Université libre de Bruxelles

Solvay Brussels School of Economics and Management

Dissertation presented in order to obtain the degree of PhD in Economics and Management sciences.

SOCIAL FINANCE AND THE COMMONS

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Academic year 2016-2017

Acknowledgments

I always considered that any undertaking or project required cooperation, collaboration and mutual support. Naturally, the dissertation project that I am achieving today is no exception. This Ph.D. has been a wonderful journey, shaped by many encounters and discussions. I insist to thank and acknowledge all the people who helped me in one way or another to achieve this milestone. Their support has been valuable and essential throughout this journey.

First, I want to thank my Ph.D. supervisor Professor Marek Hudon. When we first met in his office in 2010, I could not imagine that this collaboration would last for seven years. He provided invaluable academic and personal support to design, conduct and present my research. I must thank him for his trust and support in all circumstances. I am eternally grateful.

I am also very thankful to my jury members, Professors Tina Dacin, Helen Haugh, Marc Labie and Frédéric Louault, who took the time to read this dissertation in detail and provide me with useful comments and suggestions.

I warmly thank all the people who helped me to conduct my research in Brazil. Everything started in 2011 when I conducted my first field research. While there, I met several people who have been crucial in this dissertation: Sandra Magalhães, Joaquim Melo, Genauto França Filho, Asier Ansorena, Leonardo Leal, and Carlos de Freitas. All of you enabled me to discover a new world at that time, and forged the direction of my life for the following years. I owe you the deepest gratitude and friendly feelings.

I am also very grateful to all the people who welcomed me in Brazil and accepted to be interviewed in the frame of my research. In particular, I want to express my deepest gratitude to Leonora Mol, Geisielle Cassilhas, Iraní de Novais Correio, Cosme dos Santos, Ivoneide Vale, Marivaldo Vale, Wensyo Andrade, Rafael Mesquita, Thiago Vinícius, Aline Maria, Cleberson da Silva Pereira, Juliana Braz, Elias Lino dos Santos, Otaciana Barros, Ariadne Scalfoni Rigo, Elenita Souza, Patricia Saldeado, José Mário da Silva, and Rosângela Tigre.

I must also thank my Brazilian friends who made this journey and field research possible: Driu Oliveira, Roberto Audio, Ilton Yogi, Amparo Cisneros Garcia, Marina Cabral, Joana França and Moises Vasconcellos.

I am grateful to my research centers and funding agencies. I express my deep gratitude to FRS-FNRS who funded and supported this research. I am also grateful to Solvay Brussels School of Economics and Management, Centre Emile Bernheim, and Fédération Wallonie-Bruxelles for their administrative and financial support. A very special acknowledgement is given to the Centre for European Research in Microfinance (CERMi) which provided considerable institutional support. Hence, I want to warmly thank the CERMi's directors Ariane Szafarz, Marc Labie and Marek Hudon. Similarly, I want to thank Véronique Lahaye, Anne-Lise Rémy, Aurélie Rousseaux for their great administrative and personal support.

I am also grateful to Marcos Barros and our fruitful collaboration.

All my thanks also go to my colleagues at CERMi: Annabel Vanroose, Carolina Laureti, Cécile Godfroid, Claudia Savarese, Hélène Joachain, Laure Radermecker, Muluneh Hideto Dato, Patrick Reichert, and Zineb Aouni.

Many thanks to all the people who had the patience to proofread my papers, especially Tony Bulger, Majid Lemqaddem, Patrick Reichert, and Thomas Willson.

A special thanks to Flora Delaplace without whom nothing would have been possible.

Last but not least, I would like to thank all my relatives and friends who were there to keep me motivated throughout this work, especially Anita, Aurore, Ben, Biff, Caroline, Charline, Coralie, Doc, Erika, Esther, Felipe, Fidel, Flavio, Irene, Jessica, Julien, Luciana, Majid, Margarita, Marie-Clotilde, Mus, Nam, Pierre, Peter, Salima, Sabrina, Sarah, Thomas, Toune and Valériane.

To my dad, my mother, my sister, and nephews.

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INTRODUCTION

Introduction

The commons is a concept increasingly used by practitioners and social activists with the promise of creating new collective wealth (Bollier & Helfrich, 2014; De Angelis, 2007; Klein, 2001). In recent years, a variety of scholarly research papers have explained the different ways of organizing commons (Van Laerhoven & Ostrom, 2007). As a result, many streams of inquiry have emerged in various areas: organization theory (Ansari et al., 2013; Fournier, 2013; Tedmanson et al., 2015), institutional economics (Hess & Ostrom, 2011; Ostrom, 1990, 2005, 2010), political philosophy and legal studies (Dardot & Laval, 2014; Holder & Flessas, 2008), nonprofit studies (Aligica, 2016; Bushouse et al., 2016; Lohmann, 2014, 2016) and business ethics (Akrivou & Sison, 2016; Argandoña, 1998; Melé, 2009, 2012; O'Brien, 2009; Sison & Fontrodona, 2012; Solomon, 2004). However, these different theories are usually conceived and used separately. Empirical research on the commons has mainly focused on natural resources at local and global levels (Ansari et al., 2013; Cody et al., 2015; Cox & Ross, 2011; Galaz et al., 2012; Ostrom, 1990, 2010; Poteete et al., 2010), and also on digital and scientific resources (Benkler, 2006; Boyle, 2008; Cook-Deegan & Dedeurwaerdere, 2006; Coriat, 2015; Hess & Ostrom, 2011). Despite a long tradition of research into local community organizations, there is little empirical scientific knowledge using the lens of the commons to study shared resources that are neither natural nor informational in nature.

This dissertation aims to fill these gaps by analyzing social finance services and organizations from an interdisciplinary perspective. The aim is to understand whether communities can create financial commons[1]. By analyzing the processes involved, the dissertation sheds light on the social and institutional components enabling the creation of human-made commons. More specifically, it identifies the nature of two kinds of shared financial resources—microcredit services and complementary currencies—and looks at the functioning of community arrangements that provide them, as well as the components of community institutions mobilized to create commons organizations, and the institutional work strategies developed by intermediary organizations to adjust the scale of these social finance services.

1 Commons as a concept has multiple meanings that we will present in the next section. We define commons as shared resources that are collectively owned and managed through participatory processes.

We structure this introductory section as follows. First, we review the theories used in the dissertation to highlight the main features of a commons paradigm. Second, we explain why research studies into commons and community entrepreneurship are complementary, and we introduce our object of analysis: social finance. Third, we present the reasons for deciding to research social finance and selecting the commons paradigm to study this phenomenon. Fourth, we motivate the selection of Brazil and community development banks as our research context and why that choice is particularly suited to the core research questions of the dissertation. Fifth, we explain the construction of the research design and our main methodological choices. Sixth, we define our ontological and epistemological perspective as researchers in management science. Seventh, we situate and motivate our research questions. We conclude with an overview of the dissertation structure, the findings and the contribution of this dissertation.

1. The Emergence of a Commons Paradigm

According to David Bollier, we are witnessing the emergence of a "commons paradigm" (Bollier, 2011). This refers explicitly to forms of civil society organizations enabling people to collaborate and share in order to meet daily needs (Dardot & Laval, 2014; Holder & Flessas, 2008). This new paradigm is an alternative way of organizing economic activities collectively according to values, principles and operating methods that differ from those applied by the market and the state (Bollier & Helfrich, 2014; Klein, 2001; Ostrom, 2010). More generally, the increasing attention paid to the commons (Van Laerhoven & Ostrom, 2007) reflects a social need to redefine the concept of the economy through cooperation, solidarity and collective action (Fournier, 2013; Laville, 2010; Tedmanson et al., 2015). This paradigm presents a novel way of analyzing new social practices that have been implemented according to these features. It also provides a new conceptual basis for studying collective practices and organizations that have existed for a long time in many societies and economies. However, there is no agreement on the features and characteristics of this paradigm, since multiple conceptions of the commons exist. Hence, we propose to gather the existing approaches to and theories of the commons in organization theory, nonprofit studies, business ethics, and institutional economics to determine the main features of the commons paradigm.

The understanding of commons was confined for many years to common-pool resources (CPRs). In institutional economics, CPRs are resources that are subtractable in use (consumption by one user decreases the amount of the resource available for others) and non-excludable (excluding someone from having access to the resource is difficult and costly). These characteristics incentivized commons scholars to focus on natural and environmental CPRs, such as fisheries (Galaz et al., 2012; Ostrom, 1990), groundwater and irrigation systems (Cody et al., 2015; Cox & Ross, 2011), communal land (De Moor, 2011) and the climate (Ansari et al., 2013; Ostrom, 2010). Because of their characteristics of subtractability and non-excludability, CPRs could presumably be overexploited, as individuals would tend to maximize their own appropriation of the resource. This is the so-called tragedy of the commons, where users of a shared resource are guided by their own interest and unable to cooperate (Hardin, 1968). However, the pioneering work of Elinor Ostrom (1990, 2005, 2010) revealed that communities can self-organize to ensure sustainable use of CPRs and develop institutional arrangements that can be efficient and resilient for long-term management of natural commons. Ostrom's seminal work on local organizational design (Ostrom, 1990) and its connection with multiple organizations and institutions (Ostrom, 2005; 2010) has been an important source of inspiration for better defining the nature of the environmental commons and their governance by communities.

Building on Ostrom's theory of the commons, several nonprofit and organizational scholars analyzed how new commons could be established (Lohmann, 2014, 2016; Tedmanson et al., 2015). This term refers to "shared resources that have recently evolved or have been recognized as commons" (Hess, 2008:1). Therefore, the understanding of commons evolved from an "essentialist approach" (Périlleux & Nyssens, forthcoming), defining commons by their intrinsic nature and the characteristics of CPRs, to a "constructivist approach", based on the idea that commons are socially constructed through practices and cognition (Ansari et al., 2014; Dardot & Laval, 2014). The adjective "new" does not mean that these practices and organizations are novel but that this paradigm presents a new way to conceptualize them. Hence, new commons can potentially emerge from resources that are shared and collectively managed: this is known as "commoning" (Dardot & Laval, 2014; Fournier, 2013). Commoning is a widespread practice in grassroots self-managed organizations, and in projects where users co-produce rights and duties linked to a shared resource (Coriat, 2015). Examples of commoning include community gardens, transition towns, and collaborative consumption of food (Bollier & Helfrich, 2014). New commons are created through the voluntary association of people around common purposes and values (Lohmann, 2016). Based on the political principle of self-management and autonomy (Aligica, 2016; Bushouse et al., 2016; Périlleux

& Nyssens, forthcoming), new commons are embedded in territorial contexts as users decide how to share and manage these resources for common objectives (Lohmann, 2016; Ostrom, 2005). Some authors argue that this collective way of organizing should lead to the creation of new types of laws and rights (Holder & Flessas, 2008), based on sharing rather than on restricted private ownership (Coriat, 2015; Schlager & Ostrom, 1992).

Looking at the collective dimensions of commons also implies considering the communities and political projects behind them (Dardot & Laval, 2014; Melé, 2009, 2012; Solomon, 2004). In other words, it is crucial to understand the community that aspires to create and manage them and the purpose of their collective organization. The communities can be territorial (a neighborhood, a village) or a social group (a nonprofit, a cooperative). Commons organizations, like other organizations, are therefore "communit[ies] of persons" (Melé, 2009) in which people meet to achieve common objectives. These objectives are often driven by a teleological ethic to "emancipate [people] not just from poverty and shrinking opportunities, but from governance systems that do not allow them meaningful voice and responsibility" (Bollier & Helfrich, 2014). In this regard, the objective of serving the common good (O'Brien, 2009; Sison & Fontrodona, 2012) of communities and society is present in commons organizations. This common good principle can be defined as the beneficial interest of most people, an interest that is collectively expressed through participation and democratic practices. The common good is thus considered as the philosophical principle that "entails cooperation to promote conditions which enhance the opportunity for the human flourishing of all people within a community" (Melé, 2009). Even if there are many different interpretations and definitions of the common good (Argandoña, 1998; Sison & Fontrodona, 2012), commons organizations aspire to serve communities by responding to citizens' needs and aspirations, and possibly by developing new capabilities (Bollier & Helfrich, 2014). For the sake of clarity, Table 1 presents a summary of these four meanings of the commons and their respective scholarly disciplines.

Table 1: Definition and characteristics of the different concepts linked to the commons

Concept and Terminology	**Definition and Characteristics**
Common goods	We define common goods as the resources characterized by intrinsic dimensions of subtractability of use and non-excludability of access. As such, these goods are synonyms with common-pool resources, or traditional commons. Examples of common goods are environmental resources that are open-access and deplete with consumption. This approach to common goods is used mainly in environmental science and new institutional economics.
New commons	New commons can be considered as shared resources that are collectively managed by a group of users who design and implement the rules for their provision, allocation, withdrawal, control and monitoring. New commons are therefore not defined by inner characteristics of resources but by collective organization that institutionalizes them as commons. Examples of new commons are digital and informational commons as well as human-made resources, such as culture. This concept of new commons is increasingly present in organization theory, nonprofit studies, and computer science.
Common good	The common good is a philosophical principle guiding individual and collective action to contribute to the wellbeing of society or the greatest number of people. Taking into account the collective dimensions of individuals in societies, there are multiple meanings, since the common good will depend on collective-choice and virtue behavior. According to this idea, individual and collective action should not be undertaken if it destroys others' wellbeing. This concept is mainly present in philosophy and business ethics.
Common	The common is a political principle influencing some social movements and struggles against the expansion of private appropriation of socio-economic resources, from culture to living beings. These are new forms of protest against capitalism and neo-liberalism, implemented in self-managed local experiences built on direct democracy (collective deliberation for settling institutional arrangements) and on the right of use of common resources. This approach is mainly present in political philosophy.

This broad overview of the literature on the commons provides a theoretical basis for the emerging commons paradigm (Bollier, 2011). Although extensive research has been conducted empirically on natural and informational commons (Ansari et al., 2013; Benkler, 2006; Cook-Deegan & Dedeurwaerdere, 2006; Coriat, 2015; Ostrom, 1990), the literature on human-made commons remains mainly theoretical, and rarely studies real-world organizations (Dardot & Laval, 2014; Lohmann, 2014, 2016). Adopting a more constructivist approach to the impact of collective governance and management on goods could shed new light on the production and establishment of commons. From this perspective, some resources that are traditionally considered as private goods, such as food and finance, or toll goods, such as cultural services, could be institutionalized as commons. Hence, this dissertation fills some gaps in the research on establishing and institutionalizing human-made resources such as commons.

We will empirically analyze grassroots community enterprises providing and managing financial services. Community enterprises (Haugh, 2007; Peredo & Chrisman, 2006) and nonprofit organizations (Anheier, 2014; Oster, 1995; Salamon & Anheier, 1997) are promising settings for the development of new commons (Bushouse et al., 2016; Lohmann, 2014, 2016; Nyssens & Petrella, 2015; Périlleux & Nyssens, forthcoming). These organizations, based on collective ownership and governance, aim to fulfill social and economic needs, and to foster common interest in economic activities (Battilana & Lee, 2014; Dacin et al., 2011; Defourny & Nyssens, 2008). Accordingly, they are useful for understanding how communities develop alternative institutional arrangements for governing a resource that is shared among their members. In the next section, we introduce our subject of inquiry, social finance, by providing an overview of recent research into social and community entrepreneurship.

2. Social Entrepreneurship and Community Finance

In recent decades, several entrepreneurs have started to actively and deliberatively engage in entrepreneurial activities in order to solve social problems. An increasing number of scholars have studied this social entrepreneurship phenomenon (Battilana & Lee, 2014; Dacin et al., 2011; Doherty et al., 2014; Mair & Marti, 2006, 2009). Encompassing a wide diversity of activities, social enterprises deploy a vast array of strategies to provide goods and services and to influence their institutional environment and social structures (Battilana & Lee, 2014; Tracey et al., 2011). As they pursue a dual mission of socio-environmental action and financial sustainability (Doherty et al., 2014), they are often considered as examples of hybrid organizations that have to balance financial and social objectives in most of their organizational choices (Battilana & Dorado, 2010; Pache & Santos, 2013; Smith et al., 2013). In parallel, social enterprises can be considered as emancipation-driven projects, since wealth creation can bring about social change (Battilana & Lee, 2014; Tracey et al., 2011). Indeed, according to Rindova and colleagues (2009), entrepreneuring can be generally defined as “efforts to bring about new economic, social, institutional, and cultural environments through the actions of an individual or group of individuals" (2009: 477). Therefore, the fact of producing innovation (an innovative product, or an innovative solution to a problem) can be considered as emancipatory for the individuals and groups creating or benefiting from it.

Although particular emphasis is traditionally placed on the individual role of social entrepreneurs (Mair & Marti, 2006; Dacin et al., 2011), a special stream of social entrepreneurship research focuses more specifically on how collectives and communities go about shaping economic organizations (Haugh, 2007; Defourny & Nyssens, 2008; Leca et al., 2014; Peredo & McLean, 2013). This is the case of community entrepreneurship, defined as “a community acting corporately as both entrepreneur and enterprise in pursuit of the common good” (Peredo & Chrisman, 2006: 310). Community enterprises are established by and in deprived communities to create social and economic development opportunities (Haugh, 2007). Highly embedded in local social capital structures, they have multiple goals and deploy many strategies for community participation, depending on the territorial context (Somerville & McElwee, 2011). This is the case of traditional communities in developing countries, such as indigenous communities in Latin America (Peredo & McLean, 2013), as well as in developed countries, notably community interest companies in the United Kingdom (Haugh, 2007). Social and solidarity economy research also focuses on how collectives of workers and citizens shape entrepreneurial activities in cooperatives, nonprofits and mutual funds (Defourny & Nyssens, 2008; Perilleux & Nyssens, forthcoming). These organizations usually pursue objectives of social and economic emancipation to the extent that they aim to achieve greater democracy in economic activities and working places (Laville, 2010).

In reaction to the multiple shortcomings of the traditional financial system, several community organizations and social enterprises have started to provide financial services (Armendáriz & Szafarz, 2011; Battilana & Dorado, 2010; Hudon & Sandberg, 2013; Kent & Dacin, 2013; Périlleux et al., 2012). In order to tackle financial exclusion and enhance ethical behavior in finance (Cosgrove-Sacks & Dembinski, 2012; Louche et al., 2012), these organizations are often attached to the microfinance sector and the responsible finance movement (Arjaliès, 2010). Microfinance organizations provide different financial services, such as microcredit, micro-insurance and micro-savings, to traditionally financially excluded populations (Hudon, 2009; Hudon & Sandberg, 2013). Mainly present in developing countries, these services are better tailored to the needs of low-income people and aim to foster social and economic development by generating entrepreneurial activities and offering a safety net to reduce hazards and uncertainty (Armendáriz & Labie, 2011; Gutiérrez-Nieto & Serrano-Cinca, 2010). There is a long tradition of community finance organizations over the world, such as village banking and peasant cooperatives created to respond to collective and community needs. Hence, the microfinance sector is very heterogeneous and encompasses a wide range of actors, including market-based organizations, non-governmental organizations and credit cooperatives (Périlleux et al., 2012).

Present in both developing and developed countries, community banks are local financial institutions formed in and managed by communities (Almandoz, 2014; França Filho et al., 2012; Marquis & Lounsbury, 2007). They are present in financially underserved areas and offer different services to foster financial inclusion and local development (Kneiding & Tracey, 2009; Melo & Braz, 2013). These banks are generally self-managed by communities that ensure participation through several arenas. They are driven by both financial and social objectives, not only to ensure sustainability but also to comply with their social mission. This double purpose is present in the market logic and the community institutional logic driving these organizational forms (Almandoz, 2014; Marquis & Lounsbury, 2007), as well as in microfinance organizations more broadly (Battilana & Dorado, 2010; Kent & Dacin, 2013). As often happens in social enterprises, these two logics might be competing and conflicting. Indeed, pressures from regulators and financial stakeholders influence the adoption of uniform accountability and operations, while founders and social stakeholders may tend to put more emphasis on serving communities and ensuring compliance with the social mission (Almandoz, 2014). In addition, some community banks adopt strategies to resist market and regulatory pressures in order to counter standardization and ensure local autonomy (Marquis & Lounsbury, 2007). The resulting tension reflects the difficulty of creating a community-based and socially oriented financial sector in order to supplement the traditional for-profit financial sector.

