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## PAPER

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### AN INTRODUCTORY THEORETICAL FRAMEWORK TO UNDERSTAND THE BEHAVIOR OF SOCIAL COOPERATIVES IN THE HEALTHCARE SECTOR

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## **Abstract**

The crisis of welfare system, in terms of budget, efficiency and legitimacy, has resulted in public authorities increasingly looking to private initiative to provide solutions. At the same time, the role played by the increased demand for participation and democratization that emerged in the workplace, and then within society, has given rise to new solidarity perimeters (Monnier & Thiry, 1997). As the Social Cooperatives seem to constitute a good tool for responding to collective needs, left unsatisfied by State, and market, thanks to their ability to satisfy some present historical, social, and economic needs of citizens (Thomas, 2004), in the last decades we saw an increasing development of this form of economic organization in different sector either in fields in field they have not traditionally been widespread, or in new- fields.

**Keywords:** social cooperatives, healthcare sector, Italy

## Introduction

At the end of 80s, in Europe, the disengagement of the public authorities, in offering some services, so defined social or merit goods, is evident, and with important consequences: actually, the Constitutional charters get a list of potential fundamental rights, deprived of executive power. The crisis of welfare system, in terms of budget, efficiency and legitimacy, has resulted in public authorities increasingly looking to private initiative to provide solutions. At the same time, the role played by the increased demand for participation and democratization that emerges in the workplace, and then within society, has given rise to new solidarity perimeters (Monnier & Thiry, 1997), and place for a number of different types of economic organisations present in the same field. The liberalization of certain sector creates the place for the entrance of new actors, historically monopolized by the public authorities. On one hand in the most profitable sectors, the private for profit enterprises replaces the public authorities, on the other hand particularly in some countries, such as Italy, we can see that this disengagement causes a spectacular growth in the social economy, which has taken place in the field of organizations engaged in managing mainly work and social integration and providing social services and community care. In this field, associationism and cooperativism seem to have reencountered a common path of understanding (CECOOP 2006). At the same time the local authorities start to finance social organizations, as they perceive a way to cope with the growing demand for services by helping independent organizations to meet the need. In this way they avoid creating public units, which are difficult to manage and lack the flexibility to adjust to changing demand.

The practice of contracting-out has therefore spread. In the social and health sector, due to the decentralization of the power, we can see very different approach by local authorities, the relationship between public authorities and economic organizations in charge of the services is very different based on the area of references, furthermore their role of intermediate institutions between the state and the market have been modified by the citizens themselves mainly in order to handle demand which both the market and the welfare system fails to address (Borzaga & Santuari, 2000).

In general in the European context, the process of institutionalization of social enterprises has often been closely linked to the evolution of public policies, as European welfare states have a long tradition of partnership with third sector organizations even if the relationship vary according to the type of welfare mix (Evers & Laville, 2004). As the Social Cooperatives seem to constitute a good tool for responding to collective needs, left unsatisfied by State, and market, thanks to their ability to satisfy some present historical, social, and economic needs of citizens (Thomas, 2004), in the last decades we have seen an increasing development of this form of economic organization, due to different reasons.

The boundary between profit and non-profit organizations have become less and less well-defined, some organizations, actually, have adopted a hybrid business model in which a social mission is the primary goal, but they still aim to generate enough commercial revenue, so they can survive and thrive without depending on charitable donations.

As defined by law (181/1991) and by the EMES research network definition (2011) of social enterprises, whose social cooperatives are a sub-group, have a clear purpose to benefit the community (general interest) (Defourny, Nyssans, 2010). The concept of general interest binds indissoluble the two actors creating a “special relationship” that I will approach applying the stewardship theory (Muth and Donaldson, 1998).

The inclusion of different stakeholders inside the organization gives the opportunity to eliminate problems could normally raise in the exchange of information (multi- stakeholders structures). This highly variegated set of actors makes social cooperatives model as a hybrid form of social enterprise particularly suited for the combination of market and social welfare logics (Battilana & Dorado, 2010).

The purpose of this article is to summarize some of the characteristics of both social cooperatives and social-health sector, which explain why cooperatives increase so quickly in the field during the last period, and to open some considerations on the analysis of social cooperatives governance.

