between Regional authorities such as the region itself, the Lille and the Regional Chambers of Commerce and Industry, Business networks as Alliances and the Center of Young Directors (CJD), the Regional Resources Center for Sustainable Development (CERDD) and advertisers-researchers from ATEMIS, leads to the elaboration of the specific FCE framework.

The functional and cooperative economy is an enterprise economic model. The economic model concept is defined as follow: “*The economic model covers the architecture of three economic processes that are the creation, distribution and accumulation of value. It shows in particular the conditions upon which the company captures value in monetary and non-monetary forms*” (Benqué, du Tertre & Vuidel, 2014, page 10). The FCE is a service based economic and business models that breaks with the industrial way of thinking. It proposes to
rethink the combination of products and services to provide a relevant answer to the beneficiary integrating social and environmental issues, but also developing the positive externalities generated by the new solution provided. In that perspective the functional and cooperative economy propose to focus on the useful effects provided to the beneficiary and the environment. Doing so allow actors to indentify convergent interests and so re-define a more relevant perimeter for the offer, including new partnerships.

In that model, the performance registers definition changes as does the view on the performance. In synthesis, the quality of a solution is nothing to compare with the industrial conception of the quality. In an industrial perspective, quality is defined by standards and material indicators like a resistance to effort, a waiting time, dimensions and so on. In a servicial perspective, quality is more like a promise. Nobody can anticipate precisely what would happen when the customer would be here, how he would appropriate the solution or the complexity of his need. The presence of the customer is a noticeable difference with the industrial perspective (Gadrey 1992, 1996) as it change the predictability of the service really provided and the work of the persons of the company realizing the service with him (du Tertre 2013). The levers of productivity are also different. It means no more scale economies or labor intensification by specialization, but adoption, complementation, flexibility and integration economies. Levers based on trust and cooperation between the enterprise’s employees and the beneficiary of the solution. The profitability, in that perspective can’t be an objective per se as it is often in companies under edge funds control. In FCE, profitability is a mean to keep the value creation going and allows immaterial and material investments for the enterprise development. In addition to this renewed conception of performance, the FCE conceptualize two new registers the “externalities” and the “reflective effects”. We already introduce the externalities as an important concept to take in charge environmental and social issues. Reflexive effects are related to the immaterial resources dynamics. By this concept, C. du Tertre targets the impact of the production process on the immaterial resources it has used. If the way a company delivers a service leads to reduce the customers’ trust in that company, then there is a negative reflexive effect for example.

This very specific conception of FCE is the result of experimentations including enterprises support dispositive in which ATEMIS intervene as an adviser for more than 80 companies willing to change their economic model toward a more sustainable one. Those experiments have revealed that the enterprises can’t easily change their practices as long as the ecosystem surrounding them does not understand the FCE model ambitions. This reveals the relevance of a public action working on the enterprises economic model and practices in one side, and
the edification, broadcasting and evolution of a new way of thinking in the territorial actor minds on the other side. Moreover, this also shows the relevance of the question of “territorial heritage” as a strategic lever to provide resources to actors engaged in this new economic model. This relevant strategy has taken the form of an ambition: building and animating a “functional innovative environment”.

II. BUILDING A FUNCTIONAL INNOVATIVE ENVIRONMENT AS A PUBLIC POLICY INNOVATION

The concept of functional innovative environment appears nearby 2010 in working papers related to the studies and the ongoing action-research experiments realized in the region at this moment. The FIE concept is presented as a result of two dynamics met in the Nord-Pas-de-Calais region: enterprises searching for new economic models in one hand, and territories facing sustainable development challenge (du Tertre 2011, Kniaz & du Tertre 2012). The support brought to the enterprises experiments revealed that the model shifting toward the FCE induces more than a business model change. In fact, it induces to renew the way the enterprise cooperates with its customers, clients, suppliers and with the administration. On the other hand, local territories are looking for new means to articulate economic development and sustainable development which induces to renew relationship with economic actors. From this shared concern, appears the need of a “shared culture about sustainable development issues and functional economy, based on a common experience, exchanges, and contribution from human and social sciences” (Du Tertre 2011). The FIE is an answer to the nascent need.