In parallel to these organizations, complementary currencies are also a community financial device for development (Dodd, 2015; Ingham, 2004; Lietaer, 2001). Over the last decades, they have emerged as a financial tool developed by territorial and value-based communities to fulfill economic, social and environmental requirements (Gomez & Helmsing, 2008; Michel & Hudon, 2015; Seyfang & Longhurst, 2013). They supplement official currencies and meet needs that are underserved by them (Lietaer, 2001). This is a worldwide phenomenon since alternative currencies are present on every continent, with more than 3,000 projects inventoried (Seyfang & Longhurst, 2013). There is a vast array of complementary currencies, ranging from commercial loyalty schemes to community currencies, the latter being crafted and managed with a view to promoting local and sustainable development (Blanc, 2000). An important characteristic of community currencies is the values and ethics they carry in the financial sector. Indeed, some exist as a means of exchange for injecting greater solidarity into trade, while others are explicitly used to promote pro-environmental behavior. In addition, they often encourage sustainable development (Michel & Hudon, 2015; Seyfang & Longhurst, 2013) by building communities, creating new social ties, and fostering economic solidarity and environmental respect.

We believe that research trends in the fields of the commons and community entrepreneurship are complementary. On one hand, commons research analyzes the collective characteristics and physical components of shared resources. It also focuses on the social dimensions of the institutions and the functioning of the organizational arrangements developed for their governance and management. Special attention is paid to users' co-production of rules and norms (Ullmann-Margalit, 1977). On the other hand, the literature on community entrepreneurship examines the characteristics of collective organizing for developing new ventures to promote economic and social development. The main focus is on the collective efforts undertaken to resolve problems that are shared by multiple community members, such as environmental degradation, endemic poverty and economic depletion. Moreover, commons organizations and community enterprises all face difficulties inherent in collective action and participatory governance. Indeed, there are several limits and challenges found in such forms of organizing, such as free riding, monitoring rule compliance, and difficulties in effective democratic deliberation.

Nevertheless, we believe that community entrepreneurship theory has overlooked the process of establishing commons as a new form of value creation based on collective benefits and social capital. The emphasis on collective action for resolving social problems highlights new perspectives on governance research and the involvement of multiple stakeholders. This dissertation aims to address gaps in the literature that are common to both these trends. Before presenting our research questions and the structure of the dissertation, we will first explain why we decided to research social finance, why we choose the commons paradigm to study this phenomenon, and why our specific context is particularly suitable to the core research questions of the dissertation.

3. Motivation for Studying Social Finance

The multiple economic, social and environmental crises argue for a renewed understanding of financial allocation, particularly in activities aiming to generate social and environmental benefits (Nicholls & Pharoah, 2008; Sun et al., 2011). The investment practices of the traditional financial sector have been increasingly criticized for fostering financial instability or for being incompatible with social and environmental issues (Cosgrove-Sacks & Dembinski, 2012). Therefore, the financial and banking sectors continually raise ethical concerns and wariness in public opinion (Arjaliès, 2010). To promote other banking and financial structures and instruments, investors and social actors have developed several social finance vehicles (Benedikter, 2011). According to Moore et al. (2012: 116), social finance refers to "the deployment of financial resources primarily for social and environmental returns, as well as in some cases, a financial return". Following this definition, social finance is a broad and heterogeneous field that covers a wide range of practices, such as venture philanthropy (Van Slyke & Newman, 2006), socially responsible investment (Louche et al., 2012), Islamic finance (Ayub, 2009), microfinance (Hudon, 2009) and community currencies (Seyfang & Longhurst, 2013). What is common to all these practices is that they include social, environmental and ethical concerns in financial management and allocation.

As argued by Lehner (2016), social finance is an emerging field of interest for investors, policy-makers and social entrepreneurs. It is therefore crucial for resolving societal problems by financing sustainable economic activities and social ventures (Moore et al., 2012). Social finance is also a nascent market in developed countries (Casasnovas & Ventresca, 2016). This is particularly the case in United Kingdom, where institutional actors, such as Big Society Capital, provide structure for the emerging market of social investment (Casasnovas & Ventresca, 2015).

A scholarly research trend is growing to better understand this trend in the financial sector (Benedikter, 2011). Indeed, an increasing number of academic research papers and special issues of journals (e.g. Entrepreneurship Theory and Practice, California Management Review, Journal of Social Entrepreneurship, Research in International Business and Finance) are dedicated to new financial alternatives, such as social finance and crowdfunding. This academic interest reveals the necessity to better understand the phenomenon and its multiple institutional components, especially in the context of post-crisis financial research (Lagoarde-Segot & Paranque, 2017). In this regard, by drawing up a research agenda on social finance, Moore et al. (2012) encourage researchers to investigate how this new phenomenon "reproduce[s] or challenge[s] existing institutional structures" and evolves "in developing country contexts where markets still remain locally focused in many regions" (Moore et al., 2012: 127).

This nascent field is also interesting from an ethical and ontological perspective, considering finance as a vehicle for social change. Indeed, social finance raises questions regarding the nature of financial services in modern societies. As highlighted by Nicholls and Pharoah (2008) social finance and investment "is about more than just the flow of money into social or environmental projects. It is an ethos about the way money is used […]. So, social investment can be seen as the discourse around such flows that is developing in concrete terms in the new institutions of supply, intermediation and demand." (Nicholls & Pharoah, 2008: 11). Further, reflection on the nature of money and its use can be seen as a renewed 'counter-movement for societal protection' (Quilley, 2012), the reverse of financial deregulation and disconnection from concrete economic activities.

This new conception of finance as a driver for social change is also present in grassroots actors, often involved in "new social economic movements" (Gendron et al., 2009). Several bottom-up initiatives are spreading worldwide to (re)take control of the financial and banking system in order to promote economic stability, community investment and financial inclusion. The increasing interest in social finance is also present in these social actors and activists that aim to build another financial system based on social needs and ethical concerns (e.g. North, 2007). However, these grassroots actors are sometimes not taken into account by traditional investors, policy-makers and scholars: attention is often focused on more institutionalized social finance such as socially responsible investing.

All the above arguments show that social finance is a promising and expanding phenomenon both for practitioners and for scholars. Social finance represents something new in society: an individual and collective aspiration to change the role of finance for the collective interest. That aspiration is reflected in the diversity of social finance instruments and organizations. In line with a post-crisis research agenda (Lagoarde-Segot & Paranque, 2017), we consider that finance is a social phenomenon and as such can be studied by social science approach and techniques. Hence, this dissertation will analyze the phenomenon from the interdisciplinary and qualitative perspectives, as well providing a better understanding of social finance developed by community organizations.

4. Why Choose the Commons to Study Social Finance?

An increasing number of scholars use the commons to study finance services and organizations (Dissaux, 2016; Paranque, 2016; Périlleux & Nyssens, forthcoming; Servet, 2015). This scholarly interest is motivated by the willingness to understand finance for the collective interest. We decided to contribute to this emerging research trend and analyze social finance services through the lens of the commons, for multiple reasons. As argued by Bollier (2011: 29), "the commons fills a theoretical void by explaining how significant value can be created and sustained outside of the market system". We wanted to mobilize that theory to provide insights into social finance in community organizations and the creation of value for collective wealth.

We decided to select the literature on the commons, rather than on collective action, to investigate social finance because we think that the commons offer a new way of understanding collective action in communities. We argue that this theoretical approach brings a challenging manner to conceive collective action as a process for instituting alternative organizational forms. These forms can be grassroots and community-based (Bollier & Helfrich, 2014; Dardot & Laval, 2014); they can be part of the social economy sector (Nyssens & Petrella, 2015; Périlleux & Nyssens, forthcoming) and include corporations acting in a humanistic manner (Frémeaux & Michelson, forthcoming; Sison et al., 2012), as well as nonprofits (Bushouse et al., 2016; Lohmann, 2016).

On one hand, the boundaries between collective action and the commons are thin, as (non-natural) commons require collective action to exist. What generates the commons is the co-production of rules, coordination of actors, and collective deliberation (e.g. Coriat, 2015; Ostrom, 1990). The commons therefore expand research into collective action—traditionally focused on providing public goods and allocating common-pool resources (e.g. Olson, 1965; Ostrom, 1990)—to the delivery of excludable resources and private goods (Hess, 2008). Hence, collective action traditionally focused on goods and services that were accessible to all, whereas our analysis of the commons proposes to investigate how to make them includable and guarantee access to excludable services.

A second difference between collective action and the commons lies in the political undertaking of creating commons and communities outside of the market system (Fournier, 2013; Linebaugh, 2008). This political approach emphasizes the willingness to create a shared resource that is available to all and not subject to market pricing and exclusion (Dardot & Laval, 2014). The political dimension of commons organizations should be perceived from the perspective of a plural economy (Laville, 2010), in which economic activities rely on market-based, nonprofit and non-monetary principles.

In addition, the commons are closely tied to the ethical concept of the common good (Frémeaux & Michelson, forthcoming; Melé, 2011), which entails the notion of commitment and adhesion to common values and norms (Solomon, 2004). Hence, the theoretical perspective of the commons makes it necessary to investigate what citizens have in common, what makes them engage in collective action, what results from such action for the common good (O'Brien, 2009), and what is the common purpose established by collective action (Hollensbe et al., 2014).

Finally, using the commons to study social finance is interesting as it is often related to the notion of fundamental rights. Indeed, when a resource is institutionalized as a commons, access to it is guaranteed; otherwise it would be a private good acquired on a market relying on price exclusion mechanisms. Studying the commons consists in investigating how a resource is conceived and governed in a way that does not prevent people from having access to it. This is the principle present in many activists' discourses, which aim to define a resource as a commons for guaranteeing fundamental rights to water, food, information and culture, for example. In the case of finance, considering access to financial services as a right is an argument promoted by several people, including the Nobel Peace Prize Laureate Muhammad

Yunus. In this regard, establishing access to finance as a right would rely on its potential for economic development and poverty reduction (Hudon, 2007).

Hence, we selected the commons for conducting our analysis, for all these reasons. Collective action and coordination of users are essential features of these commons organizations, as are the political and social projects behind them. Therefore, we chose to fit this dissertation into the emerging commons paradigm (Bollier, 2011) as there is certainly both a performative and teleological dimension in conceiving a resource as a commons.

5. Presentation of the Research Context and Cases

The reasons for studying social and community entrepreneurship in Brazil are multiple. First, Brazil is a leader of the global South and an emerging country with an increasing influence in the world. By way of illustration, Brazil is one of the BRICS—a group of leading emerging-markets—and a member of the G20. With more than 200 million inhabitants, Brazil is the fifth most populous country in the world and the largest economy in Latin America, with considerable regional influence. However, with a Gini index of 0.51 in 2014 (World Bank estimate), it is also one of the most unequal countries in terms of wealth distribution, and poverty is a crucial challenge (Dabène et al., 2013). Due to these particularities, there is strong academic interest in Brazilian studies in economics and management science, as well as in development studies, political sciences and sociology (Hunter & Power, 2007; Kingstone & Power, 2008; Leturcq et al., 2013; Louault, 2006).

Studying social and community entrepreneurship in Brazil is particularly relevant as the country appears to be a laboratory for social innovations. Over the last decades, Brazil has been a country at the origin of many innovative solutions to developmental problems. Some of these innovations have been replicated in other countries. Two notable examples are participatory budgeting and the *Bolsa Familia* program. Participatory budgeting happens when municipalities allow citizens to prioritize actions for deciding how to use a portion of a city's budget (Porto de Oliveira, 2010). Invented in the Brazilian city of Porto Alegre, participatory budgeting has spread throughout Latin America, Europe, Asia, and Africa. In a similar vein, the conditional cash transfer program *Bolsa Familia* has been recognized as an important tool for poverty reduction (Soares et al., 2010). Families receive small transfers in return for keeping their children in school and for arranging preventive health care visits. That experience “is showing the way for the rest of the world [and] helped stimulate an expansion of conditional cash transfer programs in Latin America and around the world – such programs are now in more than 40 countries” (Wetzel, 2013).

Brazil is also considered a social laboratory for developing the social and solidarity economy (Ferrarini et al., 2014; Lemaître & Helmsing, 2012; Singer, 2002;). In the late 1990’s and early 2000’s, a social movement emerged based on the idea of promoting another economic system (França Filho & Laville, 2004; Singer, 2002; Singer & de Souza, 2000). This movement, structured both locally and nationally, supported the election of the Worker’s Party candidate Luiz Inácio “Lula” da Silva as president of Brazil in 2002. In 2003, Lula created the National Secretariat for Solidarity Economy (SENAES), with Paul Singer, a historical figure in the movement, as secretary. The creation of the SENAES was an important turning point in institutionalizing the solidarity economy sector in Brazil; it was followed by the creation of multiple local and state government agencies supporting the sector locally. A number of alternative forms of organizations, ranging from workers’ cooperatives to fair trade organizations and self-managed local nonprofits, joined this movement based on the values and principles of cooperation, solidarity and self-management (Singer, 2002; Singer & de Souza, 2000). In 2011, there were 22,876 solidarity economy organizations in Brazil (Lemaître & Helmsing, 2012). However, despite their importance, Brazil’s social enterprises and the solidarity economy sector have received relatively little attention from international scholars (except from Ferrarini et al., 2014; Leca et al., 2014; Lemaître & Helmsing, 2012; Meira, 2014).

All these reasons show why the Brazilian context is appropriate and of interest for conducting a scholarly research on social enterprises: the country is a laboratory for social innovation and a leader in the global South. Specifically, the organizations we studied are particularly suitable for addressing our research questions. We chose to investigate five community development banks (CDBs). Implemented in deprived communities, these organizations aim to alleviate poverty by generating income and employment on a local scale (Melo & Braz, 2013). These organizations are self-managed, since community members contribute to their management and governance through several community participation spaces (França Filho et al., 2012). Thus, CDBs are an example of collective action in entrepreneurial activities. They also find their roots in the social movement of solidarity economy. So, CDBs have a political project that consists in democratizing the economy (Melo & Braz, 2013) by getting citizens to participate in the governance of these economic organizations. From 2003 to 2013, the number of CDBs increased from just one to 103 across the entire country. The first national survey, conducted on 47 CDBs in 2012, mentions that from January 2011 to July 2012 they granted more than US dollars 1,300,000 to almost 50,000 clients (Rigo, 2014). CDBs also provide microcredits in social currencies, microinsurance, and correspondent banking services on behalf of official public and private banks.

CDBs are new in the sense that they constitute original organizations within the Brazilian microfinance landscape. They are set up in deprived areas where no other financial institutions operate (França Filho et al., 2012), and, as such, are considered by the central bank as interesting organizations for financial inclusion (Banco Central do Brasil, 2011). The first original feature of CDBs lies in community involvement in creating and managing them. These self-managed organizations are formed by communities which collectively set their constitutional and operational rules (Melo & Braz, 2013). Community participation in governance continues after a CDB has been established, because its board includes representatives of community organizations, local leaders, and citizens. The community is also involved in management, as all employees and managers are from the bank's catchment area.

CDBs provide three main types of financial services. First, they allocate productive microcredits in national currency for entrepreneurial activities, but also for persons traditionally excluded from the financial sector such as those registered with the national credit bureau. Second, they issue a local currency that serves as legal tender in some of the businesses in the area in order to internalize consumption within the community. The objective of this currency is to change consumption habits and support the local economy, but also to provide a symbolic instrument for community self-esteem and affirmation (Fare et al., 2015). Finally, CDBs act as correspondent banks and provide financial services on the behalf of official banks.

There is no legal status for CDBs, so they often operate as socio-economic projects in local organizations, such as local nonprofits and non-governmental organizations (Rigo, 2014). As such, CDBs are considered as local development projects and usually act in coordination with other community projects. The absence of legal status prevents them from accepting savings deposits so they have to partner with financial institutions in order to access capital for lending. Hence, CDBs borrow capital from national and state public banks often through an intermediary organization. They can also act as correspondent banks and offer microcredits on the behalf of public banks. Microcredits and local currency are funded by such partnerships, and sometimes by private donations.

In chapters 2 and 3 of this dissertation, we investigate five CDBs which we have identified as successful according to criteria of longevity, portfolio and leadership. In chapter 2, we conduct an in-depth single case study of the oldest CDB which has the biggest portfolio. In chapter 3, we examine five of the most active CDBs, including some of the oldest in the network. These five CDBs are considered the most active in their community, whether through coordination with and implementation of other local development projects, through active leadership which favors the establishment of national and local partnerships for CDB development, or through strong mobilization of local stakeholders responsible for community governance of community banks.

Moreover, in chapter 4, we study five intermediary organizations supporting the institutionalization of CDBs. Due to the interest of several communities and municipalities in setting up CDBs, these intermediaries—community organizations, local NGOs and university incubators, all attached to the solidarity economy movement—diffuse and establish the banks nationwide. They act independently at local level, usually state or regional, and coordinate at national level. The intermediary organizations first spontaneously established a network, as part of the solidarity economy movement, and were then mandated by federal government to support the creation and consolidation of CDBs. They therefore developed multiple strategies to structure community banks, especially by participating in policy-making for access to resources and also by influencing public banks to design new CDB products. In chapter 4, we investigate the array of strategies and institutional initiatives adopted by these intermediary organizations to establish and structure CDBs.

6. Research Design and Methods

The objective of this Ph.D. dissertation is to generate theoretical insights into organization theory as well as to conduct social and community entrepreneurship research through an in-depth investigation of social finance organizations. More precisely, we explore the extent to which social finance services can be considered as commons or a common good, and the organizational process for institutionalizing financial resources as commons. The dissertation is designed from both conceptual and empirical research perspectives. The conceptual chapter uses an interdisciplinary perspective and compares two research streams of the commons: one in business ethics, the other in organization theory. The empirical research is based on a case study approach and grounded theory methods. The use of case studies is considered a powerful instrument to build new theories (Piekkari et al., 2009) and particularly to explore new research topics (Yin, 2014). The cases analyzed here are five Brazilian community banks and five intermediary organizations that support their diffusion and institutionalization.

To gain in-depth understanding of the cases, we conducted two field studies lasting a total of eleven months. In 2010 and 2011, we spent six months in two CDBs and two intermediary organizations that support them. This immersion gave us an initial understanding of how CDBs function and relate to their environment, as well as a general overview of the national network of CDBs and their multiple collaborations with governmental and financial actors. In addition, this first field study showed us which cases to study for the second field study. We selected the CDBs and intermediary organizations on a theoretical basis. All field informants invited us to study the organizations considered as successful according to their own metrics of longevity, leadership, community mobilization and portfolio. In addition, the question of access to the field organizations was important as it would have been difficult to access CDBs without the support of the network informants. Regarding the selection of the intermediary organizations, we selected all the intermediary organizations active in the national network.

In this dissertation, we develop both a single in-depth approach (Dyer & Wilkins, 1991) and a comparative case approach (Eisenhardt, 1989; Yin, 2014). In chapter 2, we conduct an in-depth study of a single case, Banco Palmas, as advocated by classic case study methods (Dyer & Wilkins, 1991). This approach consists in including information on the deep structure of the case at hand: its history and context as well as the social dynamics at stake. Chapters 3 and 4 provide a comparison of cases. Respectively, these chapters present and compare five cases of CDBs and intermediary organizations. We follow the methodological prescription of both Eisenhardt (1989) and Yin (2014), who say that multiple observations favor the creation of stronger constructs for theory building.