I shall proceed as follows. In the first part I will show the evolution of public policy and in particular in healthcare sector, in Italy; in the second part we will board the different types of relationship between public administration and private organizations; and in the third part focuses on some social cooperatives organizational aspects, given their recent spreading in Italy in the sector, where the third sector is less developed in than in other Western countries.

## 1. An historical overview

As in many other European countries, in Italy, the welfare state is now subjected to two intense and conflicting pressures. The first is a consequence of budgetary constraint, which prevents increase in spending and actually, requires additional containment measures. The second pressure is instead linked to the rapid changes in the structure of social needs, particularly in the wake of the so-called new risks: job insecurity, social exclusion, increasing inequalities in access to care, deteriorate overall health indicators and population wellbeing, sharpen existing difference in the quality of care between regions. Nevertheless the last decades have been characterized by policies to reduce government intervention, retraction of the State and the compression of social protection. The process of bringing into question the traditional concept of Government<sup>1</sup> is happened through three main phases (Bremer, 2004). The first phases of this transformation, calling the centralized traditional order of the health care system into question, dates the end 70s. On the one hand the reform was inspired by functional motivation, healthcare sector were overloaded due to the expansion of the program. On the other hand the request for the decentralization, to permit the access, by the regional and local authorities, to the making decision process, as well as a major degree of democratization and bottom up approach to healthcare policy (Ferrera, 2005, Pavolini 2008). The second phase concerns a substitution of the regulator subject: the market subentry to the State. It is the period of neo-liberal concepts' application to the healthcare public system. Thanks to a new model of management, the New Public Management, which introduces in the public healthcare system, the basic hypothesis that market oriented management will lead to greater cost-efficiency for governments, without having negative side-effects on other objectives. The legislative decree 517/1993, which introduces the New Public Management within the national legal order, ratified two main changes: the decentralization of the system, and the corporatization, the transformation of the USL, *Unità Sanitarie Locali* (Local Health Unit) in ASL *Aziende Sanitarie Locali* (Local Health Enterprise). However, the orientation of the quasi-market has generated as unexpected as deleterious effects in reference to the program of spending restraint. The containment policy and privatization has resulted in the contraction of the public health spending and the

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<sup>1</sup> The concept of "Government" is used to define both the formal aspect of power and formal institutions of public authorities, which assume a monopolistic coercive and legitimate power in the management of social welfare.

rising of the private, and in some case an inequality in access to care and the deterioration of health conditions for vulnerable population groups (elderly and low-income families) (Cervia, 2011).

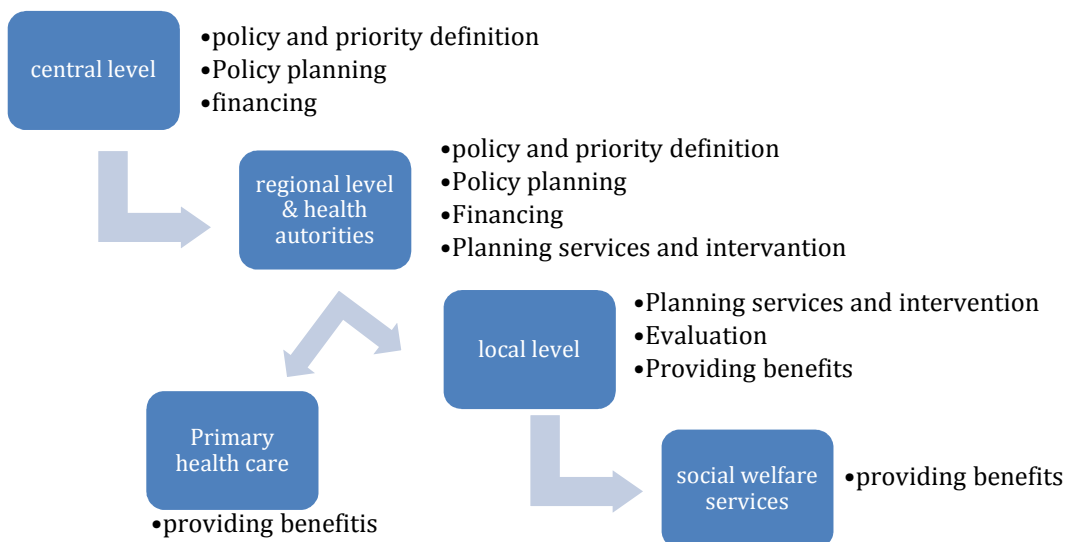
After the mid-90s the need to find a new paradigm to health policies management, which would really allow a system of choice based on preferences of local communities, arises. A new phase of decentralization pursuing new goals: cost containment, allocative efficiency, but also participation by local communities and citizens, a more deepen integration between social and medical care (Bankauskaite and Saltman 2007). An alternative model of both governance based on vertical command and control (typical model of the twentieth century) and the method of aggregation of market-oriented interests (Moini, 2002). A notion introduced by some sociologists as Hirst and Rhodes (Hirst, 2000; Rhodes, 2000) to describe the practices of public / private partnership based on mutual coordination of activities through networks (networks) and institutional arrangements is the concept of network governance. In this vision, the institutions take on a role of guidance and control, integration and coordination of the various actors involved in the production of services, monitoring and control (Cervia, 2011). Any case, in practice, the result of this process which has engaged the public welfare in healthcare sector, is a shift from a bureaucratic administration to a shared administration, where a network of different actors participate in producing and offering services (Public Administration, Provider, Citizen, Community). The change involves also the concept of health: the overcoming of the sectorial and specialized healthcare in favor of a more integration between social and medical care. Well-being is generated not only through the provision of health services, but also through social cohesion policies, environmental policies, policies of income support, housing, health education and prevention, protection of safety workplaces, and sports promotion (OECD, 1999).