The FIE consist in three different functions: supporting actor in their pathway toward NMEs, evaluating the company experiences and broadcasting NMEs, improving the conceptual framework from the experiences. All these functions have been organized in the region through several innovative dispositives.

II.1. Accompanying enterprises in their path toward sustainable development

Accompanying the enterprises toward a sustainable new economic model involves some prerequisites: a capacity to reach the enterprises, advisers to effectively accompany them in a pathway interesting for both companies and territorial administration, and financial means. Reaching the enterprises is not an easy task, and the region Nord-Pas-de-Calais will first rely on the enterprise network Alliances and then on the CCI Grand Lille and the CJD for this
task. The region, these inter mediation organizations and ATEMIS will build up a collective accompaniment dispositive for enterprises. This accompaniment dispositive as evolved from the first generation in 2011 and the nowadays 6th generation. Out of the specific methodology fit to the FCE concept, the dispositive collective aspect aims to create a director group, a small community that reinforce each other in their model shifting journey.

Through time, over 80 enterprises in a large panel of activities got engaged in this dispositive, making the community bigger. In 2013, the Club Noé was founded by the actors involved in the accompaniment dispositive. The club tries to raise awareness among the new economic model and practices, organizes debates from enterprises experiences and eases the cooperation between the members of the growing FCE community. To do so, the club organizes public session in which director, advertiser and other members of the community share experiences and discuss about the new model at work. The club also set up thematic cooperative groups animated with adviser in which enterprises involved in the same “functional sphere” (Combe & du Tertre 2004; Benqué, du Tertre & Vuidel, 2014) work together to imagine new cooperation and new offers in that sphere.

At last, accompanying more and more enterprises demands more and more advisers in capacity to do so. Resources in terms of advisers are relatively rare so the Alliances network and the region organize a training course to develop this resource locally. Advisers are need not only for the accompaniment dispositive, but also for several events in the dispositive such as Noé’s public sessions or other local event about sustainable development as the World Forum, the Annual Days for Sustainable Development and Enterprises (JADDE) in which there are interventions to be made on the NME subjects. A community of advisers is slowly establishing in the region. The point is to create a group which is not considering NMEs as a local market in which they are in competition for, but for a trajectory they all contribute to. This means cooperation between advisers linked to the other actors of the Functional Innovative Environment.

### II.2 Spreading the word

We already mention it, but broadcasting the frame of reference about new economic models, servicial logic, and FCE is an important function of the functional innovative environment. We mention that this function is essential to attract new enterprises in the collective

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3 In the 2004 report, these « functional spheres » were called « functional sectors ». 
accompaniment dispositive. But spreading the frame of reference is also an important lever to act on difficulties faced by enterprises engaged on the pathway to new economic models. Indeed, enterprises have experience how hard it is to propose new offers in an unchanged environment, to partners who still rely on industrial logic.

This discrepancy is found in relation between enterprises and their customers. Customers may not be in capacity to cooperate, to contribute to the solution. Or simply, customers may not understand offers expressed in a different shape than what they are used to. At last, if the customer is an enterprise, the buyer for the procurement service may not be able to understand offers usefulness or to accept a solution contract instead of some products regarding to his own evaluation references.

Out of customers, other partners such as suppliers, banks and insurance companies may not immediately understand the servicial logic as it breaks with the classic industrial way of thinking. Suppliers may fear that the scissor’s effect would lead to less products so to less earnings. Banks may not accept that easily to finance immaterial investments as they are difficult to evaluate, are invisible and no amortization can be done for these. An insurance company may not welcome the idea of keeping the goods property to just offer their use’s performance. How can an insurance company guarantee such a solution? How high is the risk in a solution coproduced with the customers? Enterprises engaged in new economic models need help to spread their new approach basis to their partner.

This difficulty with external partners is the same with employee and management tools. Explaining to the salesmen or to the sales manager – persons trained to sell as much as they can – that the new objective is to sell less is quite an effort (ATEMIS, Benqué & Vuidel 2015). At last, cooperating and/or activating the servicial lever for performance affects traditional management tools relevance. Shifting economic models may lead to a lack of consistency for the management tools. New kind of management is to imagine in a servicial and cooperation based economy and new management tools as well (Bourgeois & Hubault 2013, Hubault 2013, du Tertre 2013).