To give an accurate empirical description of the phenomenon studied, we base our analysis on multiple data sources (Miles et al., 2014). First, we conducted many interviews with the directors, managers and employees of CDBs and intermediary organizations, as well as with public banks, the central bank and government managers. In addition, we interviewed social scientists, specialists in the microfinance and solidarity economy movements, and community leaders. Second, we observed several meetings attended by CDBs, intermediary organizations and government representatives. We also observed credit officers' visits in the community and to clients' homes, as well as their practices with clients within the CDBs. Third, we gathered archival data, such as the organizations' publications and research. Hence, we were able to triangulate this information during the data analysis phase, thus enhancing the validity of the analysis (Yin, 2014). Unfortunately, it was difficult to find precise secondary statistical data such as annual portfolio reports, credit reimbursement histories and the amounts of social currencies issued.

We followed grounded theory methods (Glaser & Strauss, 1967) during the second research field study lasting five months in all during 2014 and 2015. Prior to the field work, we had reviewed the institutional and philosophical literature on the commons. More precisely, we developed an investigation approach based on the Institutional Analysis and Development (IAD) framework conceived by Ostrom (2005) to explore collective action, commons creation, and community organizations (Poteete et al., 2010). We wanted to examine how community banks function, and how they are governed and managed, and we aimed to identify the areas in which community members intervene and participate in the governance and management of CDBs. In addition, we were interested in exploring how a single grassroots innovation and experiment in a poor suburb of one of the poorest cities in Brazil managed to spread into other territories.

During the second field study, we collected and analyzed the data simultaneously. As such, there was no clear separation between data collection and analysis, as several conceptual constructs and categories emerged during the field research. Whilst we constructed the first analytical categories, the focus of attention of the questionnaires evolved to allow for a better understanding of some aspects of both the governance system and the critical events and processes in the construction of the CDB network. Data collection continued until we reached saturation, that is when new data brought no significant evidence of or information about the subject of our inquiry.

When we came back to Belgium, we deepened the data analysis and used the qualitative analysis program NVIVO to organize and code the data. The objective of this new analytical phase was to convert raw data into conceptual categories. We followed the Miles et al. (2014) procedures for analysis and proceeded with a data coding process to find themes, patterns and concepts. This process consisted in applying first-cycle codes (Miles et al., 2014) to the data on interviews, observations, and archives. Based on thematic and conceptual similarities, these first-cycle codes were then gathered into second-cycle codes. Both the first- and second-cycle codes were descriptive and were used to summarize segments of data. We let patterns and constructs emerge before theorizing and linking them to theory. Finally, the second-cycle codes were gathered into conceptual and theoretical categories. During this process of data coding and analysis, we constantly compared the emerging constructs to the extant literature and remained open to new and unexpected interpretations and categories to build and contribute to the literature. We have displayed this analytical process following the Gioia method (Gioia et al., 2013), an analytical and display strategy used extensively in qualitative and case studies.

In chapters 3 and 4, we develop a comparative strategy to increase the generalizability (Yin, 2014) and transferability of the findings to other contexts. This strategy is developed to go beyond single-case idiosyncrasies and deepen understanding of the phenomenon. To find a theory that closely fits the data, the comparison consists in a within-case data analysis (step 1) and a cross-case analysis (step 2). The cross-case analysis is both case-oriented and variable-oriented (Miles et al., 2014: 103). The case-oriented strategy investigates the set of patterns in each case and singles out relevant patterns for our research questions. Once the within-case analysis had been conducted, we compare the patterns and search for cross-case themes. Then, we identify the similarities and differences between cases. The analysis follows an iterative process between cases, and the cross-cutting variables change and evolve during the comparison. To find general patterns across cases, we looked at the data in different ways in order to avoid premature constructs and comparisons.

7. Ontological and Epistemological Perspectives

Referring to Dewey, Selznick (1996 :270) mentioned that "social science should be guided by problems of life and practice rather than by intellectually self-generated conceptions and techniques". A similar interest in understanding how alternative economic forms seek to resolve existing social and environmental problems is developing in the Academy of Management (Adler, 2016; Phan et al., 2016). According to Adler (2016), this interest is currently emerging in the shape of "progressive management scholarship" defining the contours of socioeconomic structures that "support human flourishing" (Adler, 2016). This is where we position our dissertation. We wanted to analyze concrete grassroots community practices established for resolving real-life problems of poverty and exclusion. The focus on traditionally marginalized local communities was chosen to better understand why and how communities organize their own financial systems. The choice of complementary currencies was made for the same purpose. More generally, social finance is emerging as a new way of producing and managing financial resources on an ethical basis and in an inclusive manner (Arjaliès, 2010; Armendáriz & Labie, 2011; França Filho et al., 2012; Hudon, 2009). These financial tools, and the organizations that provide them, are facing several challenges to sustain and increase in scale. We hope that the commons perspective is an appropriate choice for reporting these grassroots practices, their guiding values and organizational features for resolving long-enduring problems of exclusion, poverty, irresponsibility and unsustainability.

We have an ontological understanding of the economy based on what Polanyi called the "substantive economy" (1944, 1977). A substantive economic perspective on human activities can be defined as the general manner in which people produce, distribute and consume goods and services in order to reproduce life. From this perspective, economic activities are not carried on through market mechanisms alone, but also through principles of redistribution, reciprocity and housing. All these value creation and distribution processes are present in societies, but vary in degree due to institutional arrangements (Polanyi, 1944). From this angle, economies are plural and comprise multiple forms of organization based on for-profit, nonprofit, and non-monetary institutions and bodies (Laville, 2010). This perspective is in contrast with a more "formal" vision of the economy centered on the allocation of scarce resources for utility maximization (Polanyi, 1944). We believe that less market-oriented organizations and practices have much to teach us about human activities and to help make sense of the complex nature and aspirations of communities and individuals. The focus on social finance as alternative and complementary organizations echoes this ontological perspective and contributes to diversity in economics and management science.

Referring to Alcadipani and colleagues (2012), we believe that knowledge of plural management and organization is still relatively under- or mis-represented in the literature. From this perspective, our dissertation aims to contribute to a certain "epistemology of the South" (Santos & Meneses, 2010), defined as knowledge production in non-Western contexts and social groups that are traditionally marginalized in academic research. Such epistemological asymmetries of knowledge are still present in management science and organization theory research (Alcadipani et al., 2012). For that reason, we aim to shed light on existing practices developed by traditionally excluded social groups; we also want to bear in mind the power relationships that are central to rebuilding a financial system based on new ethics and community participation. We aim to give visibility to citizens' initiatives and explain how they can influence their institutional environment. Most of these experiments are still small in scale but have plenty of potential and possibilities. They emerge as alternatives for social emancipation and institutional change. As a result, they can be considered as "critical performativity engines" (Leca et al., 2014) to transform social reality. From this standpoint, our epistemological position is to explore how community organizations and commons theories and concepts enable the constitution of an economy that is more solidarity-based, inclusive and value-based, and oriented for sustainability.

8. Research Questions

This dissertation aims to understand the social construction of the commons. We base our analysis on experiences and organizations of social finance which aim to serve the collective interest and are managed through multiple collective-choice arenas. Each chapter investigates a specific aspect of the construction of financial commons, whether linked to the collective governance or the teleological objectives of collective action. We examine the processes of commons organization creation in communities and the institutional work strategies used to consolidate such grassroots initiatives. The constructs we develop across the chapters match the general research questions linked to the social construction of commons and show how social finance can serve the common good. Practically, the dissertation provides a better understanding of how community organizations govern and manage financial resources and how their grassroots institutional arrangements can affect the nature of these resources.

The various interpretations of commons provide multiple disciplinary theories and perspectives for understanding social finance services and organizations. The very nature of money as a socio-economic institution to facilitate trade appears to be an appropriate setting for determining whether social finance could be considered as commons, and if so, what type of commons. Indeed, money creates communities of users that can gather around shared values and purposes (Dodd, 2014; Ingham, 2004; Servet, 2013). The first objective of this dissertation is thus to understand how the sharing of purposes can promote the common good and generate financial commons. Collective action in grassroots social finance is also taken into account for analyzing the governance of social finance. We chose to explore these questions in complementary currency systems, which aim to provide supplementary financial instruments for communities. Our first research question was thus as follows:

> Q1. To what extent do complementary currencies allow finance to constitute common goods, or commons?

As shown by several authors, commons are constructed through specific institutional arrangements (Dardot & Laval, 2014; Lohmann, 2016; Ostrom, 1990). From this perspective, Ostrom has developed an overarching theory and analytical frameworks for understanding the functioning of commons organizations (Ostrom, 1990; 2005). In *Governing the Commons,* she examines multiple natural common-pool resource organizations, and defines eight design principles for sustainable commons governance. These principles may also be useful for understanding the functioning of community organizations in a wide variety of settings, as the governance design principles may influence the construction of commons in a context of social finance organizations. We thus focus on Ostrom's theory to analyze community finance organizations. Our second research question was framed as follows:

> Q2. Does community collective governance and management influence the inner characteristics of microcredit services, potentially transforming them into commons?

Both scholars and practitioners emphasize the potential of commons to contribute to social change (Bollier & Helfrich, 2014; Coriat, 2015). They argue that commons organizations often appear when existing state and market institutions are weak and inefficient, but also challenged because of the inequalities and power relationships they engender (Dardot & Laval, 2014; Klein, 2001). From this viewpoint, commons may be built on community institutions that convey different logics, purposes, and values. Understanding how commons are built on community institutions is therefore important to better define how they provide alternative ways of organizing. Our third research question was thus as follows:

> Q3. How do community enterprises create commons?

However, like social enterprises (Tracey et al., 2011; Westley et al., 2014), the institutionalization and consolidation of these commons organizations require the development of a vast body of institutional work. Indeed, the institutional actors present in the CDB environment may facilitate or complicate the diffusion and consolidation of such practices. Other organizations may help in this process, such as intermediary organizations that facilitate CDB creation in other communities, influence policy-making and enable partnerships with financial institutions. In the case of community development banks, five intermediary organizations are in charge of diffusing the CDB model and consolidating it through multiple partnerships and network structuring. These five organizations are community-based and local non-governmental organizations as well as university incubators of solidarity economy organizations. Our fourth and final research question was as follows:

> Q4. What kinds of institutional work are performed to support the diffusion and institutionalization of commons organizations in a plural institutional context?

9. Dissertation Structure and Findings

The dissertation is structured in four chapters, each of which addresses one of our research questions and uses different methods and units of analysis. The first chapter is conceptual and based on a literature review on complementary currencies in order to identify the commons dimensions of seven complementary currency systems. The second chapter is an in-depth single case study of a community bank, analyzing the transformative power of governance on private goods when managed by self-governed grassroots organizations. Chapter 3 is a comparative case study of five CDBs that focuses on community institution components involved in creating commons as a grassroots response to contested market and state institutions. The final chapter focuses on the diffusion and institutionalization of social finance and the role played by five intermediary organizations in this process.

Dissertation structure
Chapter 1. Money and the Commons: Lessons from Complementary Currencies
Chapter 2. A Case Study of Microfinance and Community Development Banks in Brazil: Private or Common Goods?
Chapter 3. Building Commons in Community Enterprises: The Case of Self-Managed Microfinance Organizations
Chapter 4. Institutional Change and Diffusion in Institutional Plurality: The Case of Brazil's Solidarity Finance Sector

Starting from the observation that there is no definition of financial commons, **chapter 1 –** ***Money and the Commons: Lessons from Complementary Currencies*** **–** proposes to assess the commons dimensions of monetary systems created and managed by local organizations. Specifically, we investigate the organizational features of seven complementary currency systems by making use of two main theoretical frameworks that are usually separate: the new commons in organization studies and the common good in business ethics. The findings show that these alternative monetary systems and organizations promote the common interest through the creation of new communities and can therefore be considered as commons according to the common good framework. Nevertheless, only systems relying on collective action and self-management fulfill the new commons framework. This allows us to suggest two new categories of commons: "social commons", which fulfills both the new commons and the common good frameworks, and "commercial commons", which fulfill the common good framework but not the new commons framework. Building on this, we define an ethos of the commons as a principle that consists in organizing commons practices through both collective organization and ethical concern for human flourishing.

Chapter 2 - ***A Case Study of Microfinance and Community Development Banks in Brazil: Private or Common Goods?*** **-** looks at how governance mechanisms of self-managed community organizations affect the characteristics of microcredit services. Based on a single case study, this chapter uses Elinor Ostrom's design principles of successful self-governing common-pool resource organizations to analyze community banks' microcredit systems. Our results suggest that private goods could be altered when governed by community self-managed enterprises. They become hybrid goods because they mix the characteristics of private and common goods. This change is facilitated by specific organizational arrangements, such as self-governance, that emerge from grassroots dynamics and the creation of collective-choice arenas. These arrangements help strengthen the inclusion properties of nonprofit microcredit services.

In order to identify what components enable commons creation, we conduct a comparative case study of five community banks in **chapter 3 – *Building Commons in Community Enterprises: The Case of Self-Managed Microfinance Organizations*.** We analyze how community enterprises set up and institutionalize shared financial resources as commons. We identify four community institution factors that are mobilized in commons creation: collective decision-making, community social control, servant leadership, and desire for social change. Collective decision-making is linked to community participation in the establishment of rules and sometimes to the existence of a local public sphere making it possible to discuss local issues for the collective interest. Community social control refers to the authoritative influence of community social actors over organizations' activities. Servant leadership among entrepreneurs and employees of CDBs means that entrepreneurs and employees serve and meet the needs of community members driven by values of altruism and compassion. Desire for social change relates to CDBs' objective of changing social structures to build another economic system based on emancipation and cooperation. In addition, we argue that commons institutional arrangements are developed as a grassroots response to inefficient and contested market and state institutions.

Finally, after looking at commons institutional arrangements at local level in communities, we examine how commons organizations diffuse, institutionalize and organize in networks for consolidating their activities. **Chapter 4 - *Institutional Change and Diffusion in Institutional Plurality: The Case of Brazil's Solidarity Finance Sector*–** explains how CDB intermediary organizations help in this process. More precisely, we analyze the institutional work strategies deployed by five intermediary organizations in the plural institutional context of Brazil, where autonomous local state agencies and banks influence community banks' activities. We show how intermediary organizations support the institutionalization of CDBs by diffusing these organizations in different communities, performing external institutional work with governments and public banks at national and local levels, and establishing CDBs networks.

Our dissertation makes important contributions to the literature on commons and social finance[2]. First, it allows a better understanding of the construction and consolidation of human-made commons. It highlights that commons organizations combine collective action and action for the common good. We believe this two criteria approach to the commons—collective action and the search for common good—provides an important analytical framework for studying the commons. Indeed, it goes beyond the three criteria of cooperation, solidarity and self-management mentioned in a more radical literature stance. Consequently, our two-criteria approach to the commons encompasses many organizational forms, such as responsible businesses involved in sustainable and human development. By drawing on ethical aspects of cooperation, we shed new light on the teleological significance of collective action. In addition, we show that commons organizations do not only rely on collective action; they also include a political dimension of creating communities and shared purposes between community members. This combination of commons characteristics enables us to explore the great diversity of commons. The typology we provide explains the dimensions and variables present in commons and how they vary in degree. Hence, all these factors provide new insights into the social construction of commons.

Second, we also contribute to the literature on social finance and community enterprises. As Nicholls and Pharoah (2008: 11) note, social finance "is an ethos about the way money is used". Our work contributes to a better understanding of that ethos as we investigate the very nature of alternative monetary systems aiming to promote the common good. In addition, by providing an in-depth analysis of the functioning of grassroots social finance, we propose new information for thinking about the constitution and construction of social finance organizations. More precisely, we explore how community development banks build on community institutions and are collectively managed and governed to support the creation of social value. Furthermore, we examine the diffusion and institutionalization of a community enterprise model by intermediary organizations. Our work provides new insights into the institutional strategies developed in plural institutional environments to create and consolidate social finance organizations.

2 We will highlight our value-added contribution to a greater extent in the conclusion.

CHAPTER 1

MONEY AND THE COMMONS: LESSONS FROM COMPLEMENTARY CURRENCIES

Money and the Commons: Lessons from Complementary Currencies

Abstract

Commons is a concept increasingly used with the promise of creating new collective wealth. In the aftermath of the economic and financial crises, finance and money have been redesigned or conceptualized as commons, or common goods to serve the collective interest. In this chapter, we analyze seven complementary currency (CC) systems that have been implemented alongside official currencies in the interest of communities. We investigate whether these alternative currencies can be considered as commons or common goods. To address this question, we examine these CC systems by making use of two main theoretical frameworks that are usually separate: the "new commons" in organization studies and the "common good" in business ethics. Our findings show that these alternative monetary systems and organizations may be considered as commons under the "common good" framework since they promote the common interest by creating new communities. Nevertheless, according to the "new commons" framework, only systems relying on collective action and self-management can be said to form commons. This allows us to suggest two new categories of commons: the "social commons", which fit into both the "new commons" and the "common good" frameworks, and the "commercial commons", which fit the "common good" but not the "new commons" framework. Finally, we argue for an ethos of the commons, a principle that consists in organizing commons practices both through collective organization and ethical concern for human flourishing.

Keywords:
Common goods, Commons, Community currencies, Ethos of the commons, Ethics in finance.

This chapter has been written with Marek Hudon.

We thank Tina Dacin, Tom Dedeurwaerere, Sandrine Frémeaux, Georgina Gomez, Helen Haugh, Marc Labie, Frédéric Louault, Hugues Pirotte, Jean-Michel Servet, Ariane Szafarz and Annabel Vanroose for the comments they provided for improving this chapter.

1. Introduction

Ethical issues in finance have been drawing growing academic attention, especially in the aftermath of the financial crisis (Cosgrove-Sacks & Dembinski, 2012). Incorporating social and environmental criteria into the management of financial resources is supported in particular by social bankers (Battilana & Dorado, 2010), social movements (Arjaliès, 2010) and religious organizations (Louche et al., 2012). However, most of these organizations or movements rarely discuss the fundamental ethics of traditional methods of money creation and distribution.

Nevertheless, official monetary systems are being increasingly challenged by complementary currencies stemming from local initiatives that exist alongside conventional currencies and circulate within a defined geographical region or community (Lietaer, 2001; Safri, 2015). Proponents of such alternative systems argue that the mainstream monetary system increases economic and social disparities (Daly & Farley, 2011) and leads to unsustainable consumption patterns. These new forms of monetary exchange thereby question the ontology of money and its functions in society (Dodd, 2015), reviving the debate around the role of monetary systems at the service of the common interest.

The concepts of common good and commons — in their varied nuances and conceptualizations — can increasingly be found in social movement discourses and the academic literature. Based on a critique of the market's expansion into all areas of life (e.g. Klein, 2001), activists refer to the commons as democratic alternatives aiming to re-socialize and re-politicize the economy (Bollier & Helfrich, 2012; De Angelis, 2007).

In the field of organization studies, the commons refers to the collective governance of shared resources, and the corresponding organizational and institutional arrangements (Hess & Ostrom, 2011; Holder & Flessas, 2008; Lohmann, 2014), which traditionally are related to environmental resources (Hardin, 1968; Ostrom, 1990; Ansari et al., 2013). In the field of business ethics, the common good refers to the ethics of living in a community whose purpose is both individual and collective flourishing (Argandoña, 1998; Dierksmeier & Celano, 2012; Melé, 2009, 2012; O'Brien, 2009).

Despite some shared assumptions about how to organize collective action, these two conceptualizations of the commons have rarely been associated in the literature. However, both are present in many community organizations that foster cooperation at the local level (Fournier, 2013; Peredo & Chrisman, 2006; Tedmanson et al., 2015). The concept of the commons has been applied to several grassroots and civil society initiatives, but we will widen it to include finance by analyzing monetary resources created and managed by local organizations.