## **2. Implications of various forms of contractualisation**

Italy has a tax-funded National Health Service (Servizio Sanitario Nazionale, SSN) that guarantees the universal provision of comprehensive care throughout the country. Responsibility for the organization and delivery of services is attributed to the 21 regions. The definition of the essential level of care (Livelli Essenziali di Assistenza), resource allocation, and policy and planning frameworks are the responsibility of the national government through the Ministry of Health, with an increasingly important role played by the Government-Regions Committee (Conferenza Stato- Regioni) through agreements known as "Health Pacts" (Patti per la Salute), which are adopted every three years. Social services that are health-related are provided by the health service, co-ordinated by the Italian government's Ministry of Social Affairs. Municipalities are responsible for the delivery of non-health social care, such as support for the family and to assist people with severe social problems (including those resulting from psychiatric conditions).

The national level maintains a guiding and strategic role in health policy and guarantees the financial sustainability of the system and the regions through its network of public and private providers, delivers essential levels of care, for the other social services, local level and municipality deal with.

The technique of contracting-out consists in the delegation by public entities of some tasks, namely the provision of certain goods and services to for-profit private organizations or non-profit organizations, through competitive procedures (procurement). The government and public authorities are accountable for regulation, supervision and financing of the cost, while the responsibility of services supply is assumed by the private organization.



*Table 1. Share of power*

The end of the 90s witnessed the spread and broadening in all Europe of different types of relationships between public administration and private organizations. Bifulco and Vitale (Bifulco and Vitale, 2006) recognize that different kind of contracts changes the relationship between the actors involves in the exchange. Indeed an important distinguish is required between processes pertaining to relations between organizations (public and private) and processes pertaining to the relationship between organizations and citizens. In terms of the relationships between organizations, the concept of integration is associated with the introduction of instruments for the regulation of contractual relations between actors and institutions, public and private. In terms of the relationship between organizations and individuals, the orientation to a deeper integration is a central element of encouraging civil society and recipients to play a more active role in designing interventions and putting them into practices (Bifulco, Vitale, 2006; Vitale, 2005).

Bifulco and Vitale recognize different categories of contracts and two are particularly interesting to understand both the relationship between state and providers of the services and the relationship between providers and buyers. The first category is “contracts as buy-sell transaction” (market type), it is more directly related to commercialization, that could be achieve through both contracting outsourcing (competition for access to market) and contracts based on the competitive offer among authorized providers (competition within the market). The second is based on relational agreements, concerning complex problems and collective interests. This kind of contract is, by its very nature, ‘between state and market’ (Bobbio, 2000). There are many and various arenas of social policies concerned by both the categories of contracts, such as social care in Italy, which, with the reform introduced in the year 2000, makes way for partnerships predominantly with non-profit organizations.