This particular point was revealed in the Nord-Pas-de-Calais Region by enterprises director who imagined new offers, new practices and new approaches of their activities but faced the difficulty to have it all appropriate by their employee. The Club Noé develops “workshops” to turn on paper solutions into real practices. Questions of labor transformations within accompanied enterprises are still open for the moment and some actors of the functional and cooperative environment are now experimenting new kind of intervention on this question.
II.2. Building territorial resources as an “heritage”

Aside from broadcasting the specific conceptual framework, building a “territorial heritage” is part of the functional innovative environment’s point. The “territorial heritage” corresponds to a ensemble attached to and holder – the territory – and expressing its specificity inherited from a specific story, local activities, local institutions, and local culture. This “heritage” is in fact an ensemble of resources created through activities and cooperation, available for every actor and potentially useful to face territorial issues (Barthelemy et al. 2004, du Tertre 2008, Demissy 2014). The 2004 report was already advising dispositive creation intended to animate and develop this “heritage”.

The functional innovative environment has to create events that allow this “heritage” identification, mobilization and development. To do so, local actors organize the enterprise cases broadcasting by producing communication means and sharing them with the functional innovative environment. They also organize session in which accompanied enterprises’ directors present their pathway, their ideas, and their new approaches. The Club Noé is one of these spaces to explain the director’s pathway, as the “Ville durable & nouveaux modèles économiques” group co-animated by the CERDD, CCI grand Lille and ATEMIS. Noé organize public “plenary assemblies” four times a year opened to anyone and in which people from the functional innovative environment witness about their experiment. In the “Ville durable” dispositive, participant discusses from a specific theme from few presentations.

The “heritage” needs to be identified and evaluated to be useful for the whole functional innovative environment. Animating the whole functional innovative environment is a task that must be assumed in cooperation by every actor involved in it as each activity can potentially produces effects on this “heritage”.

This “heritage” concept is particularly interesting for local administration because it opens a new approach of territory turning it into a community sharing issues inherited from the past, the actual activities and a trajectory for the future. Moreover, this concept allows thinking differently the relationship between enterprises and the institutions’ interventions. In that perspective, the concept of “heritage” understood as an ensemble of resources coming from local activities and available for local activities become something to develop for the local institutions. Its development involves acting differently in terms of public policies.
CONCLUSION

The Nord-Pas-de-Calais region has built a large experiment on NMEs and MBMs that turns into another objective: revealing, evaluating, animating and developing the local “heritage”.

Doing so, the region concentrates on interventions needed to reinforce the local networks capacities contributing to new models and new practices consistent with sustainable development as much as economic development. This has been done by new relations between institutions and organization that were used to cooperate but not in that mode. This way, the region as innovated in its policy toward enterprises. This is a change in the public – private partnership. This is also a change in the action toward enterprises fundamentals. The point here is not to support enterprises which have a clear idea of their development, but to question directors about the logic they are mobilizing and its consequences in term of business model, externalities, labor tensions and sustainability. Doing so, entrepreneurs can develop an original way for their enterprise, relying on a conceptual framework shared and co-created locally.

Aside from this first innovation aspect, the path followed by the region also means some changes into the administrative labor into the institution. Cooperating within a functional innovative environment means different professional practices and relationships, a shift in some workers’ function and profession. This path and these evolutions are not over yet, but the issue is now a preoccupation for the whole functional innovative environment and the solutions are at work within it. At last, this long term experiment shows that there is a potential within the searchers – entrepreneurs – advisers – administrative – network administrator cooperation as long as each of them choose to change is position toward economic model changes.

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Romain DEMISSY is achieving a Phd. about “territorial heritage” mobilisation and regional development supervised by Christian du Tertre at Paris Diderot University and CNRS research unit LADYSS. He particularly works on the new economic models and new regional development models issues. He is part of the Functional Economy and Sustainable Development Club board (www.club-economie-fonctionnalite.fr). He leads exchanges through online networks and communities on these issues. At the same time, he supports
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