Often managed by community organizations, most complementary currencies (CCs) are similar to other grassroots alternative practices and to solidarity initiatives for cooperative development (Cheney et al., 2014; Leca et al., 2014; Meira, 2014). The notion of CCs refers to monetary systems that supplement official national or transnational currencies (Blanc, 2000; Lietaer, 2001). CCs are legal tender in defined communities, whether ad hoc or territorial, and are conceived and issued by citizens gathered in nonprofits, businesses, and even local public administrations (Blanc & Fare, 2013; Ingham, 2004). They serve to exchange goods and services that are sometimes not valued by the market-driven pricing system (Gomez & Helmsing, 2008). Hence, they are often developed to respond to societal needs and aspirations that official currencies do not address (North, 2014). For example, CCs can be designed to promote sustainable behavior (Joachain & Klopfert, 2014), build community social capital (Seyfang, 2004), and foster local development (Kennedy et al., 2012). This is not a small-scale phenomenon: Seyfang and Longhurst (2013) made an inventory of more than 3,000 community currency projects worldwide organized by citizens' associations and nonprofits.

By exploring new ways of conceiving money for the collective interest, CCs provide an interesting object of inquiry to examine whether finance can be considered as commons or common goods. To address this question, we will investigate seven CCs: Time Dollar in the United States, LETS in the United Kingdom, Chiemgauer in Germany, Brazil's Palmas, RES in Belgium, Switzerland's WIR and Trueque in Argentina. More precisely, we examine the nature of the monetary units in these systems according to the common-pool resources classification criteria of subtractability and non-excludability. We also analyze the nature of collective action in the organizations issuing the currencies, as well as the values and objectives of such systems.

Our contribution to the debate is threefold. First, our findings suggest that complementary currencies can take multiple forms of commons depending on the communities, values and organizational processes involved in their production and distribution. Adopting a monetary institutionalist approach, we consider that monies are communities of persons, and sometimes promote the sharing of common objectives and beliefs. This is particularly the case in complementary currencies since these monies often advance collective benefits at local or societal level and develop new social bonds for stronger cohesion. Thus, we argue that CCs' co-production can differ from the scarcity and exclusion dynamics found in official currencies.

Second, we provide a theoretical contribution through a new typology of the commons. Based on the analysis of the seven currency systems, we suggest a new categorization that differentiates between "social commons" and "commercial commons". The analysis of seven CC systems shows that some of them are shared resources institutionalized through collective action and self-management. We classify these systems as "social commons" because they promote an objective of social change that leads to a more solidarity-based and inclusive socio-economic system.

The other CC systems may only be considered as commons according to the "common good" framework. Similarly to the other CCs, they promote cooperation and common interest by creating new communities of people, but they are not commons according to the "new commons" framework. We will call them "commercial commons" since they relate more directly to commercial activities, whereas "social commons" are closer to traditional models of social economy organizations that take collective action for social purposes. This categorization goes beyond the case of CC systems and could be applied to other sectors.

Third, we propose an ethos of the commons, a principle that consists in organizing commons practices through both collective organization and ethical concern for human flourishing; this ethos could unify both frameworks. Promoting shared dimensions and values in organizations, the ethos of the commons sheds new light on the solidarity, responsibility, reciprocity and sustainability principles in organizations pursuing both business and civil society objectives.

The remainder of the chapter is structured as follows. First, we review the conceptualizations of the commons and the common good in organization studies and the business ethics literature. Second, we present our research methods. Third, we analyze seven complementary currency systems in order to understand to what extent they can be considered as commons, and then present our main findings. Fourth, we discuss the theoretical and ethical implications of the findings. Finally, we draw some conclusions.

2. Theoretical Background to the Commons

The concepts of the commons and the common good are often used synonymously. But even though the two terms share the same etymological roots in the Latin word *communis*, meaning "common" and "which belongs to several or all", academic traditions make clear distinctions between them. We shall examine two conceptualizations of the commons: the organization studies approach related to the collective and self-governed dimensions of shared resources, and the concept of the common good discussed in the business ethics literature.

2.1. The "New Commons" in organization studies

The commons is a term that refers to a resource shared by a group of people (Hess & Ostrom, 2011). Traditionally, this relates to natural common-pool resources with two characteristics: subtractability and non-excludability (Ostrom, 1990). Non-excludability implies that it is extremely difficult, but not impossible, to deny someone access to the resource. Subtractability means that the resource is depleted following individual consumption. Traditional examples of common goods are fish stocks in the sea and wood resources in communal forests. Private goods, such as food or clothes, are both excludable and subtractable, whereas public goods, such as public lighting or national defense, are neither subtractable nor excludable. Toll goods (also called club goods), such as a theatre play, are not subtractable in consumption, but access can be denied.

However, this classification and categorization of goods is evolving, and some scholars have argued that subtractability and excludability are dynamic characteristics that may change over time (De Moor, 2011). For example, new technologies and pollution may affect the subtractability dimension whilst the excludability criterion may be viewed as the product of a social process. In this regard, Helfrich states that "a common good does not have the characteristic of non-excludability; rather, it is given this characteristic" (2012: 65 [italics in the original]).

Because they are non-excludable, commons can potentially be overexploited by users willing to maximize their own benefit on collective resources. However, this "tragedy of the commons" (Hardin, 1968) can be avoided if users cooperate actively in setting up appropriate institutional arrangements (Ostrom, 1990, 2010). In her seminal Governing the Commons, Elinor Ostrom

(1990) analyzed multiple, enduring long-term community arrangements for sustainable management of shared natural resources. More precisely, she investigated the institutions for collective action and defined eight design principles present in sustainable commons institutions. Key elements are collective-choice arrangements, which enable users to participate in setting rules, as well as monitoring conditions and recognition of rights by authorities. The biophysical dimension of the resources is also essential as it will ensure that the shared resources are renewed.

Drawing on Ostrom's research on commons institutional arrangements, "new commons" are defined as "shared resources that have recently evolved or have been recognized as commons" (Hess, 2008:1). In other words, the recognition of resources as commons emanates from their collective management, especially user involvement in the co-production of management rules for shared resources (Coriat, 2015). Thus, new commons are governed in the framework of self-managed organizations and citizens' nonprofits (Bollier & Helfrich, 2012; Dardot & Laval, 2014). As part of the third and nonprofit sectors, new commons includes "new forms and social action and communal entrepreneurship" (Tedmanson et al., 2015) characterized by voluntary action and community purposes (Lohmann, 2014). Thus, the new commons refer to institutional arrangements and social practices (Bollier & Helfrich, 2012) in which a community or a group of citizens collectively pool and share resources, while managing them through participatory governance. The commons therefore lie in the community that both institutionalizes and is institutionalized through citizens' collective action.

2.2. The common good in business ethics

The second conceptualization of commons has to do with the sense of community. This collective philosophy can be approximated to the concept of common good (Akrivou & Sison, 2016), relying on the Aristotelian tradition and the social doctrine of the Catholic church (Argandoña, 1998; Dierksmeier & Celano, 2012; Melé, 2012). According to these two traditions, humans are social beings that satisfy their own needs and develop themselves as persons in collaboration with others. In business ethics, the concept of common good is a philosophical assumption underpinning interpersonal relationships as well as relationships between social groups and society. According to Melé (2009: 235), "[t]he concept of the "common good" appears when considering the social dimension of human beings. People belonging to a community are united by common goals and share goods by the fact of belonging to the community”. In practice, such concern for the collective interest occurs when a community’s members strive to improve its well-being in order to contribute to human flourishing.

This conceptualization of the commons is based on the ethics of virtue, first inspired by Aristotle’s philosophy (Koehn, 1995; Sison & Fontrodona, 2012). The Aristotelian approach to business ethics stresses virtues and considers corporations primarily as communities (Solomon, 2004: 1023). Improving a community is concomitant with the personal fulfillment of its members and should neither reduce nor contradict human dignity or individual needs. The right policy for citizens or managers would then be defined by the interests of a community. Theoretical frameworks that focus on the role of communities in generating moral norms are usually related to communitarian ethics (Donaldson & Dunfee, 1994; Koehn, 1995).

The common good is closely linked to the personalist principle, which considers that respect for human dignity and individual rights is sacred (Dierksmeier & Celano, 2012; Melé, 2009; O’Brien, 2009). The common good appears to be one of the means for individuals to realize their personal objectives and fulfilment (Argandoña, 1998), also known as “personal good” (Frémeaux & Michelson, forthcoming). Therefore, all human communities should provide social conditions that foster their members’ flourishing through the achievement of their personal goals within those communities (Melé, 2009, 2012). This notion is not restricted to traditional communities but can be extended to many complex sets of relationships in which members conceive of themselves as interdependent and share common interests. Following the common good does not foster instrumental collaboration between community members, which would reduce them to rational, self-interested individuals; instead, it entails cooperation, including a more humanistic, altruistic and responsible vision of humans (Melé, 2012).

Table 1 summarizes the two theoretical approaches and frameworks used in our analysis.

Table 1: Two main theoretical frameworks

Terminology used in analysis	Field, and literature streams	Theory	Authors (examples)
New commons	Organization studies, economics and nonprofit studies	Neo-institutionalism	Hess & Ostrom (2011), Lohmann (2016), Ostrom (1990)
Common good	Business ethics	Virtue ethics; communitarian ethics	Argandoña (1998), Melé (2009, 2012), O'Brien (2009), Solomon (2004)

3. Methodology

Quantitative economists often consider money as a private good because its price is determined by demand and supply, as with other merchandise (Ingham, 2004). Official monetary issuance by private banks, through credit-based money, and by central banks, through banknotes and coins, confirms this statement. Nevertheless, this dual institutional issuance by the market and public sector has been challenged by new forms of decentralized monetary systems (Dodd, 2015), referred to as complementary, community, social or local currencies (Lietaer et al., 2012). In this section, which focuses on seven CC systems, we present our selection criteria and provide information about the data collected and the analytical strategy.

3.1 Case selection

We selected seven cases of CCs to conduct our analysis: Time Dollar in the United States, LETS in the United Kingdom, the German Chiemgauer, the Brazilian Palmas, the Belgian RES, the Swiss WIR and the Trueque in Argentina. We based our selection on the typology and classification elaborated by Seyfang and Longhurst (2013) in their review and census of CCs. Seyfang and Longhurst (2013) classified these currencies in four categories: credit services, barter markets, local currencies, and mutual exchange. We chose one example of each category, with the exception of local currencies, where we chose two because this type of currency is becoming increasingly widespread throughout the world.

To provide a broader spectrum of CCs, we also incorporated currencies that support the local economy through business exchange systems. We thought that adding business currencies was important to highlight the diverse ways of creating common interests in financial and monetary instruments.

In addition, we wanted to have cases taken from both developing and developed countries. In this regard, CCs are more prevalent in developed economies (Seyfang & Longhurst, 2013) and are present only in a few "southern" or developing countries, mostly in South America (although they are emerging in Africa (Dissaux, 2016)). We chose the best-documented examples of CCs in the developing world, e.g. Palmas and Trueque. Hence, our case selections also aimed to highlight the differences in CCs according to their origins and social contexts.

We selected the CCs that are the most frequently quoted and best-documented in the literature. As such, the data collected for conducting our analysis rely mainly on secondary sources. We analyzed academic and practitioner's articles and books on these CCs. In this regard, the practitioner/scholar journal *International Journal on Community Currency Research* has been an important source of information as several CC leaders and practitioners have published in this journal. We also consulted extensively the websites of CC-issuing organizations and networks. Moreover, the authors conducted extensive field research into one of the systems analyzed, and are involved in several action research projects on CCs in Europe.

3.2. Case presentation

We now turn to the seven types of complementary currency used for our analysis. Table 2 resumes some of their main characteristics.

Local currencies aim to foster the economies of specific geographical areas by localizing purchasing power (Kennedy et al., 2012). Two of the most emblematic, best-known local currencies are the German Chiemgauer and the Brazilian Palmas (Kennedy et al., 2012). These two grassroots CCs are at the origin of several national CC models, namely the Regiogeld in Germany and community development bank currencies in Brazil. The Chiemgauer was created in 2003 in the Chiemgau region of Bavaria. It emerged from a school project that expanded beyond the original confines to involve many community actors, such as citizens, businesses and nonprofits. The aim of the Chiemgauer is to enhance sustainable consumption and support local development (Gelleri, 2009). When euros are converted to Chiemgauer, three per cent of the amount exchanged is given to local nonprofits.

The Palmas also promotes local development, although the context in which it emerged is slightly different from the Chiemgauer's. The Palmas is issued and managed by Banco Palmas, a community self-managed microfinance organization established in 1998 by the inhabitants of Conjunto Palmeiras, a deprived and marginalized community on the outskirts of Fortaleza in northeastern Brazil. The currency was conceived to foster debate and discussion about money and to boost consumption within the neighborhood. The objective is to promote local development and economic activities in order to generate employment and income for community members. According to Banco Palmas, 93% of community members were consuming within the neighborhood in 2011, compared with only 20% in 1997.

LETS are a multilateral currency allowing users to exchange goods and services. LETS systems rely on debits and credits created during an exchange (Biggart & Delbridge, 2004), when the producer creates a unit of currency—usually time—and the receiver is debited in the same amount. The credit is free of charge, and exchanges are recorded through a central structure, generally a nonprofit organization. In order to circulate, LETS need a match between supply and demand. They follow the same procedures and mechanisms as those established for the first-ever LETS, invented in Vancouver, Canada, in 1983 in response to economic depletion, when community members were unable to trade because of monetary scarcity. LETS were thus an alternative scheme to exchange goods and services produced by and for users. They are therefore considered helpful to "combat economic disadvantage and foster social solidarity" (Ingham, 2004: 185).

Created in 1986 in the United States, Time Dollars are a well-known example of service credit currency which reward volunteering activities in communities and neighborhoods (Ingham, 2004). Often implemented in deprived areas, they aim to rebuild social ties and alleviate social exclusion by promoting community self-help (Seyfang, 2002). The currency is owned when users volunteer for community development, which can take the shape of education support, assisting in a residential home, gardening or providing transportation for old people. Time Dollars can be issued by local nonprofit organizations and local public governments (Gray, 2003). While the former type of issuance aims to foster reciprocity and mutual help, the latter is linked more closely to the provision of local public services.

Table 2: Main characteristics of the complementary currencies analyzed

Name	Type*	Country	Year of creation*	Number of projects/ participants*
Chiemgauer	Local currency	Germany (Chiemgau region)	2003	30 projects
LETS	Mutual exchange currency	United Kingdom	1985	250 projects
Palmas	Local currency	Brazil (Conjunto Palmeiras, Fortaleza)	2002	103 projects
RES	Commercial currency	Belgium	1995	5,000 businesses participate
Time Dollar	Service credit currency	United States	1986	260 projects
Trueque	Barter market currency	Argentina	1995	20 projects
WIR	Commercial currency	Switzerland	1934	60,000 businesses participate

*Based on Seyfang & Longhurst (2013) and Kennedy et al. (2012).

Trueque systems are barter market currencies operating in Argentina. Developed in the mid-1990s, these CCs mix characteristics of local currencies and mutual exchange systems (Seyfang & Longhurst, 2013). They are used in a barter market which takes place within a defined space at a certain time during the day. To access the currency, users have to register with the barter market organization. They receive a certain amount of money and must then provide goods and services to retain their access (Gómez & Wit, 2015). The goods exchanged are generally self-produced, or are second-hand products and prices are set by the exchangers. These CCs reached a significant number of users during the Argentinian crisis in the early 2000s, which saw the formation of more than 4,700 Clubes de Trueque with over two-and-a-half million members (Gomez & Helmsing, 2008). Hence, Trueque-issuing organizations had to address important governance issues in order to meet users' needs. In particular, there were debates linked to the control and issuance structure—whether the barter market should remain decentralized or adopt a centralized structure (Saiag, 2013). Nevertheless, according to Gomez and Helmsing (2008), 2003 saw sharp declines in the number of barter markets (1,000) and users (fewer than 500,000), for reasons such as the circulation of counterfeit money and low quality products.

Two emblematic commercial complementary currencies are the WIR in Switzerland and the RES in Belgium. These currencies are mainly used in business-to-business networks in order to facilitate the exchange of goods and services between small and medium-sized enterprises (SMEs). They emerged in a context of financial crisis for SMEs: the WIR was launched in 1934 to overcome credit scarcity by facilitating trade between SMEs; and the RES was founded in 1995 by local entrepreneurs facing a similar credit shortage. Both currencies are used as units of account and means of exchange in parity with the official currencies. These currencies are issued and controlled by two centralized entities with cooperative status.

The business networks using these two CCs encompass a huge diversity of firms — around 60,000 for the WIR and 5,000 for RES (Kennedy et al., 2012). In addition to firms, private RES cardholders can also use their loyalty cards in an RES member-institution. Stodder (2009) provides empirical evidence that the WIR mutual exchange system provides additional liquidity to businesses, creating a countercyclical effect during periods of economic crisis and monetary scarcity.

3.3. Analytical strategy

To examine the extent to which these CCs can be considered as commons, we use evaluation criteria originating from the two analytical frameworks of the commons: the new commons in organization studies and the common good in business ethics. Our analysis is based on three analytical stages.

First, drawing on the economic and organization studies literature, we investigate the nature of the monetary resources shared by CC users. This analytical step is important as the nature of a shared resource is a key variable for determining the accessibility of the commons. An accurate analysis of the resource's characteristics is also needed to better understand the nature of human-made commons, so to identify the differences with natural commons. To this end, we use the two dimension criteria traditionally employed by institutional economists to determine the nature of goods: subtractability and excludability. We adapt them to monetary resources and investigated the CCs' issuance and spending conditions as well as the conditions for accessing these systems.

Second, we explore some collective action characteristics of these CCs systems. Collective action is key to defining the generation process and nature of commons (e.g. Coriat, 2005; Ostrom, 1990). From this perspective, we consider the presence of confidence in CCs and investigate how users can participate in the currencies' governance. More precisely, we focus on and examined the institutional status of the organizations issuing CCs, since this provides information on the extent to which users can formally participate in creating the operational and constitutional rules for the currencies.

Third, we analyze each CC using variables from the common good framework. This framework traditionally emphasizes the importance of community and social ties between individuals, as well as building on the shared goals and interests of community members (e.g. O'Brien, 2009; Solomon, 2004). Therefore, we explore the extent to which CCs foster the creation of communities united by common goals, while enabling users to achieve personal objectives. We also consider how CCs contribute to the common good of society as a whole.

4. Findings: Classification of Complementary Currencies (CCs)

In this section, we investigate the extent to which CCs can be considered as commons and we present the results of our analysis.

4.1. How excludable and subtractable are monetary resources?

The excludability and subtractability dimensions of currency systems are linked to monetary access and scarcity. These two concepts are closely related since scarcity can cause exclusion. It is well known that traditional currency systems are based on the scarcity of money (Lietaer, 2001). However, because of their specific issuance mechanisms and functioning methods, CCs propose alternative characteristics for access and scarcity.

Regarding access, several CCs are conceived as a proposition to include economic actors and citizens who are excluded from the official currency system. This is particularly the case of "Southern" currencies, e.g. Palmas and Trueque, which were designed to include low income populations excluded from both the economic and the political systems. But this inclusion principle is also present in "Northern" currencies such as Time Dollars and LETS, which are predicated on the idea that everyone is able to produce and offer goods or services for collective wealth. Therefore, if CC users are excluded from the official labor market, they can access monetary means of exchange by participating in CCs systems. From this perspective, inclusion occurs through the creation of new relationships between the system's members and their work activities. Many of these CCs address unemployed and/or unskilled persons who, typically, have limited reserves of legal tender. The inclusion dynamic is reinforced by free access to credit. For example, consumption loans in the Palmas currency are free of interest — only a small administration fee is charged. Similarly, LETS do not charge any interest to users who take out a loan. Money debtors reimburse the same amount of currency (for example, one hour of work) with which they have been credited.

Regarding scarcity, CCs constitute complementary means of exchange in case of official currency restrictions. Indeed, several of them were designed and created during financial and monetary crises, with the ambition to increase liquidity and enable users to produce and exchange goods and services. Commercial mutual exchange systems, such as WIR and RES, were created as emergency money during a recession: they substituted for the scarce official means of monetary exchange by promoting a structure in which participants could trade the goods and services they produced thanks to a complementary currency (Kennedy et al., 2012). Several LETS follow the same dynamic and principles. Similarly, Trueque expanded hugely during the Argentinian crisis, reaching several million members.