	<b>Bureaucratic Administration</b>	<b>Company Administration</b>	<b>Shared Administration</b>
<b>Evaluation Parameter</b>	Legitimacy	Efficiency	Participation
<b>Type of relationship</b>	Dual (PA-Citizen)	Triangular (PA, Provider, Citizen)	Network (PA, provider, Citizen, Community)
<b>Public Administration's Responsibility</b>	Direct	Indirect	By Process
<b>Recipient</b>	User	Consumer	Active Citizenry

*Table 2. Administrative Model - Source: Bifulco, Vitale, 2005*

Bifulco and Vitale finally identify at least a few common elements that correspond to different transformative transitions of public action related to current re-organization of social policies. First, there is a transition from the logics of hierarchical authority (typical of government) to those of negotiation, between players and interests (typical of governance). A second transition refers to changes in the relationships among the sub-national, national and supra-national dimensions of policy making, and, in particular, to the increasing autonomy of local levels of government, an increase which is normally interwoven with the development of governance regimes (Le Galès, 2002). Lastly, we have the transition from the logic of uniform and predefined services based on universal or categorical entitlement (citizenship as status) to the logic of personalized services, be it in terms of preferences or regarding the available conditions of agency that may be enabled for the recipients (in the direction of citizenship as contract; Castel, 2003; Handler, 2003).

### **3. Social cooperatives as an answer to contractualisation**

In this last part, once given the definition of social cooperatives, following the definition of EMES research network, I will show the characters, which make the social cooperatives the most suitable economic organization, considered the Italian context of the social- healthcare policies, but also the new needs of the citizens due to the public policies evolution. The same considerations justify the increase of the social cooperatives presence in the sector.

#### *3.1. EMES definition of Social Entrepreneurship*

It is undeniable that the birth and subsequent spread of the social enterprise concept among scholars, is the result of both the public and private sector's inability to meet the needs and choices of a civil society differentiated in terms of income, education, ethical background and ideology (Salamon, 1997). Scholars began to talk about social enterprises as some NPOs become progressively market oriented and growth of social cooperatives occurred in some European countries. The EMES definition, as specified by Defourny and Nyssens (2010), is based on indicators that describe an ideal-type in Weber's terms<sup>2</sup>.

<sup>2</sup> Most importantly, such indicators were never intended to represent the set of conditions that an organization should meet to qualify as a social enterprise. Rather than constituting prescriptive criteria, they describe an 'ideal-type' in Weber's terms, i.e.

Four criteria reflect the economic and entrepreneurial dimensions of social enterprises:

- A continuous activity producing goods and/or selling services;
- A high degree of autonomy;
- A significant level of economic risk;
- A minimum amount of paid work.

Five other indicators encapsulate the social dimensions of such enterprises:

- An explicit aim to benefit the community;
- An initiative launched by a group of citizens;
- A decision-making power not based on capital ownership;
- A participatory nature, which involves various parties affected by the activity;
- A limited profit distribution.

### 3.2. Governance of Social Cooperatives

In the context described before, it is not surprising that in the late 80s, new cooperative initiatives emerged in Italy to respond to unmet needs, especially in the field of work integration – as some groups were increasingly excluded from the labor market – as well as in the field of personal services – in a context of rapid aging of the population and changes in family structures. In contrast to traditional cooperatives, that were primarily oriented toward members' interests, these initiatives were serving a broader community and putting greater emphasis on the dimension of general interest. As observed by Defourny and Nyssens (2010), they also differed from traditional cooperatives because they often combined different types of stakeholders in their membership (paid workers, volunteers and other supporting members, etc), whereas traditional cooperatives are usually single-stakeholder organizations.

#### 3.2.1 A Multi-stakeholder Governance

Several social economy researchers have identified the presence of multiple stakeholder as an important characteristic that differentiates social enterprises from other entrepreneurial contexts (Low 2006, Lumpkin *et al.* 2013).

The term, stakeholders, refers to individuals or groups, which can affect or be affected by the actions of a business as a whole. The term “multi-stakeholder” refers to different interest groups, with different aspirations related to what it can expect from the organization's activity.