4.1.1. Exclusion mechanisms

Even if CCs aim to fight monetary exclusion, some exclusion mechanisms do exist. It is possible to exercise a certain amount of control over access to alternative monetary systems: the centralization of information in mutual exchange systems makes it possible to exclude participants. These control mechanisms may, for instance, bar users who do not abide by the rules. Barter markets can also potentially exclude users by physically keeping them out of the barter market space. Acceptance of WIR and RES is confined to network members.

Excludability is always present. There are formal and informal selection mechanisms, based on values, which apply to citizens, consumers and businesses. Indeed, citizens and consumers are free to use these currencies, which implies buy-in to CCs' values and objectives (North, 2014). For businesses accepting local currencies such as Palmas and Chiemgauer, there is a selection process based on specific criteria and values. This can consist in adhering to a charter or being approved and screened by a special committee (Blanc & Fare, 2016). By way of illustration, Chiemgauer-adhering business are chosen on sustainability and local development criteria, which automatically excludes some multinational corporations. Hence, every CC organization can potentially decide to reject the membership application of, say, a neo-Nazi applicant.

Moreover, the Chiemgauer and Palmas local currencies are initially acquired by converting official currencies into local ones, which must have been previously issued by the formal market, and hence do not stimulate financial inclusion. Indeed, backed and converted currencies require the issuance of official currency units first. Therefore, users of these CCs need to acquire official currencies beforehand and then convert them. It is therefore difficult to say that these CCs foster financial inclusion as the users acquiring them through conversion have already been financially included. The acquisition of official currency can therefore be considered as an excludability mechanism since it relies on traditional monetary exclusion and access conditions.

4.1.2. The depletion of monetary units

The notion of subtractability must be extended to cover rivalry of use and resource depletion. Monetary resources are rivals when it comes to consumption, since individual resource units cannot be consumed collectively. However, rivalry in consumption does not lead to depletion of the monetary resource in itself: the resource is not destroyed, but transferred from one user to another. LETS are an exception: monetary units are created through an exchange that engenders a debt between the contractors. Repaying the debt by providing a service to another member erases the primary monetary unit issued. In multilateral systems, where flows of debits and credits vary in quantity between several exchangers, the amount of monetary units issued is depleted when the sum of all credits and debits equals zero. Hence, repayment of debts depletes the resource.

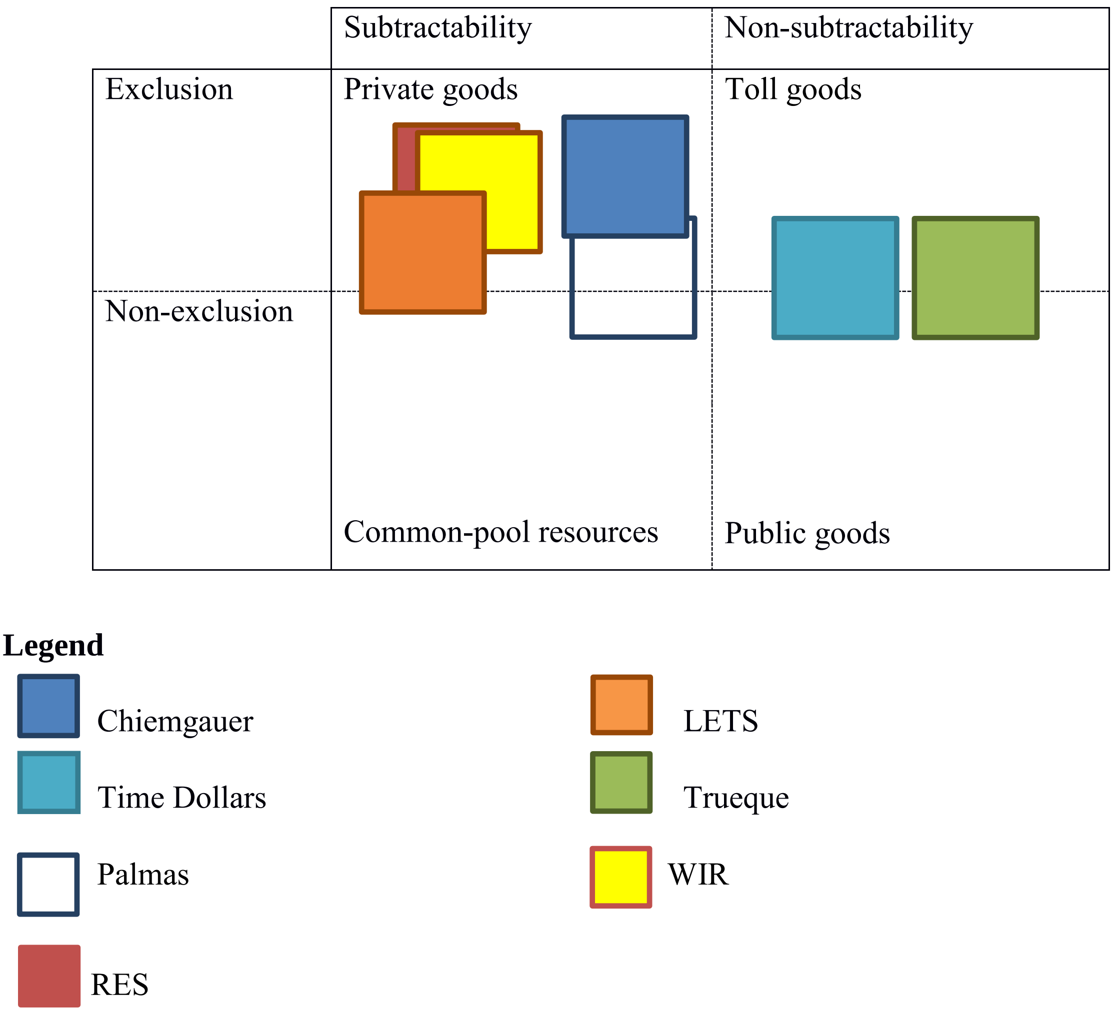
The demurrage mechanism also has an impact on the depletion of monetary units. Demurrage causes the nominal value of the currency to depreciate as compensation for non-utilization of the monetary resource (Gesell, 1958). This financial mechanism, which emerged during the Great Depression, aims to prevent capital retention and encourage monetary injection into the economy. This mechanism is used in the Chiemgauer currency and contributes to its depletion. Furthermore, resource units may deplete through the redeeming of CC units in national currency. This conversion mechanism exists in local currencies under strict conditions, for instance when shops need official currency to purchase supplies outside the community. For example, Chiemgauer and Palmas can be redeemed only by firms that are unable to find an outlet for their CC units within the community. In this case, the redeeming process destroys monetary units.

4.1.3 Complementary currencies: Private or toll goods?

Using the excludability and subtractibility characteristics of the seven CCs' monetary resources, we can position the currencies within the matrix commonly used for the categorization of goods (see Table 3). The differences concerning the issuance and spending mechanisms indicate that the resources do not constitute the same type of good, since the dimensions of access and depletion differ in each system. Such a classification of the commons is not restricted to monetary resources, but has been used similarly to elucidate he knowledge commons (Hess & Ostrom, 2011:9).

LETS may be considered as private goods. Even if exclusion is relatively easy to organize since the system is highly centralized, LETS were originally created to include those who had been excluded from the official monetary system. Hence, they are not intrinsically exclusive, but hybrid. As regards depletion of the monetary resource, the pool of monetary units must be equal to zero. In this way, adjustment between debits and credits leads to high subtractability of monetary units.

Table 3: Classification of community currency resources



The RES and WIR function in a similar way. Both currencies are excludable, since membership is a pre-requirement and is restricted to SMEs. The monetary resource depletes, since a certain amount of adjustment between debits and credits takes place even if the pool of monetary units must not be equal to zero. Therefore, these business-to-business currency units may also be considered as private goods.

Both the Palmas and the Chiemgauer are not depleted during the exchange because the banknotes remain in circulation after they have been spent. Nevertheless, depletion is possible through demurrage and redeeming of the CC for official currency. The Palmas currency is partly subtractable since it applies the redeeming mechanism in some cases. The Chiemgauer is even more subtractable because, alongside the redeeming mechanism, demurrage leads to a real depletion of the monetary units. Even though it is hard to deny a person access to a local currency, because the currency-issuing entity exercises only limited supervision, the necessity to have had access to the official currency prior to joining the CC suggests some sort of exclusion mechanism. However, the inclusion dynamic at the origin of the Palmas, along with another issuance mechanism through free credit, tends to make it more includable than the Chiemgauer.

Time Dollars appear to be less exclusive than local currencies: access to monetary units is easier since users do not need any official currency to enter the system. Time Dollars are partly positioned in the non-exclusion square because they assume that every community member can produce wealth and they are not based on official currencies. Hence, they are partly inclusive in nature as everyone can potentially access them. The monetary units cannot be redeemed, nor is any demurrage applied.

The Argentinian Trueque are closer to toll goods. Indeed, these currencies are possibly excludable since the spatial area where transactions take place can be controlled; potentially someone can be prevented from accessing the exchange area and using the currency. Similarly to LETS and Palmas, the hybridity of the Trueque occurs at the excludability level since their raison d'être is to include people who have been excluded from the official currency. This inclusion value was reflected during the Argentinian crisis, when millions of Argentinians used the currency to escape poverty. However, this CC takes the shape of banknotes, and the use of the currency does not deplete the resource. Therefore, it is not fully subtractable.

4.2. Organizing CCs collectively

Despite the either private or toll good nature of their monetary units, CCs can be considered to be organized as commons, for several reasons. Indeed, most grassroots CCs follow Lohmann's commons characteristics (2016) of voluntary participation and association, as well as relying on trust and social capital.

First, when CCs are self-managed, users' rights and obligations are collectively defined through participative governance. This is particularly the case of citizens' CCs that are set up by nonprofit community organizations, such as Palmas, Chiemgauer, LETS, and Trueque. All these systems have their roots in civil society and grassroots movements, and they rely on participatory mechanisms. These CCs are therefore named 'community currencies' (Seyfang

& Longhurst, 2013). They fall under a collective property rights regime since no one formally owns the system. The association is responsible for issuing the currency, and the association's members are its owners.

The initial functioning and operational rules of these systems have been established collectively by users and community members. As such, Palmas and Chiemgauer have been developed through community members' consultation, and there is still the possibility for discussion or adaption of rules in their issuing organizations. Trueque have been managed and governed at local level: each Club de Trueque was responsible for specific rules and price setting. However, with the growth of such systems came the idea of centralizing the Trueque's governance (Saiag, 2013). Time Dollars are issued and defined at local level in consultation with nonprofits and local public authorities. Both the RES and the WIR are issued by cooperative organizations, which theoretically ensures a participatory governance system that enables users to participate in organizational strategic choices. Hence, participating businesses might be able to adapt and change rules in case of conflict or inadequacy.

Hence, the rules on currency acquisition and provision are laid down collectively by users. Even if the different CCs often adopt a similar "skeleton", these common features are adjusted to, and embedded in, the local context. Such adjustments are enabled by the existence of collective-choice arenas that include local actors. For example, some LETS systems include shops and professionals, while others refuse to work with them. Even if the Palmas currency system has not established partnerships with the local municipality, some local currencies replicating the Palmas model have partnered with local public authorities. Thus, local stakeholders set their own specific rules of issuance, use and circulation at their level.

In addition, trust and confidence are crucial in both commons and monetary systems. Trust between commons users and the institutions is important for the legitimacy of the commons institution (Ostrom, 1990). Confidence in monetary systems is also a key variable. The monetary institutionalists Aglietta and Orléan (1998) defined three components of monetary confidence: methodical, ethical and hierarchical. Methodical confidence relies on the daily use of money and the practical knowledge that it will be accepted for payment. Ethical confidence lies in the values that underpin the monetary system, whilst hierarchical confidence is present in the trust that users give to the issuing entity responsible for guaranteeing the functioning of the currency. A phenomenological analysis of users' experiences would be required to analyze the confidence present in each CC system. However, our data analysis reveals a degree of ethical confidence in the sense that users often adhere to the values of cooperation and sustainability conveyed by CCs such as Chiemgauer, LETS, and Time Dollars. Hierarchical confidence may be mitigated in CCs issued by nonprofits, but is probably stronger in business complementary currencies, since the organizations issuing them are financially regulated. In addition, methodical confidence varies from system to system. It was probably strong for the Argentinian Trueque, because millions of people used this currency, and also for commercial currencies that are used in daily transactions (Stodder, 2009).

4.3. Monies for the common good

Like any monetary system, CCs always create communities by connecting participants or strengthening their existing connections. Community members can be individuals, private firms, nonprofit organizations or local public agencies. CCs represent a new medium of exchange for these local actors who have voluntarily decided to create a complementary currency for exchange and payment. Creating a community can potentially foster common objectives and interest. The creation of a payment community is a symbolic tool that strengthens existing relationships and develops new ones, collective flourishing being the final objective (Servet, 2013).

Considering that CCs enable the generation of new economic and social communities, we may therefore consider that they help to address social dilemmas. Organizers of local currencies postulate that communities would be impoverished if their financial resources were to exit the territory without being replaced by the same amount of investment (Melo & Braz, 2013; Gelleri, 2009). Thus, one objective of CCs is to slow down the extraction of financial resources from the community. The retention of resources stimulates internal development and creates employment for community members. In this way, local currencies create new cooperation networks to support procurement within SMEs. It is possible to argue that CC systems contribute to the common good of communities and their members by meeting the needs of individuals and of community-building.

The objectives of these CCs are tied to promoting collective interest for community members and beyond. On a local scale, they promote collective interest as they value and aim to address community preservation by building social capital and cohesion (LETS, Time Dollars, Trueque, Palmas), supporting local businesses and handicrafts (RES, WIR, Chiemgauer and Palmas), and fostering a solidarity economy and cooperation (Chiemgauer, Palmas, and

Trueque). In this regard, CCs such as Time Dollars or LETS are more concerned with cohesion and solidarity on a local, limited scale, while others are involved with more general societal concerns, such as sustainable development (Chiemgauer), poverty alleviation (Palmas) and economic stability (RES, WIR). A study conducted by Stodder (2009) shows that the WIR had countercyclical effects in times of crisis. In particular, it provides additional liquidity and creates parallel markets for their members, who are driven by a mutual interest dynamic. According to this view, some CCs can therefore play a critical role in stabilizing economies, and contribute to the common good through that stability.

In addition, CCs respond to the individual needs of the users, who acquire goods and services for their personal development, but also develop new skills. Sometimes, CCs enable the procurement of goods and services that users could not access without the complementary monetary systems. Indeed, some studies conducted on LETS and Trueque showed that these currencies enable their users to develop new competences and social ties, as well as to increase their consumption (Gomez & Helsming, 2008; Seyfang, 2002, 2004). In this regard, some CCs also contribute to individual flourishing in the sense that they constitute both a new medium for personal realization and a survival strategy.

5. Discussion

Our results provide new theoretical insights into the commons and complementary currencies. Complementary currency systems and organizations can thus be considered as commons when they promote the common interest by creating new communities as well as shared values and objectives. This conclusion is reinforced when CCs rely on collective action and self-management. More precisely, our findings suggest that CC units cannot be considered as traditional common-pool resources, but rather as private and toll goods with some hybrid characteristics. These resources are shared by a community of users and create collective purposes and, in some cases, interest between users. Drawing on our results, the discussion is organized in three parts. First, we propose a new typology of the commons. Second, we provide elements for an ethos of the commons, and third consider the communities created by CCs.

5.1. Typology of the commons

Our results show that some monetary systems can be considered as commons according to the two theoretical frameworks we have used. Nevertheless, the two frameworks differ in terms of which CC they would consider as commons. On the one hand, all CCs are considered as commons according to the common good. They all generate some collective benefits and create some collective space. On the other hand, not all CCs can be considered as commons following the new commons approach: in this approach, only grassroots CCs that use some collective decision-making process would be considered as such. Despite these differences, the collective dimensions of these systems make it possible to extrapolate two types of commons. This typology distinguishes these types of commons according to their institutional dynamics, governance structures, and values. Therefore, each community has different characteristics and purposes.

The first type of commons, which we call "social commons", follows the commons dimensions of the two theoretical frameworks. These systems have a clear dominant institutional logic (Kent & Dacin, 2013) that favors social or development goals rather than financial ones. The primary values are solidarity, reciprocity and stewardship. In this type of system, members are active in management and general governance and are involved in decision-making processes. Most of these organizations and their members are nonprofit organizations and active citizens. The term social commons also echoes social enterprises that frequently have a highly participative governance structure (Defourny & Nyssens, 2010). According to Nyssens and Petrella (2015), the goods and services provided by such social enterprises and collective organizations directly benefit users and the community as a whole. They aim to generate positive externalities, such as social cohesion and local, sustainable development (Haugh & Talwar, 2016).

The second type of commons follows the common good framework but not the new commons framework. We call this "commercial commons" since its dominant institutional logic is market-driven, and the governance structure is more centralized. The notion of sharing is therefore not confined to the collective governance of a resource, and its inherent attribution of rights and duties, but rather to the understanding of shared responsibility to all related stakeholders and to society as a whole. In this way, the organizations providing commercial commons acknowledge that they are part of nested networks and that they constitute communities of workers. Various instruments are gradually incorporating this dynamic into their business practices. The use of commercial CCs enables the creation of a community of businesses, and fosters cooperation among them. These currencies strengthen the resilience of the local economic system and therefore generate some positive externalities within their environment (Stodder, 2009). Table 4 summarizes the characteristics of this new typology of the commons.

Table 4: A new typology of the commons

Characteristics	Commercial commons	Social commons
Dominant institutional logic	Market logic	Social or development logic
Governance	Mainly top-down	Bottom-up and participative
Members' characteristics	For-profit organizations	Mainly nonprofit organizations or active citizens
Core values	Responsibility, cooperation and stability	Solidarity, reciprocity and stewardship
Examples of CCs	RES, WIR	Chiemgauer, LETS, Palmas, Time Dollars, Trueque

Some scholars could argue that commercial commons are not different from traditional private goods in the sense that private interest can contribute to the common good. By providing private goods, private enterprises can generate collective wealth and benefits as well as contributing to society through job creation or corporate social responsibility. Nevertheless, such private interest can also be the cause of collective damage, human exploitation, and excessive competition that leads to global instability (Daly & Farley, 2011; Lagoarde-Segot & Paranque, 2017). Therefore, the pursuit of private interest based purely on a strict profit- and utility-driven approach can lead to corporate social irresponsibility (Lange & Washburn, 2012). On the contrary, commercial commons aim to contribute to the common good that includes both communities and individuals. As suggested by Frémeaux and Michelson (forthcoming), the pursuit of the common good includes both individual fulfilment at personal and corporate level as well as concern for community wellbeing and development. Hence, “community good” (Frémeaux & Michelson, forthcoming) is both a condition and an outcome of “personal good” and fulfilment. In other words, commercial commons are more than private goods, as understood by the liberal tradition, and include the concern for community based on principles of responsibility and long-term commitment. The development of a commercial complementary currency can thus promote new types of cooperation and collaborative work between businesses, which potentially leads to relationships that are more interpersonal and based on reciprocity.

5.2. Towards an ethos of the commons

The commons and the common good frameworks could be combined in what we will call an ethos of the commons, a principle that consists in organizing the commons through both collective action and ethical concern for human flourishing. In other words, this ethos can be defined as resource-sharing practices and the philosophy underpinning these collective initiatives.

Our analysis has identified three elements for this ethos of the commons. First, organizing the commons requires the establishment of institutional arrangements and the setting-up of norms and rules for governing a shared resource around a common interest. In their grassroots dimension, these institutions are collectively managed through a collective-choice arena and are not confined only to economy-based interests. Second, the commons can emerge from a variety of private, public, toll and common goods and, as such, are not confined to traditional common-pool resources (Hess & Ostrom, 2011) such as knowledge. Such goods and services should have positive externalities for the community (Nyssens & Petrella, 2015). Third, the philosophy of the commons is anchored in the tradition of the common good. An action with a common dimension creates new interpersonal relationships between resource users, as well as new relationships between individual members and the group as a whole. Members are part of a collective system that provides useful elements for their personal fulfillment.