Moreover, cooperative and social enterprises have proven better able than traditional public and private firms to coordinate collective action and to manage common pools of resources (Ostrom, 1994). This means that cooperative and social enterprises are able to generate, motivate and govern the interaction of their stakeholders in sharing and pursuing the organisational mission. Relationships can be formalized by a contract and the partners' representation can be acknowledged through voice and vote in governing bodies. This is referred to as a multi-stakeholder governance model. Relationships can be structured and

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an abstract construction that enables researchers to position themselves within the 'galaxy' of social enterprises. (Defourny and Nyssens, 2010)



organized but without a vote in decision-making of governing bodies: in this case, it is preferable to have dialogue with the stakeholders. Any case we can say that public bodies themselves constitute a further stakeholder, since they keen to delegate more and more social services by stipulating agreements or contracts with social cooperatives (Thomas, 2004).

As recognized by Huybrechts, et al. (2012) in these organizations, the configuration of stakeholder involvement contrasts with that of for-profit businesses in at least two ways. First, social enterprises are more likely than other types of organizations to be set up through a process of collective entrepreneurship, which often involves a diversity of actors who each have a 'stake' in the pursuit of one or several organizational missions (Defourny & Nyssens 2006; Haugh 2007; Petrella 2003). Second, social enterprises seem to have a stronger tendency to give a voice to the actors with whom they interact –i.e., to involve their beneficiaries, supporters, funders or partners within their governance structures (Campi et al. 2006; Huybrechts 2010; Münkner 2004; Rijpens 2010). They usually use legal forms that allow and encourage economic democracy by recognizing stakeholders other than investors the right to participate formally in the governance bodies.

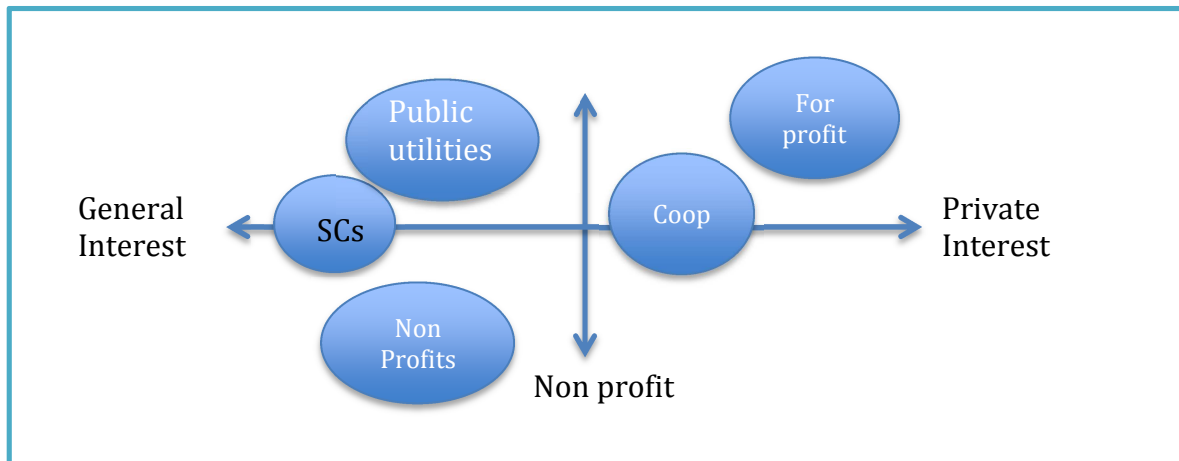
The multi-stakeholder dialogue inside the organisation eliminates communication problems and at the same time, in social cooperatives could empower actors than normally in other economic organisations, where the power is proportional to the capital provided, are far from the decision making process. Stakeholder theory suggests that interactions among stakeholders with different views can produce positive results when stakeholders confront competing interests and combine their forces to resolve their differences (e.g., Freeman *et al.* 2004).

However, as Bacq highlights in her analysis the integration of multiple stakeholder interests, and hence multiple identities, within a single organization is further complicated by the multiplicity of roles played by SBV (Social Business Ventures) stakeholders (Bacq, Lumpkin, forthcoming). The Hansmann model also identifies some shortcomings in the cooperative firm, represented primarily by higher collective decision-making costs, especially as firm dimension grows and its members, for example workers or borrowers, get more differentiated in terms of expressed preferences and endowments of financial wealth or human capital. These factors cause different members to develop different objectives, leading to inflated decision-making costs and organizational impasses (Hansmann, 1980). Furthermore implanting this business model, where the social cooperatives creating a partnership with public authorities deliver a service, could increase the risk of developing different types of isomorphism (coercive, mimetic and regulatory) according to DiMaggio and Powell (1983). It could be problematic, evidently, because the cooperative could loss its intrinsic characteristics, which are its main strengths.

### 3.2.2. General interest

In Italy the Law 381/91 recognized the reality of what had been happening since the late 1970s. In fact, starting from this period a movement of 'social solidarity co-operatives' became established to provide services to the public, rather than for their own members. Previously, social co-operatives had operated in conflict with Civil Code's First and Fifth Book which did not recognize or authorize the provision of social services by a co-operative or other not-for-profit organization (Borzaga and Santuari 2000) However, the Italian constitution - post-dating the Civil Code - recognized in a vague sense that co-operatives might fulfill a social function.

The aim of social cooperatives, in particular in Italy, is not only to pursue a mutual interest, as usually do cooperatives (we speak of mutual interest when the owner class coincides with the beneficiary category; this is the case in for profit companies and in most cooperatives (Huybrechts, 2010)); but rather to pursue the general interest (an organization is called to pursue a general interest when its action is clearly oriented beyond member of the organization (Huybrechts, 2010)) (Defourny & Nyssens 2010 Huybrechts, et al., 2012). Thanks to this characteristic, sanctioned by law in the first article of the law 381/1991, social cooperatives are able to substitute the public sector in the production and distribution of some services once monopolized by the State.



To pursue general interest is one of the main characteristics of social enterprise, as remembered by the list of indicators drawn up by Defourny and Nyssans (2010), and social cooperatives as defined by the law 381/1991.

Pursuing general interest creates a special relationship between social cooperatives and public authorities as, theoretically, there is not discrepancy between the public administration's goals as client and stakeholder and social enterprise's goals as producer and provider.

That is why, for this kind of relationship, economic approaches to governance such as agency theory wouldn't be appropriate, but instead the stewardship theory could be a more realistic approach. Stewardship theory defines situations in which managers are not motivated by individual goals, but rather are stewards whose motives are aligned with the objectives of their principals. In the agency theory both agents and principals seek to receive as much possible utility with the least possible expenditure. (Berle & Means, 1932).

In stewardship theory, the model of man is based on a steward whose behaviour is ordered such that pro-organizational, collectivistic behaviours have higher utility than individualistic, self-serving behaviours. The model of man underlying agency theory is that of a rational actor who seeks to maximize his or her individual utility (Jensen & Meckling, 1976).

Stewards believe their interests are aligned with that of the corporation and its owners. Thus, the steward's interests and utility motivations are directed to organizational rather than personal objectives. In the agency theory, in the modern corporation, agents and principals are motivated by opportunities for their own personal gain. Principals invest their wealth in companies and design governance systems in ways that maximize their utility. Agents accept the responsibility of managing a principal's investments (wealth), because they perceive the possibility of gaining more utility with this opportunity than by accepting other opportunities.

The essential assumption underlying the prescriptions of stewardship theory is that the behaviours of the executive are aligned with the interests of the principals, thus, stewardship theorists focus on structures that facilitate and empower rather than those that monitor and control, at the opposite in the agency theory control and remuneration are the extrinsic motivation when the interests of principals and agents diverge (if the utility functions of self-serving agents and principals coincide, there is no agency problem; both agents and principals enjoy increases in their individual utility). (Davis et al. 1997). The application to the special relationship between public authorities and social cooperative is due to the fact that the public authorities goals and social cooperatives motives, as well as in the stewardship theory for the stewards and principal objectives, are aligned. Furthermore the stewardship theory denies the neo-classical model of man, to promote a model based on the pro-organizational behavior, model that better described the aptitude of an economic organization pursuing general interest.

### *3.3. Law 381/91 a preferential relationship*

There is a wide range of partnership between the State and Third Sector organizations in Europe (Evers and Laville, 2004 Evers 2005, Kendhall 2009). Research results indicate that the different types of welfare (Defourny and Nyssen, 2010) and legislation (Zimmer, 2010) in each country are the variables determining the intensity and characteristics of these partnerships.