In many cases, new commons organizations have a holistic project whose aim is to reorganize economic and social activities for the purposes of sustainable development and social cohesion (Bollier & Helfrich, 2012; Dardot & Laval, 2014). The nonprofit and solidarity dimensions of human activities are used to support a political project, in this case the re-appropriation and democratization of finance. By creating their own institutional arrangements, citizens “disenclose” decision-making power; this allows them to consciously and actively decide which direction the monetary system should take. A project of social transformation is visible in several CC systems: a socio-political transformation towards a monetary system governed by human needs, not capital returns.

This can potentially affect the goods provided by organizations. In this regard, we argue that commons’ goods and services are socially constructed. This statement is particularly true for human-made resources. Indeed, these resources—culture, healthcare services, education, finance, and so on—do not have any intrinsic characteristics of inclusion or exclusion; they are created by the organizations and institutions that set the norms and rules for provision and consumption. The underlying values, logics and philosophies of the provider organizations have an impact on the excludable dimension. Therefore, exclusion is always possible for financial services. It will depend on allocation criteria that can rely on social needs, repayment capacities or both. In this regard, community finance organizations can differ from private and public banks as they target different objectives, and the allocation criteria are linked to these objectives. This assumption is equally valid for natural commons. Indeed, it is easy to conceive that the excludability dimension of water will greatly differ if its provision is organized by the community, the market or public organizations.

Regarding subtractability, our results show that monetary resources encounter different levels of depletion according to their issuance and spending conditions. No human-made resource is the same because subtractability is conditional on the producing organizations. This aspect is, however, more controversial in relation to natural resources whose subtractable nature is defined by physical constraints.

Hence, this chapter contributes to the literature of the commons in multiple manners. First, it provides a social construction perspective of the commons, and gets away from the deterministic nature of the commons as non-excludable and subtractable common-pool resources. Second, it reinforces our understanding of the commons by analyzing the communities created through collective action. Ostrom mainly focused on the collective action for a defined resource and did not explicitly address the communities generated by such collective action. Third, we consider the teleological perspective of the collective action, or the purpose and transformative dimension of the organizing processes. Hence, we do not envisage the commons only in the management and governance processes of shared resources but also in the objectives and values inherent in the collective action.

5.3. The communities of CCs

Human societies and individuals have always given strong symbolic and social meanings to money (Dodd, 2015; Ingham, 2004). Indeed, money is a human-made resource and, as such, reflects the values and norms codified by its community of users (Périlleux & Nyssens, forthcoming). CCs, for their part, are common resources pooled by the users themselves, who collectively make decisions concerning their management and governance.

According to monetary institutionalists (e.g. Aglietta & Orléan, 1998), monetary systems both rely on and generate communities. Traditional currencies rely on a territorial and political community, whilst CCs are based both on territories and/or on communities constructed specifically for the CC. The creation and use of a complementary currency can forge and strengthen social and economic ties between local actors. Territorial currencies, such as the Chiemgauer and Palmas, convey a symbolic identity that potentially increases community self-esteem (Fare et al., 2015). Hence, CCs can transform communities through building new social ties and social capital. In addition, some CCs have a political project based on system affirmation and emancipation from traditional monetary systems that can engender social exclusion, speculation and unsustainable economic activities. Thus, some CCs—the Chiemgauer, Palmas, and to a certain extent LETS and Trueque—convey this political message that money should support other projects and that citizens' power can emancipate people from traditional finance. That attitude is much less present in business complementary currencies, where CCs are seen as a complementary tool for business activities.

On this aspect, there is a clear distinction between political and economic communities. CCs can reinforce political communities seeking to reform the economic system for alternative economies and sustainable local economies. They potentially have a strong impact in putting humanistic values into monetary and financial management. From this perspective, CCs are a tool for political change materialized in economic actuation. On the other hand, CCs can create economic communities without any political focus. They are a medium of exchange facilitating and galvanizing trade. As argued by Servet (2015), CCs play a supplementary role in such economic communities as they provide additional liquidity, which generates collective wealth. This increase in liquidity for exchange is present in all CCs. However, business currencies play a greater role in strengthening economic rather than political communities.

In addition, we make a conscious distinction between the two “South” cases (Brazil and Argentina) and the five “North” cases. Indeed, the “South” cases embodied the very ideas of reclaiming the monetary system and making it more accessible for poor people. Hence, from the initiators’ perspective, these CCs had the objective of redirecting a financial tool for the explicit objectives of tackling poverty and financial exclusion. From the users’ perspective, the use of these CCs was more of a necessity. In Brazil, the Palmas was designed to enable poor people to access money in case of emergencies (Melo & Braz, 2013) and thus made up for the absence of official money. Similarly, the Trueque were considered by the majority of users as a survival strategy to access goods and services during an intensive economic crisis (Gomez & de Wit, 2015).

The northern CCs follow a distinct trajectory. Most of them are created to reinforce communities through supporting the local economy and building social bonds. LETS and Time Dollars are developed to support community development through building social capital and mutual help. The Chiemgauer supports the relocation of economic activities embedded in local territories and actors. The business currencies WIR and RES are designed to reinforce local economic ties between firms, with the prospect of increasing trade between local enterprises. All these objectives are different from those of survival and poverty alleviation.

6. Conclusion

Reorganizing finance in the common interest is the challenge taken up by complementary currencies. In this chapter, we shed light on the multiple meanings of these alternative modes of exchange, the values they convey, and their potential for creating and strengthening communities. Focusing on the collective action present in seven alternative monetary systems, we examined to what extent these currencies have allowed finance to constitute “commons” and serve the communities.

Our analysis has shown that there are two alternative views about the potential of CCs to be considered as commons. On the one hand, the new commons framework suggests that only systems relying on collective action and self-management should be considered as commons. This builds the collective dimension around a shared resource and its organization under what we have named the “social commons”.

On the other hand, all CCs can be considered as commons according to the common good framework since they promote the common interest by creating new communities of people. We may consider that complementary currencies that cannot be considered as commons within the new commons framework but do fall under the common good framework are “commercial commons” that primarily focus on strengthening a network of economic actors without any explicit participative governance.

This chapter delivers a new conceptualization of the commons and advocates an ethos of the commons. This ethos may be defined as a principle that consists in organizing commons practices both through collective organization and through ethical concern for human flourishing. Based on voluntary and democratic participation, such commons arrangements have an impact on the resources shared by community members. These arrangements transcend the traditional categorization of goods, and create goods with positive externalities for communities. These collective organizations follow the ethical common good, namely that the fulfilment of community members is a prerequisite for collective wellbeing but should not harm the community.

CHAPTER 2

A CASE STUDY OF MICROFINANCE AND COMMUNITY DEVELOPMENT BANKS IN BRAZIL: PRIVATE OR COMMON GOODS?

A Case Study of Microfinance and Community Development Banks in Brazil: Private or Common Goods?

Abstract

Inclusive financial sectors are essential to poverty alleviation. While microcredit can be governed as a private good, self-managed civil society organizations propose an alternative way of managing financial services. Brazil's community development banks (CDBs) are growing and dynamic manifestations of these nonprofit organizations. Based on field research in Brazil, this chapter uses Elinor Ostrom's design principles of successful self-governing common-pool resource organizations to analyze CDBs' microcredit system. Our results suggest that private goods could be altered when they are governed by community self-managed enterprises. They become hybrid goods since they mix the characteristics of private and common goods. Thus, specific organizational arrangements such as self-governance emerging from grassroots dynamics and the creation of collective-choice arenas make it possible to strengthen the inclusion properties of nonprofit microcredit services.

Keywords:

Common goods, Ostrom, Community development banks, Microfinance, Governance, Brazil.

This chapter has been written with Marek Hudon.

A shorter version of this chapter has been published in *Nonprofit and Voluntary Sector Quarterly*, August 2016; vol. 45, 4 suppl: pp. 116S-133S.

This chapter has been selected as a runner-up for the Academy of Management Best Conference Papers (SIM division), and a summarized version has been published in the *Academy of Management Proceedings 2014 – Best conference papers.*

A shorter version of this chapter has been published as CEB Working Paper No 13/049 in 2013.

We thank Brenda Bushouse, Robert Christensen, Tina Dacin, Helen Haugh, Marc Labie, Frédéric Louault, Brent Never, Anais Périlleux, and the two anonymous reviewers for comments on earlier versions. We also thank the Palmas Institute, especially Joaquim Melo, Sandra Magalhaes, Asier Ansorena, and Carlos de Freitas, and the Federal University of Bahia, especially Genauto Carvalho de França Filho, and Leonardo Prates Leal, for helping us in data collection.

1. Introduction

Financial exclusion is prevalent in many countries. Since the 1970s, various actors have been urging financial inclusion as a way to alleviate poverty (Beisland & Mersland, 2012; Hudon & Sandberg, 2013). Thanks to Muhammad Yunus and the Grameen Bank, providing financial services to the poor has even been recognized by the Nobel Committee as a tool for development and peace. Community development banks (CDBs) are a soaring phenomenon in the Brazilian nonprofit financial sector (Melo & Braz, 2013). From 2003 to 2013, these nonprofit organizations increased from one to 103 across the entire country, even though they are still a minor phenomenon on the scale reported for Brazil. Community banks also exist in other countries including the United Kingdom and the United States of America (Almandoz, 2014; Kneiding & Tracey, 2009; Marquis & Lounsbury, 2007). For instance, British community banks also provide financial services to financially excluded communities but are less numerous – only 60 – than in Brazil (CDFA, 2012).

According to the definition of the Brazilian CDB network (Melo & Magalhães, 2006), these banks offer financial services of an associative nature in order to create employment and income and restructure local economies. The first national survey, conducted on 47 CDBs in 2012, mentions that from January 2011 to July 2012 they granted more than 1,300,000 US dollars to almost 50,000 clients[3] (Rigo, 2014). The scientific literature on CDBs is quite limited, however, with the exception of some publications (Diniz et al., 2014; França Filho et al, 2012; Melo & Braz, 2013).

CDBs provide a solution for financial inclusion. Despite being increasingly integrated into global markets, Brazil still faces high levels of financial exclusion (Banco Central do Brasil, 2011). To tackle this problem, the federal and state governments developed several microfinance programs with the support of public banks. Contrasting with more liberalized microfinance markets in Latin America –such as Bolivia, Guatemala, and Peru (Battilana & Dorado, 2010; Copestake et al., 2005; Khavul et al., 2013), microfinance in Brazil is still dominated by the public sector (Matos et al., 2014). In this context, a number of civil society initiatives have emerged to provide a grassroots answer to financial exclusion.

3 The numbers are restricted to microcredit services and do not take account of the other financial services provided by CDBs.

CDBs are one of the responses emerging from the solidarity economy movement. These organizations are established in areas with high levels of social and economic exclusion and vulnerability, which is not the case of most microfinance organizations in a national context. Different from other microfinance organizations, CDBs are set up and governed by communities, which actively contribute to the crafting of constitutional and operational rules for allocation and monitoring of microcredit. Linked to other local development projects, CDBs also issue a local currency which is legal tender only in the defined territory. To a certain extent, and thanks to their participatory governance, CDBs are similar to other regional community banks, such as the "bancos comunales" in Spanish-speaking Latin America. As self-managed organizations, CDBs share some similarities with commons organizations, since both result from collective action and are common-property organizations.

The study of the commons has become widespread in the world of research, mainly through the work of Elinor Ostrom. Ostrom's studies have been applied to a considerable diversity of subjects, such as city policing (Ostrom & Whitaker, 1973), natural resources (Ostrom, 1990), and informational resources (Hess & Ostrom, 2007). In her book *Governing the Commons* (1990), Ostrom has analyzed governance practices in self-managed common-pool resource (CPR) organizations created by civil society. She highlights that certain CPR users have devised their own rules to control the use of CPR and thus developed diverse organizational arrangements for effectively managing natural resources and avoiding ecosystem collapse. More specifically, Ostrom identified a set of eight design principles shared by successful CPR organizations.

Nevertheless, she does not directly analyze microfinance organizations or financial services more generally. While the literature highlights the role played by various types of nonprofit organizations or civil society organizations in providing global public goods (Kaul, 2001; Te'eni & Young, 2003), no research has determined if nonprofit financial organizations, such as CDBs, are managed as commons organizations. This chapter aims at filling this gap. Our two research questions are thus: first, how could the design principles help to evaluate the functioning and outcomes of these financial organizations?; and second, what is the impact of organizational choices on the properties of microcredit services offered by CDBs?

To analyze whether financial services can be considered as commons, we will first analyze the structure of CDBs using the eight design principles developed by Ostrom (1990). This single case study is used to illustrate a central concept: the social construction of goods can fundamentally change the institutions surrounding seemingly-similar organizations (in this case, a nonprofit CDB as opposed to a for-profit bank). If CDBs follow these eight principles in similar way to CPR organizations, then management and organizational choice might impact the nature of the goods and services. Even if financial services cannot be considered as CPRs, Ostrom's framework will still be useful to the organization of CDBs. Using some of the findings of this comparison, we will then discuss how CDB microcredits fulfill the two definitional elements of CPR, subtractability of use and non-excludability. Our study is based on field research at Banco Palmas, the first and most prominent CDB, in the city of Fortaleza in northeastern Brazil.

The results suggest that microcredit services only share characteristic features with commons if their provision or distribution is organized through specific organizational arrangements. The classification of goods has historically been controversial (Brudney, 1987; De Moor, 2011). Although the nature of common goods is fixed, the organizations and the means of allocating them are socially constructed. Therefore, their characteristics may differ according to this construct. In the case of financial services, it could be possible to reconsider their characteristics through their social construction (Morvant-Roux et al., 2014). Ostrom's design principles offer an analytical tool for determining what organizational features participate in the transformation of the financial services. CDBs potentially organize microcredit provision similarly to the way that commons organizations organize their resources. Hence, self-government, collective-choice arrangements and a well-defined social mission are key dimensions that modify the characteristics of microcredit services.

Nevertheless, not all microfinance institutions (MFIs) are organized according to similar organizational arrangements, and thus are not altering the properties of financial services. Two main distinctions can be used to differentiate microcredit management according to private or nonprofit logic: the existence of a collective-choice arena shaped by a public sphere and the fact of being a self-managed organization. To enhance financial services and make them more inclusive, financial organizations should adopt a participatory structure rooted in democratic values in which local stakeholders can share their concerns. In this case, their governance transforms the economic and social value of the services, diverting them from being pure private goods and making them a "hybrid" of private and common goods. This chapter contributes to the literature since it suggests that financial services can differ from private goods if they are governed by the users themselves in nonprofit self-managed organizations.

These findings related to the transformative power of some governance features of CDBs could be extended to the governance of other non-profit MFIs that adopt similar structures.

The rest of the chapter is divided into four parts. First, we present CDBs and their links with the nonprofit sector. Second, we describe the methodology and data. Third, we analyze the Palmas microcredit system using Ostrom's eight design principles. Fourth, we discuss the results of the analysis.

2. Banco Palmas and the Brazilian Community Development Banks Model

CDBs are innovative civil society organizations aiming at meeting a community's economic needs. These organizations, carried by marginalized and excluded communities, are the result of self-organization of civil society and can therefore be considered as third-sector organizations. They are created by private initiatives by individuals wishing to coordinate their action to defend common interests of territorial development through financial inclusion (Melo, 2009). Financial exclusion is particularly high in Brazil. Public and private banks do not bancarize extremely poor populations (Banco Central do Brasil, 2011), and neither group necessarily meets the specific needs of populations or communities. Similarly to other nonprofit organizations (Weisbrod, 1977), CDBs have emerged as a bottom-up initiative to solve market and government failures.

According to the Microcredit Summit Campaign, the microfinance sector reaches around 200 million clients worldwide. While most MFIs are non-governmental organizations or shareholder firms (Périlleux et al., 2012), there are also various examples of community or cooperative structures in the sector. The most famous models of community or cooperative structures are the self-help groups (SHGs), supported by the government of India. According to official figures (Satish, 2014), SHGs have reached around 100 million families in India and put them in touch with banks through the bank-linkage program. Just as MFIs have global outreach, credit unions have around 200 million members according to the World Council of Credit Unions (WOCCU), a few of them being counted by both WOCCU and the Microcredit Summit Campaign. Cooperatives and credit unions are similar in that their members generally exercise ultimate control and take major decisions, due to their voting rights.

Referring to Salamon and Anheier's structural-operational definition of the nonprofit sector (1997), CDBs share the characteristics of nonprofit organizations. The Banco Palmas system is the product of an organization of civil society which has become institutionalized over the years. Banco Palmas is based in the Conjunto Palmeiras, a neighborhood of 36,000 inhabitants and one of the poorest parts of the city of Fortaleza. The capital of the state of Ceará, Fortaleza is situated in northeastern Brazil, the poorest region of the country with a large number of community and solidarity economy enterprises. In 2007, 1,823 solidarity economy organizations were situated in Ceará, making it second only to Rio Grande do Sul (Culti et al., 2010) for hosting solidarity economy organizations. In addition, the city of Fortaleza was in favor of new social and political policies in the 2000s. In 2005, the new elected mayor, Luizianne Lins, a member of the Workers' Party, encouraged an experiment in participatory budgeting, which enabled citizens to take part in allocating the municipal budget. Even though Banco Palmas did not directly benefit from participatory budgeting, this type of community organization is anchored in a regional dynamic of experiments in social change.

The territory of the Conjunto Palmeiras was initially made up of palm trees and dense vegetation. When the first inhabitants arrived in 1973–displaced by force by the local authorities – there was no urban infrastructure available (Fare et al., 2015). The new inhabitants built the first shacks thanks to mutual assistance and the support of priests from the Liberation Theology movement (Melo, 2009). According to this philosophy, the poor are the agents of their own liberation and can alleviate poverty by promoting another mode of production and wealth distribution.

Initially Banco Palmas system was made up of the association of Conjunto Palmeiras' residents (Associação dos Moradores do Conjunto Palmeiras - ASMOCONP), which organized public action in the Conjunto Palmeiras. During the military dictatorship, such residents' associations flourished in the poorest neighborhoods of large Brazilian cities and represented one of the most convincing demonstrations of civil society and nonprofit organizations in the country. Hence, the Conjunto Palmeiras has a strong history of community mobilization. In the late 1980s, Conjunto Palmeiras-based organizations and leaders engaged in a "battle for water" (Melo, 2009) with local authorities to provide and supply water to the neighborhood. In 1990, due to the active presence of community organizations, GTZ, the German technical cooperation agency, chose to implement an income generation program in the neighborhood, with the support of the Fortaleza municipality. In 1991, the inhabitants organized the "living in the inhabitable" seminar and formed a "social pact" (Melo & Magalhães, 2008:13) to craft a development plan for improving living conditions in their neighborhood. The partnership with GTZ provided external resources to develop projects such as the creation of a drainage canal for rain waters.

In 1997, community organizations and leaders organized the second “living in the inhabitable” seminar and discussed the fact that, despite significant results in terms of urbanization, economic poverty in the area had increased. After 86 community meetings attended by businesses, producers and inhabitants (Melo, 2009), an idea emerged to reorganize economic activities in the neighborhood. Microcredit, which was spreading worldwide in both discourse and practice, was identified as a tool for community development. The purpose of Banco Palmas was to create a microcredit product anchored in the Brazilian context of solidarity economy principles and liberation theology (Melo, 2009).

Several individual actors were particularly involved in these community development initiatives. The ASMOCONP published two small books both entitled “History of our Struggles” which narrate the early history of the neighborhood and its personal trajectories. Two historically important figures were involved in the formation and development of Banco Palmas: Joaquim Melo and Sandra Magalhães. Melo, still the bank’s spokesman, was originally from the Amazon region and moved to the Conjunto Palmeiras as a seminarian involved in liberation theology. He has been involved in many struggles in the neighborhood and actively participated from the outset as a strong leader in the expansion of Banco Palmas (Melo, 2009). Sandra Magalhães, the second key figure, arrived in the neighborhood as a social assistant and became involved in several social projects conducted by Banco Palmas. Both these community leaders contributed significantly to the bank’s success and development.

Banco Palmas was founded as an ASMOCONP project. The process of transforming it from an inhabitant’s association into a bank faced several challenges in the early years. The first challenge was to find capital for lending (Melo, 2009). Formal banks did not provide support at the outset, so Banco Palmas had to rely on small donations and loans from charities and non-governmental organizations. In addition, Banco Palmas organizers faced practical problems in ensuring loan repayments, such as the collection and management of information. Another important episode was a raid by the central bank (Melo, 2009). Banco Palmas did not ask for banking or financial status, so the central bank visited it to ensure that it was not laundering money. In the end, the central bank issued a notice authorizing Banco Palmas to continue its lending activities, but not to accept savings deposits, which requires supervision.

Due to the increasing interest shown by other communities and local governments, ASMOCONP set up the Palmas Institute in 2003, giving Banco Palmas the capacity to forge partnerships with public and private entities. The CDB philosophy is that there is no inherently poor territory, but that local citizens are impoverished by losing their money and savings. So, poor though territory may be, it has the potential for generating endogenous development (Melo & Magalhães, 2006). To restructure local economies, CDBs provide various financial services, such as microcredits, social currency, and non-financial services. Their aim is to change the structural conditions of poverty by building internal and regulated markets. CDBs are thus community enterprises that combine both economic and social objectives to alleviate social exclusion and unemployment (Haugh, 2007). They promote a public attitude within the social group or community in which they operate, encouraging members to think beyond their self-interest (Clohesy, 2003).

The financing structure of the system is hybrid. ASMOCONP is based on volunteering and voluntary participation (which is part of the organization's historical logic). Banco Palmas derives its revenues from the sale of financial services to the community and from government subsidies. Similarly to traditional nonprofit organizations, the Palmas Institute generates revenues as a service provider for the government, and also receives donations from foundations to develop non-financial services for the community (such as training, capacity building, and financial education). Both Banco Palmas and the Palmas Institute are organized around a common governance structure represented by the local economic forum, which acts as a body for collective deliberation between the various local stakeholders, and the governing board, involving community leaders and organizations' representatives. We explain the participatory dynamic in greater detail in chapter 3.

3. Methodology and Data

Ostrom's research (1990) sheds light on the management and governance of commons organizations. She tends to make a distinction between collective organizational arrangements and common goods. Nevertheless, governance is frequently related to the characteristics of goods (Périlleux & Nyssens, forthcoming). As argued by De Moor (2011), the definition and particularities of commons are frequently debated across disciplines. The boundaries between governance and typology are not so clear, which is why it may be useful to study the long-term developments of common organizations and understand their particularities rather than stick to concepts. This is why we will analyze these two aspects of the Palmas system.

To investigate whether private goods can be governed as a common resource, we will first examine the credit management system of Brazilian CDBs, using the eight design principles of successful self-governed CPR organizations. We do not properly test Ostrom's theory of the commons; rather, we use our case to illustrate the design principles for the governance and management of collective resources in the financial sector. This illustration demonstrates the relevance of commons theory for the management of financial resources in particular cases. Ostrom's eight design principles (1990, 90) are the following:

"1) Clearly defined boundaries; 2) Congruence between appropriation and provision rules and local conditions; 3) Collective-choice arrangements; 4) Monitoring; 5) Graduated sanctions; 6) Conflict-resolution mechanisms; 7) Minimal recognition of rights to organize; 8) Nested enterprises [For CPRs that are parts of larger systems]".

Second, using findings from the analysis of design principles, we will discuss how financial services can come close to commons. When defining the characteristics of common, public and private goods, we refer to the classification of goods frequently used by Ostrom (2010). This classification is based on the two criteria of subtractability of use and excludability.

This chapter constitutes an in-depth case study (Eisenhardt & Graebner, 2007) of Banco Palmas. Even if single case studies have limited generalizability (Yin, 2014), which is a limitation of the approach, Dyer and Wilkins (1991) argue that single in-depth case studies provide deep insights into the functioning of organizations. We chose to study Banco Palmas for two reasons. First, it is a national benchmark because it developed the CDB methodology that has since spread to other communities. Second, it is the most prominent CDB in terms of financial services provision. Based on field research, we will conduct an empirical analysis of the management system of this nonprofit organization. One of the authors collected data during two visits to Brazil, in 2011-2012 (six months), and 2014-2015 (four months). Most of the field research consisted of qualitative interviews, but ethnographic techniques were also employed, including participant observation, immersion in the social setting of Banco Palmas, and regularly engaging in conversation with the directors, managers, employees and beneficiaries. We chose to conduct interviews to understand how informants see their actions and to obtain a detailed description of the organizational arrangements and rules.

We conducted eighteen face-to-face semi-structured interviews with ten Banco Palmas directors, managers and employees, as well as four key informant university researchers active in the development of CDBs. Banco Palmas members included the CEO (n=1), financial officers (n=3), project managers (n=4), and microcredit officers (n=2). The four university researchers have in-depth knowledge of the organization as they have conducted research into Banco Palmas and/or partnered with it on practitioners' projects. The respondents were therefore selected for their overall knowledge of Banco Palmas' organization and their involvement in the microcredit management process.

The interviews followed a questionnaire composed of three parts. The first part was related to the context of Banco Palmas, its emergence from collective action and its evolution through partnerships with public and private organizations. We asked such questions as "How did and does the community participate in Banco Palmas' governance and management?" and "What are the major partnerships that Banco Palmas has with banks and public administration and how do these partnerships influence the organization's development?". The second part consisted in defining the practices related to financial resources, the portfolio and its management. This part included questions such as "What type of information do credit agents collect and use for loan allocation?", and "What are the procedures in case of non-repayment?". The third part involved dealing with the development strategy of Banco Palmas and the arrangement of financial and non-financial services for coping with it. More precisely, we asked questions regarding the other social projects developed by Banco Palmas, such as a financial inclusion program for women and a laboratory for technological development.

We used the NVIVO qualitative data analysis software for organizing our data analysis. We analyzed the content of the interviews by coding the data into five categories relevant to our research questions: 1) the characteristics of the resources and their users, 2) participation of the users in the management system, 3) management techniques for ensuring repayment, 4) relationships with public agencies and authorities, 5) and the organizational development of the organization over the last 15 years.

In addition, our analysis is based on secondary sources composed of the available literature on the Palmas system. This consists of primary sources published by the organization itself (e.g. Melo & Magalhães, 2008, 2006). In parallel, we studied the academic literature on the Palmas system (França Filho & al, 2012), including national research published in Portuguese (Rigo, 2014; Vasconcelos Freire, 2011). Our analysis is thus based on triangulating the data collected through direct observation, interviews and written documentation (Yin, 2014).

4. Findings: How Process Impacts the Characteristics of Private Goods

The analysis of the findings will be structured in two parts. We will first analyze the governance of Palmas microcredit system using the Ostrom design principles of sustainable CPR organizations. Second, we will use these findings to analyze how this governance system modifies the characteristics of financial services.

4.1 A nonprofit financial institution governing microcredit as CPR

In this section, we will conduct an institutional analysis of the Palmas microcredit system, applying Ostrom's eight design principles of sustainable CPR institutions to the Palmas system.

4.1.1 Clearly defined boundaries

The limited financial capital available to Banco Palmas show that CDBs' resource have defined boundaries. The microcredit resource consists of a capital of more than three million reais (R$) that finances the various resource units. However, the capital available cannot be considered as a pure common resource insofar as it derives from contracts with public banks as well as repayments of former loans and the related interest. Banco Palmas' legal status prevents it from taking savings deposits. All 36,000 residents of Conjunto Palmeiras, are eligible to obtain a loan and therefore withdraw a resource unit. This rule has evolved because, with the increase in capital, Banco Palmas lends to people from Conjunto Palmeiras and other neighboring suburbs. Nevertheless, the access boundaries are still clearly defined.

4.1.2 Rules regarding the appropriation and provision of common resources that are adapted to local conditions

Rules of ownership of the common resource are strongly linked to local conditions. First, they are inclusive and do not exclude persons registered in the national repayment default system, SPC, who are excluded from the Brazilian formal credit system. Given that the poorest people are often subject to an SPC restriction, the fact that they have access to the services shows how the credit system has adapted to the needs of Conjunto Palmeiras inhabitants. Second, loans do not have to be guaranteed, since borrowers are poor. All loans below R$ 500 are specific in that they are granted immediately upon application for a microcredit. The borrower is asked simply to provide ID and proof of residency. The notion of trust weighs heavily in credit allocation. Third, the eligibility requirements for loans of more than R$ 500 are based on the credibility of the borrower. An external credit officer visits the applicant to see if the information provided in the pre-analysis is true and questions people in the neighborhood about the client's reliability. Thus, control has an important social dimension: the honesty of the customer and the views of the neighborhood network are crucial pieces of information.

4.1.3 Collective-choice arrangements that allow most resource appropriators to participate in the decision-making process

The Palmas system's arena of collective-choice is mainly represented by the socio-economic local forum FECOL. This collective deliberation body does not have the explicit goal of changing the operational rules relating to the provision and ownership of the common resource. It is more of a public space for close interactions between community social actors of Conjunto Palmeiras, where economic and social issues relating to Conjunto Palmeiras are discussed. This local forum impacts the governance and policy-making of these institutions. It therefore changes both constitutional and collective-choice rules, two key levels of rules according Ostrom (1990: 52). FECOL allows the broad economic guidelines for Banco Palmas to be decided in a public space, while helping to strengthen social cohesion and civic engagement. All residents can participate in the meetings. Even if the frequency of these meetings decreased in 2014-2015, FECOL keeps democratic control over Banco Palmas and has a social control over Banco Palmas, prompting it to respond to the social and economic problems of the community. This forum system and strong collective-choice arrangements are not the norm in the microfinance industry, or even for many nonprofit institutions. The decisions taken in FECOL are then discussed and potentially implemented at Banco Palmas by the governing board, which is restricted to elected representatives. The following interview fragment shows how FECOL influences Banco Palmas policies and interacts with the governing board:

FECOL is a way of listening to the community, in the FECOL everyone can come and say what his/her problem is. From the moment he/she says what his/her problem is, [Banco Palmas] *executive board can take action and the governing board can legitimize everything politically.*

Question: And how are chosen the people of the governing board?

Answer: They are people who have a direct or indirect relationship with us [Banco Palmas]*, since they are community leaders who work here in the neighborhood, or who have an interest in the neighborhood's health policy. They have a direct or indirect relationship* [with Banco Palmas, so we] *invite* [them] *and there is an election in which they are voted.* (Executive #15)

In addition, users of Banco Palmas microcredits can influence the bank's organizational choices directly, as mentioned by the Banco Palmas executive director:

Question: How do users participate in the bank's decisions?

Answer: They can participate every day ... we have to realize that the CDB is embedded within the community. The fact that it is from the community, the fact that the employees are from the community, this already opens a very large participation process. Any resident of the neighborhood, whether bank user or not, can come here to the headquarters to put his/her suggestion in the [suggestion] *box, talk to the manager or CEO of the bank, which is me, whatever day he/she wants*. (Credit agent #17)

4.1.4 Effective supervision by monitors who are part of or accountable to appropriators

Operating with resources from other institutions, Banco Palmas must rigorously monitor defaults, since reimbursements are crucial for the sustainability of the institution. In this context, it is necessary for appropriators to comply with the rules of ownership in order to ensure the renewal of the common resource. To do this, Banco Palmas has developed a monitoring system for controlling the behavior of appropriators. The system incorporates mechanisms of moral suasion based on social relations and supervisors employed by the bank, who themselves are also appropriators. In practice, monitoring is exercised by both credit agents who interact daily with the community and a charging company contracted by Banco

Palmas to insure repayments in extreme cases. The appropriators' behavior is controlled by credit agents, who apply graduated sanctions if community rules are violated. In addition, during our second field research project, we discovered that the monitoring system had evolved to include a third enterprise that was in charge of monitoring non-reimbursement in extreme cases. Banco Palmas resorts to this charging company because *"one of the requirements* [of the funding public bank] *was that all clients who are more than 3 months' late on their repayments and could not resolve this repayment problem with us, has to deal with a charging company to recover and collect the money"* (Credit agent #17). The monitoring system therefore changed as a result of interorganizational partnerships.

4.1.5 A scale of graduated sanctions for resource appropriators who violate community rules

Banco Palmas applies various graduated sanctions when borrowers do not repay on schedule. The first level starts a few days after the provisional date of reimbursement. If the borrower has not fully repaid, the loan officer calls him/her to remind them of their commitment to Banco Palmas and the external loan officer rapidly visits the client at home if the reimbursement is not made. Even if calls are not sanctions, they represent the last soft mechanisms incenting repayment before applying financial and social sanctions. If no repayment has been realized after the calls, the loan contract stipulates that there is a fine of 1% per month plus 0.25% of the monthly reimbursement per day of delay. As shown in the next section, loan rescheduling is also possible.

Second, more severe sanctions apply when the client has not rescheduled the loan and repaid 30 days after the provisional reimbursement. In this case, the client is excluded from using Banco Palmas financial services and its name is also disclosed to the national banking credit bureau where all names of clients who have defaulted are listed. These social sanctions are very harsh and represent the last level in the system of gradual sanctions. Very few borrowers reach this level which suggests a high rate of compliance with the rules of ownership. Therefore, exclusion is possible and practiced in extreme cases, as mentioned by a Banco Palmas microcredit manager:

> *The door is always open* [for negotiation]. *Now we have an obligation with* [a funding public bank] *to return the money. Those customers who do not want to negotiate with us, we are obliged to include them in the credit protection system* [national credit

bureau], *which states that these persons will not be able to receive some kind of credit or something else from other institutions.* (Project manager #21)

4.1.6 Mechanisms of conflict resolution that are cheap and easy to access

Banco Palmas has developed a few mechanisms of conflict resolution. First, conflicts that are not related to loan reimbursement can be discussed in one of the local forum or directly at Palmas headquarters. Second, there are a few mechanisms for conflicts with defaulters or late borrowers. A Banco Palmas microcredit manager said: *"Our main obligation is to any client who cannot pay the credit because he/she has suffered a shock, a disease, an economic problem, anything, that case is a client who comes, explains* […]*, we understand the situation and look for the best way to solve"* (Project manager #21). The vast majority of these conflicts are directly managed by the loan officers who can suggest a re-scheduling plan for the remaining annuities with the borrowers. Joint meetings are also sometimes organized at the branch level to discuss the clients' situation. Access to conflict resolution mechanisms is therefore relatively fast, since loan officers are frequently available to discuss and cheap, it is sufficient to go to Banco Palmas and renegotiate the repayment terms. Moreover, borrowers' collateral are limited and access to finance almost impossible for defaulters. Therefore, both parties have a strong incentive to agree and find a compromise. The most time consuming conflicts are related to the few clients refusing to pay in bad faith. In this case, the bank applies monitoring mechanisms and sanctions.

4.1.7 Self-determination of the community recognized by higher-level authorities

The self-determination rights of Banco Palmas were not immediately recognized by the Brazilian authorities. In 2003, the central bank made an inquiry to understand whether the Palmas social currency issued by Banco Palmas violated the constitution—as the issuance of fiduciary currency is a central bank prerogative (Vasconcelos Freire, 2011). As mentioned by a former central bank executive (#49):

> *Joaquim* [Melo] *was actually summoned by the court because there was an entity that filed a lawsuit against him, saying that he was irregular for issuing currency. It was not the central bank that came against him, it was an* [philatelist] *association* [...] *People from the central bank had to interfere, talk with justice representatives to*

explain what Banco Palmas is. [It] *was a successful experience because it resulted in the filing of the lawsuit.*

After this episode and after conducting studies on social currencies, the central bank formalized the beginnings of legal recognition in 2010 through the development of a technical note cosigned by the National Secretariat for Solidarity Economy (SENAES). The objective of the technical note and agreement is "*to establish a partnership between the* [Ministry of Work and Employment - SENAES] *and the* [Brazilian central bank] *with the aim of accomplishing studies on social currencies and the creation of mechanisms to accompany, in a permanent form, the evolution of this instrument, in light of the results obtained by the studies carried out*" (Archival data). Nevertheless, this note does properly constitute a legal framework for CDBs and social currencies. Thus, these banks are not yet regulated as financial organizations but are still considered as socio-economic development projects carried out by formal nonprofit organizations.

4.1.8 Organization as multiple layers of nested enterprises

Thus, the Palmas system consists of three organizations that are more or less institutionalized: the residents' association (ASMOCONP), the CDB Banco Palmas, and the Palmas Institute. However, the borders between these three organizations are porous and each plays an active and cross-sector role in the system. Inter-linkages among the different organizations are substantial and deserve clarification. ASMOCONP created Banco Palmas as one of its community development projects, but today, the inhabitants' association exercises social control over the actions of Banco Palmas. This control is mainly carried out through FECOL and tends to underscore the social mission and community ownership of Banco Palmas. Banco Palmas provides the operational administration of financial products and monitors the actual repayment of loans by applying the sanctions regime discussed above. Formed in 2003, the Palmas Institute is responsible for diffusing the social finance model in other communities and developing partnerships with public and private institutions. Through agreements with financial institutions, the Palmas Institute has a capital fund that it makes available primarily to Banco Palmas. In addition, the Institute is the formal legal entity to which the bank reports. The multiple linkages between these enterprises show that they are closely nested.

4.2 Microcredit as a community resource

Table 1 summarizes the major findings of our analysis of the microcredit governance in the Palmas system, which showed that CDBs' microcredit management is comparable to the management of self-governed CPR organizations. The analysis suggests that the Ostrom design principles for CPR organizations apply neatly to the Palmas microcredit system. These findings will help us clarify the properties of financial services when they are managed by collective action organization.

Ostrom's classification defines common goods as subtractable and non-excludable, while private goods are subtractable and excludable (Ostrom, 2010). The type of good depends on the degree of subtractability of use and excludability, which can “vary from low to high” (Ostrom, 2010:644). One may consider that the nature of common goods is fixed, no matter how they are governed. Nevertheless, we will argue in this section that the CDBs' organizational choice, as well as their management and administration process, alters the characteristics of this good. At first sight, all credits could theoretically be considered as private goods or even toll goods. A high level of financial exclusion suggests that no financial organization is theoretically obliged to grant a loan, which may make microcredit exclusive. It would thus be difficult to consider financial services as commons. Nevertheless, the means of allocation and the organizations that support them fundamentally change the nature of goods, thus varying institutionally the degrees of subtractability and excludability. CDBs nonprofit management system, which is more collective, makes it possible to reconsider this type of goods, since the characteristics of microcredit evolve through the CDB management process.

First, CDB microcredit is a subtractable good, that is to say its consumption by one user decreases the amount available for others. Traditional financial organizations generally do not lack financial resources to provide loans to their customers. This would then make credit non-subtractable and hence, potentially, a toll good. Nevertheless, this is not the case for many nonprofit organizations involved in collective action. It is indeed well-known that MFIs generally need external financing and thus may face harsh budget constraints (Hudon & Traça, 2011). Thanks to legal recognition (design principle 7), Banco Palmas' financing comes from partnerships with public banks. We could therefore consider that the resource is subtractable because sources of financing are clearly limited (design principle 1), which is the case of many nonprofit actors. Indeed, microcredit can be granted only when additional funds are given by public banks or after previous microloans have been repaid. Since 2010, the Palmas Institute has partnered with a Brazilian development bank, which provides the system with a capital of more than one million dollars. These funds constitute the resource system of the CDB Palmas, that is to say the stock generates flows of resource units.