Law 381/91 laid the foundations for the preferential relationships between public authorities and social cooperatives. This law recognized social co-operatives on the basis that the primary beneficiary is the community, or groups of disadvantaged people. Unlike the previous legal situation, they no longer had to be members of the co-operative. Indeed, social co-operatives were required to fulfill their activities 'for the general benefit of the community and for the social integration of citizens'.

Initially, European Community contested it, as a breach of competition policy. However, further legislation in 1996 clarified the situation by implementing EC law, but allowing municipalities to only accept tenders for some contracts from organizations meeting a minimum requirement on the employment of disadvantaged people - a condition which only social co-operatives will normally meet (Quarter et al., 2010).

The role of social cooperatives, and their relationships with municipalities, is evolving. Until recently social cooperatives were seen as well-meaning organizations, which probably had a limited role in the provision of municipal services. Now they are seen, for better or worse, much more as a potentially major force in the delivery of social services on behalf of local authorities.

Law 381/91 may have stimulated a more entrepreneurial attitude amongst the social cooperatives, and at the same time a greater user involvement. It is clear that the unintended effects of Law 381/91 have significantly changed the dynamics of social cooperatives - in terms of internal relationships, the relationships between providers and users and relationships between service provider and commissioning body (Thomas 2004).

### *3.4. Social Cooperatives in health-care sector: some additional considerations*

Social cooperatives are rather present in the health sector, for different reasons. First of all the capacity to create trust in the consumers. There was growing dissatisfaction by citizens with the quality of some key services furnished by public authorities. It was perceived that greater user involvement could overcome that dissatisfaction. Secondly, services provided by the national or local state were being provided at a high financial cost. Social co-operatives were expected to deliver services at lower cost than was possible by the local or national state. Further, growth in service provision was more politically acceptable if additional workers were employed outside the state sector (Quarter, 2012). Social cooperatives are also an economic organization that could deepen integrate social and health services, in

order to finally dissolve any uncertainty on the meaning of the expression “social and health services” for a long time debated and now even more (Andorlini, 2011).

At the same time in a so delicate period, where the number of Italians deemed absolutely or relatively poor will increase significantly due to lower average disposable incomes, higher unemployment and increased health-care related private costs, the risk of creating excessive disincentives to demand medical care is high.

**Tabella 1. I numeri della cooperazione sociale in Italia per settore d'attività - anno 2008**

Settore d'attività	Numero di Cooperative		Valore della produzione (mln €)		Capitale investito (mln €)		Numero dei Dipendenti	
	v.a.	%	v.a.	%	v.a.	%	v.a.	%
Servizi	11.141	79,9	8.162,9	91,0	6.255,9	86,8	290.846	91,7
Sanità e assistenza sociale	6.184	44,4	5.874,0	65,5	4.371,6	60,7	210.373	66,3
Istruzione	819	5,9	327,9	3,7	259,3	3,6	11.580	3,6
Attività artistiche, sport, intratt.	575	4,1	201,7	2,2	156,9	2,2	7.679	2,4
Supporto alle imprese	1.651	11,8	917,5	10,2	712,9	9,9	37.254	11,7
Altri servizi	1.912	13,7	841,9	9,4	755,2	10,5	23.960	7,6
Agricoltura	368	2,6	196,3	2,2	286,3	4,0	4.123	1,3
Industria in senso stretto	814	5,8	427,4	4,8	421,5	5,8	13.020	4,1
Costruzioni	418	3,0	136,4	1,5	200,7	2,8	4.051	1,3
Dato mancante	1.197	8,6	42,9	0,5	40,7	0,6	5.299	1,7
<b>Totale</b>	<b>13.938</b>	<b>100,0</b>	<b>8.966,0</b>	<b>100,0</b>	<b>7.205,1</b>	<b>100,0</b>	<b>317.339</b>	<b>100,0</b>

Fonte: Euricse (2011), *Primo Rapporto sulla Cooperazione Italiana*.

#### 4. Conclusion

the aim of this article was , once briefly resumed the changing context of health care in Italy, and highlighted the transformation in the decision-making, production and distribution process, to add a theoretical depth to the analysis of in social cooperatives governance and in particular related to the Italian social –health care field.

The social- health care field as shown in the first part of this work, is a sector in evolution due to two main drives: the first one, an established reduction in a public services supply, due to austerity policy but also a different conception of public services (more market oriented); the second the need of a democratization of the economic process, and a need for more participation by the citizens in the production of this good once public today maybe common. While the cost of healthcare is increasing the possibilities to private expenditure is very reduced, and the risk of creating excessive disincentives to demand medical care, a general decrease in health status and an increase in regional heterogeneity is very high.

The solutions opened thanks to the law 381/1991 probably are still in evolution, due to the different interpretation given to the concept “social- health care”, at the same time the law permits to put in evidence one of the most important characteristics of a social enterprise the general interest.

In this paper I proposed to analyze this characteristic through the stewardship theory instead of the well-known agency theory, applying it at the organizational level. I found it particularly adapted to the context, as the public authorities goals and social cooperatives motives, as well as in the stewardship theory for the stewards and principal objectives, are aligned. Furthermore the stewardship theory denies the neo-classical

model of man, to promote a model based on the pro-organizational behavior, model that better described the aptitude of an economic organization pursuing general interest. A second trait highlighted in the paper was the multi- stakeholders governance.

A multi- stakeholder governance is an including governance, which permits to actors to have a more open communication, and at the same time to enlarge the number of actors involved in the decision making process, and relative to this point social enterprises have proven better able than traditional public and private firms to coordinate collective action and to manage common pools of resources (Ostrom, 1994). By the way a multi- stakeholder governance has also some limitations, such as the risk of isomorphism (Di Maggio , Powell 1983), higher cost of collective decision making (Hansmann, 1980), and the fact that the integration of multiple stakeholder interests, and hence multiple identities, within a single organization is further complicated by the multiplicity of roles played by SBV stakeholders (Bacq, Lumpkin, forthcoming).

One of the purposes of this article, was to call the attention on the presence of the public administration as a stakeholder within or outward the social cooperatives, to propose a different tool to analyse this “special relationship” and linked that consideration to the healthcare sector, a changing sector abundant of new prospective, and needy of new solutions.

## **APPENDIX ONE**

### **Law 381/91 Approved 3rd November, 1991 Extracts from the regulations governing social co-operative societies**

#### **Article One - Definition**

1. Social co-operative societies shall pursue the general interests of the community in human promotion and in the citizens’ social integration by:
  - (a) Managing social, health and educational services;
  - (b) Carrying out diverse activities - agricultural, industrial, commercial or service activities - whose purpose is the employment of disadvantaged people.

#### **Article Two - Voluntary members**

1. In addition to the members provided for by the laws in force, the Articles of Association of social co-operative societies can provide for voluntary members who can work without payment.
2. The number of voluntary members cannot exceed half of all the members.
3. Voluntary members can only be reimbursed the expenses which they actually bear...

#### **Article Four - Disadvantaged people**

1. [In type B social co-operatives] disadvantaged people are people with physical, mental and sensory disabilities, former patients of psychiatric hospitals, people undergoing psychiatric treatments, drug addicts, alcoholics, young people under 18 but of working age with family difficulties and prisoners admitted to sentences which are alternatives to imprisonment.
2. At least 30% of the workers in the social co-operative society shall be disadvantaged people. Disadvantaged people shall be members, their subjective conditions permitting. The disadvantage shall be certified by public bodies, save as provided for by privacy rights.

3. Social co-operative societies shall pay no mandatory contributions for old age pension and health coverage with reference to the wages and salaries of disadvantaged people.

#### **Article Five - Public works contracts**

1. Notwithstanding the regulations relative to public administration contracts, public bodies - including public economic institutions and public companies with share capital - can enter into public works contracts with Type B social co-operative societies, provided that the supply of goods or services is worth less than €200,000 and that these contracts aim at creating job opportunities for disadvantaged people.

#### **Article Eight**

1. The provisions in this Act shall apply to consortia set up as co-operative societies, provided that they are formed by at least 70% of social co-operative societies.

#### **Article Nine**

1. Regions shall issue rules for implementation within a year from the coming into force of this Act. For this purpose they establish a regional 'Albo' of social co-operative societies.

#### **Article ten - Corporate bodies**

1. Public or private corporate bodies - whose Articles of Association specifically provide for the financing and development of the activities of social co-operative societies - can be admitted as members of social co-operative societies.

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