Table 1: Summary of Ostrom's eight design principle analysis of the Palmas system

Ostrom's design principles	**Application in the Banco Palmas case**
Clearly defined boundaries	Main financial resource comes from one million dollars of equity in public banks. Access is limited to the inhabitants of Conjunto Palmeiras and neighboring suburbs.
Rules that are adapted to local conditions	Rules are adapted to local conditions since access is facilitated for poor households, the loans are immediately or rapidly disbursed and approval is based on social relationships for loans above R$ 500.
Collective-choice arrangements	Resource appropriators can participate in decision-making through a local public space (FECOL), and by sharing their remarks and suggestions by going directly to Banco Palmas.
Effective monitoring	The behavior of appropriators is monitored both by Banco Palmas (which checks the actual monthly payments) and by external credit agents (who visit borrower). A private enterprise intervenes in extreme cases of non-repayment.
A scale of graduated sanctions	A process of graduated sanctions is implemented, potentially culminating in exclusion of the system
Mechanisms of conflict resolution	Conflicts may appear regarding the terms of repayment. If the borrower has difficulties, he or she can go to Banco Palmas to program a rescheduling.
Self-determination recognized by higher-level authorities	The Palmas system is a fully self-determined and independent institution. Partnership with public banks and the government help to strengthen its institutional structure and financial system. Nevertheless, CDBs are not regulated, and the only appropriate legal status that exists is a technical note issued jointly by the government and the central bank.
Organization in the form of multiple layers of nested enterprises	Three nested enterprises organize resource management. ASMOCONP exercises social control over the Palmas system and is involved in organizing local forums. Banco Palmas organizes and monitors resource unit ownership, and resolves conflicts. The Palmas Institute organizes the supply of resources.

Second, microcredit can supposedly be excludable since access rules could deny access to a loan. However, a deeper analysis of Banco Palmas microcredit process suggests that the bank's administration is similar to that of sustainable common-property organizations. In fact, the self-organized Palmas system provides financial services suited to the local socio-economic characteristics of marginalized Brazilian populations, and it is governed by a structure of collective-choices (design principles 2 and 3). By means of monitoring through social control and application of graduated sanctions (design principles 4 and 5), CBDs manage to achieve consistent repayment rates, which contribute to the sustainability of the common resource. These organizational arrangements for collective action tend to change the management of the services and transform their characteristic and properties for more sustainable financial inclusion.

Even though it is possible to deny someone access to microcredit, the financial services offered by CDBs could be considered as a collective resource. Indeed, since one of Banco Palmas missions is financial inclusion, it is difficult to bar an inhabitant from access to its financial services. CDBs provide microloans even to very poor people who are traditionally excluded. According to an inquiry by the University of São Paulo (Neiva et al., 2013), one of the main characteristics of Banco Palmas is that it serves a low-income population excluded from the formal financial system. Particularly, through the Projeto ELAS, women beneficiaries of the Bolsa Familia cash transfer program have privileged access to credit and also to a set of financial education activities. Beneficiaries of the Bolsa Familia program are considered as the most vulnerable and deprived population segment in Brazil (Soares et al., 2010). In 2011, Banco Palmas granted 7,263 microloans in the amount of 2,864,172.56 reais (more than 900,000 US dollars). Of these, 2,549 loans were granted to women beneficiaries of the Bolsa Familia program, corresponding to 260,074.50 reais, i.e. a third of the loans granted and almost a tenth of the portfolio value.

Neiva et al. (2013) conducted a survey on 303 Banco Palmas clients, who use both microcredits and correspondent banking services. According to the sample examined, 89 percent of Banco Palmas' clients earn less than the minimum wage (i.e. 622 reais—around 200 US dollars) and 11 percent live below the national poverty line (Neiva et al., 2013:141). In addition, around 62 percent of Banco Palmas' microcredit clients prefer to choose the community bank as a source of financing, rather than other forms of access to finance, such as families, friends or other microcredit organizations. The easy access and better credit conditions provided by Banco Palmas are key factors for that preference (Neiva et al., 2013:152). Microcredit clients appear to be satisfied by the credit conditions offered by Banco Palmas, which is chosen by this population group as their first option to access credit (43.35%), ahead of family (38.42), friends (8.87%) and commercial banks (5.42%). In addition, around 51 percent of the people interviewed said their perception of budget organization had improved thanks to Banco Palmas. This argues in favor of a general improvement in financial conditions in the neighborhood.

Another survey conducted by the Federal University of Ceará (Silva, 2008) provides similar information regarding the positive impact of Banco Palmas. That investigation is based on a sample of 253 users of Banco Palmas services, who are microcredit borrowers, users of social currency or correspondent banking services, or beneficiaries of one of the CDB's social programs. Ninety percent of the individuals interviewed mentioned that their quality of life had improved, due to an increase in income (25.25%), a new job (20.2%), or the expansion of their social network (23.23%). And 94 percent of microcredit users rated Banco Palmas operational quality as good or very good, highlighting advantages such as a low interest rate (43.93%), fast customer service without bureaucracy (27.27%) and the non-requirement of collateral (15%). Therefore, these two surveys (Neiva et al., 2013; Silva, 2008) suggest that Banco Palmas has a positive impact on the community, in terms of both financial inclusion and client satisfaction.

It is however important to mention that a person can be excluded from the microcredit system in extreme cases. Nevertheless, cheap conflict resolution mechanisms (design principle 6) tend to resolve a large number of conflicts for maintaining community members inside the system. Palmas' policy is line with global campaigns against financial exclusion, where various stakeholders are opposing financial exclusion, considering exclusion to be undesirable or even illegitimate.

Thus, the management of financial resources through collective action institutionalized in nonprofit organizations, such as CDBs, blurs the boundaries for this type of goods. Today the concept hybridity is frequently associated with organizations combining different goals or organizational logics, such as MFIs that aim to achieve both developmental and financial objectives (e.g. Battilana & Dorado, 2010). The collective actions of these organizations would thus also impact the nature of the goods, making them hybrid.

The classification evolves since financial services could be considered more inclusive, and hence more non-excludable. But at the same time, financial services have some of the characteristics of private goods – for example, they can be measured and priced – and it is still possible to deny access to non-payers. Thus, it is not easy to classify financial services, since they cannot be considered as pure private goods or as pure commons. The boundaries are thin and hazy. Accordingly, the provision of financial services through collective management leads to hybridization of financial services that may combine the characteristics of both private goods and commons. In that case, the type of financial services we have studied are similar to quasi-public goods, which have characteristics of both private and public goods. The similarity between our case and quasi-public goods relies on the hybrid nature of these resources, which mix characteristics of two formal types of goods: private and commons for the former, and public and private for the latter.

5. Discussion

The discussion will be organized into two parts. We will first discuss the potential generalization of the main findings concerning collective governance in financial organizations. Then, we will analyze the policy and management implications of our results.

5.1. Findings for the microfinance sector

This analysis based on Ostrom's design principles points out some singularities of CDB management, making goods and services provided by these nonprofit organizations more inclusive. The findings concerning the role of design principles in transition from private to hybrid goods can be framed in a logic model (Table 2). Logic models serve to understand the relationships between resources, activities, outputs and program outcomes (McLaughlin & Jordan, 2004). This model shows that design principles are present at both input and activity levels of CDBs' organizational choices. The three main inputs of CDBs are their financial resources, legal recognition by the authorities and local staff management. We can also separate the activity level into two parts: governance and monitoring. Table 2 suggests that the governance of these nonprofit organizations involves collective decision-making for crafting and adapting management rules to local specificities, and a network of nested community enterprises with specific missions. Shared resources are preserved thanks to a set of social monitoring devices, including well-defined rules and conflict-resolution mechanisms. The direct outputs of these activities are the provision of inclusive services suitable for CDBs beneficiaries, and the efficient control of these services. In the long run, this allows CDBs to financially include the rest of the population and therefore foster local development. The implication is that, in order to be successful, participatory governance must include an efficient system of rules, monitoring and sanctions. This logic model is relevant for illustrating what occurs through the management of grassroots microfinance organizations. Even if they are limited by the use of a single case study, our findings may be relevant for other microfinance and community nonprofit organizations.

The compliance of Banco Palmas with the third design principle, "collective-choice agreements", seems to be one of the key criteria in the transition from private to hybrid goods since it coordinates the community appropriation of those goods. This characteristic of grassroots organizations is sometimes encountered in other nonprofit microfinance organizations, such as credit unions and cooperatives, and community enterprises (Peredo & Chrisman, 2006; Haugh, 2007). Nevertheless, it is not encountered in all non-governmental organizations and public banks, since most of them are not self-governed by the users themselves. Compliance with the third design principle permits the local appropriation and the provision of rules congruent with local social and economic conditions. Indeed, the existence of a public space for collective deliberation allows community social actors to appropriate financial services for public interest purposes. The creation of a common space for collective deliberation makes it possible to bring territorial actors together and involve them in a common project.

According to Hannah Arendt (1958), public spaces allow citizens to determine their common concerns, arrive at a consensus and decide on actions to achieve their interests. The construction of public spaces can redefine the resources according to the needs expressed by users and their representatives. The definition of collective and community rules and norms for access to and use of financial services leads to the introduction of private goods in the social, cultural and political structures of the territory. While financial services are the subject of international deregulation, community redefinition of credit and finance in these public spaces allows them to be embedded in the political process (Polanyi, 1944). Associated entities, who become full actors in the process of allocating financial services, transform the social value of the resource, including through an inclusive incremental learning process (Dedeurwaerdere, 2009). This re-appropriation of economic activities by civil society is often seen as an essential component of the social economy (Laville & Nyssens, 2001; Bauwens & Lemaître, 2014); it opens up the possibility of reexamining financial services and financial inclusion (Servet, 2013).

Moreover, it seems possible that the administration of self-managed and self-governed organizations by local staff transforms external resources, which come from partnerships with other organizations, into collective resources. In CDBs, private resources from state-owned banks modify their characteristics because they are governed and managed by an independent civil society entity and through public and collective deliberation. With this particular form of management, the CDB does not act as a mere intermediary of public banks with whom it has partnered. It is this passage through the community organization that modifies the characteristics of financial services. This process plays a determining role in changing the management logic from private to hybrid goods.

Traditional public providers of financial services, such as public banks or regional rural banks, may however argue that collective action is not necessary for converting private to hybrid goods since the cumulative action of the public actors operating in a region could make the sector less exclusive. This can be the case, for instance, when governments promote inclusive lending to certain groups, even the poorest. This kind of inclusion program can have an impact on the organizational characteristics of microcredit goods since they construct these goods following a nonprofit and inclusive logic. Nevertheless, it would be hard to say that we face the same type of hybridization, since government programs do not include collective deliberation or local public space. The community appropriation of the goods is thus reduced compared with bottom-up organizations. Thus, public organizational choice would produce a hybrid good between both private and public goods, i.e., a quasi-public good.

Table 2: Logic model on the role of design principles in the transition from private to hybrid goods

CDBs' inputs	CDBs' Activities		Outputs	Outcomes
	Nonprofit governance	Nonprofit social monitoring		Short term
Limited financial (external) resources obtained through partnerships with publics banks (design principle 1)	Collective action for organizational-choice through forums (3)	Monitoring through social control (4) and application of graduated sanctions if fraud (5)	Provision of microcredit and non-financial services	- Community management of external resources - Financial inclusion of beneficiaries through access to microcredit
				Medium term
Legal recognition by authorities through OSCIP status (7)	Appropriation and provision rules adapted to local needs of community members (2)	Easy-access mechanisms of conflict resolution (6)	Efficient control for sustainability	- Improvement of individual socio-economic condition
				Long term
Local staff from the community	Setting up of three nested enterprises (8)			- Local development - Financial inclusion of all community members

Note: CDBs = Community development banks; OSCIP = Public Interest Civil Society Organization.

It seems appropriate to interpret the nature of the good in light of different organizational situations. Indeed, this analysis is not generalizable to all financial organizations. Some grassroots and nonprofit organizational arrangements found in the Brazilian CDBs seem more efficient for modifying the characteristics of financial services for more common goods. This logic model can be used to understand the "transformative" power of institutional choices in community and grassroots organizations. Indeed, the characteristics of collective action and collective-choice arrangements are not restricted to CDBs; they are present in several organizations within the social and solidarity economy sector, for example. As such, we believe that the application of this model to the analysis of seemingly similar organizations represents a promising research direction to increase our understanding of the social construction of goods.

CDBs are different from "classic" microfinance organizations, such as non-governmental organizations (NGOs) and credit cooperatives, for several reasons (França Filho, 2013). Table 3 presents the main differences between CDBs, cooperatives and public banks[4] in Brazil. First, as mentioned above, CDBs are self-managed by the communities themselves. Community users and organizations participate in the creation of the CDB by crafting its constitutional and operational rules. They also sit on CDBs' boards when strategic decisions are made. Even if some credit cooperatives involve users in governance, this is not the case of NGOs and public banks, which do not generally have participation mechanisms. In addition to being situated in deprived communities and providing microcredits in social local currencies, another major difference is that CDB employees are always drawn from the community. Credit allocation criteria also differ, since CDBs do not ask for collateral but collect information on the social and financial relationships of users based on their proximity relationships within the community. Finally, CDBs are always linked to other community-based development projects and interact with other solidarity economy initiatives at local scale.

[4] Brazil has numerous microcredit public programs, provided by public or semi-public banks. We selected public banks as a category of "classic microfinance organizations" considering the prevalence of public banks operating in the Brazilian microfinance landscape (Matos et al., 2014).

Table 3: Specific characteristics of CDBs relative to other microfinance organization models or programs in Brazil.

	CDBs	Cooperatives	NGOs	Public banks
Present in deprived communities	Yes	Sometimes	Yes	No
Providing microcredits in local currencies	Yes	No	No	No
User participation	Yes	Yes[5]	No	No
Participation of local organizations	Yes	Sometimes	Sometimes	Sometimes
Workers come from the community	Yes	Sometimes	Sometimes	Rarely
Credit allocation criteria	Based on both social and economic criteria;no need for collateral	Based on both social and economic criteria, collateral often needed	Based on both social and economic criteria;collateral often needed	Based on both social and economic criteria; collateral often needed
Link with other development initiatives	Yes	Sometimes	Sometimes	Yes

[5] There a difference between formal and organic participation in cooperatives (Soares & Sobrinho, 2008). In Brazil, some cooperatives formally involve users in governance because of their legal status, while participation is organic in other cooperatives—those affiliated to the solidarity economy movement—as users participate more actively in projects and strategic decisions.

5.2. Policy and management implications

The Palmas Institute partners with public and private organizations and thus coordinates activities with other public initiatives. It works with three public banks to scale up and diversify its financial services. Starting in 2005 when it participated in the Oriented Productive Microcredit National Program launched by the Ministry of Work and Employment, the Palmas Institute has constantly partnered with public banks, ultimately increasing its financial capital to one million US dollars through a partnership with a public bank. It has also diversified its financial products through partnerships with public banks for correspondent banking (Diniz et al., 2014). In 2012, Palmas provided financial services (such as withdrawals, payments and account opening) on behalf of the public bank in charge of distributing social worth more than 20,000,000 US dollars. Therefore, coordination with public policy and enterprises has been crucial for increasing Palmas' access to financial services and thus ensuring financial inclusion of inhabitants.

On the one hand, these partnerships reflect the ability of the nonprofit organization to be effective and provide a favorable environment for its development (Balser & McClusky, 2005; Stone & Ostrower, 2007). But on the other hand, the partnerships can potentially clash with the community character of the organization, and affect the community component of management. The interaction with public banks led to the integration of a sense of accountability in the CDB agenda. Indeed, the Palmas system is accountable for repaying the money it borrowed from public banks. So, the control system needs to be efficient, a situation that is well-known to be challenging for MFIs (Gutiérrez-Nieto & al., 2007; Gutiérrez-Nieto, & Serrano-Cinca, 2010).

There is however a risk of mission drift (Armendáriz & Szafarz, 2011). As demonstrated by DiMaggio and Powell (1983), nonprofit organizations modify their management structure based on a degree of institutional isomorphism. The organizations tend to standardize their behavioral criteria to follow the private and public stakeholders working in the same organizational field, which affects the internal governance. Thus, interacting with public and private organizations, the Palmas system could transform microcredit management and change gradually to become compatible with the dominant features of the environment. If such practices favored financial returns on social indicators, such as lending to low-income users, applying stricter allocation criteria or even asking for collateral, it could lead to a degree of mission drift. In addition, to increase efficiency and financial return, some strategic decision could be made unilaterally, without consulting community leaders and organizations. This would lead to the loss of community participation, one of the core organizational features of CDBs. These factors have to be balanced with a certain need for growth, as CDBs need access to more capital in order to respond to their users' financial needs. This is why management practices are shifting towards some of the more established practices in the microfinance field, such as accountability reporting, information management, and inclusion of defaulters' names in a national credit bureau.

Until now, isomorphism has been restricted in the Palmas system because the organization's historical leaders are integrated into the board. The Palmas system remains attached to its social mission and puts financial inclusion before all economic considerations. Nevertheless, experience from other types of collective organizations, such as savings and credit cooperatives in Western Africa, suggest that it is difficult to keep high levels of democratic practices while scaling up (Périlleux, 2013). Mission drift is a traditional concern for MFIs (Hudon, 2011), especially if they are growing.

6. Conclusion

Can financial services be considered as common goods? To answer this question, we applied Ostrom's design principles for the study of governance to Banco Palmas. Our analysis suggests that the properties of financial services such as microcredits are modified by CDB self-organized organization through a local public space. This area of deliberation makes it possible to create collective rules and norms for managing and governing a resource system. In this case, financial nonprofit organizations could constitute organizational forms that are potentially favorable to the creation of community resources. With this analysis, we discussed the two defining elements of a microcredit private good. Even if financial services cannot be considered as pure common-pool resources, the deliberation arrangements in self-organized organizations modify their properties. Indeed, they become hybrid goods by mixing the characteristics of private and common goods, like quasi-public goods, which have characteristics of both public and private goods.

CDBs' system of self-management through collective action modifies the traditional management and properties of financial services by applying a governance system similar to that of CPR organizations. While the management of financial services by traditional market mechanisms is increasingly called into question, the financial alternatives developed by nonprofit organizations have considerable potential for citizens to re-appropriate finance. The inclusion of a public space in self-managed economic initiatives can also transform private goods, such as credit or currencies, into new types of goods.

We acknowledge the limited generalizability of our single case study. Nevertheless, an in-depth case study design is instructive and can provide significant theoretical outputs (Ostrom, 1990), in this case concerning the "transformative" power of grassroots organizations' institutional choices to change goods' properties.

The policy implications of this study lie at two levels. First, we reflect on financial subsidiarity. Facilitating capital access to nonprofit organizations makes it possible to scale up their activities and make a bigger impact at local level. The fact of being organized by the users raises keen awareness of the needs of local population. This has made it possible to develop financial products that respond to daily necessities, and thus to make financial services more inclusive. Moreover, this partnership did not reduce CDBs' freedom of action.

Second, CDBs have been included in national public policies on financial inclusion. For example, CDBs actively participated in the preparation of the first financial inclusion forum organized by the Brazilian central bank (Banco Central do Brasil, 2011). While CDBs were originally not officially recognized, the Brazilian governments eventually chose to support this financial system and partner with the Palmas Institute to develop its methodology at national level. This local and civil society initiative has been judged by government efficient for alleviating poverty through financial inclusion. By way of illustration, the federal government supported the expansion and consolidation of CDBs within the framework of Plano Brasil sem Miséria (Plan for Brazil without Poverty), whilst some state governments included them in public policies for generating income and employment through productive integration (e.g. Bahia, Ceará, Espírito Santo).

This analysis provides evidence about the social construction of the commons. Whilst Ostrom analyzed common-pool resources that have a fixed nature and fixed characteristics, our investigation illustrates that financial resources can be managed and governed as commons, which makes them more inclusive and commons-like. Thus, the value-added of our study is to provide information on the institutionalization of financial commons. In addition, some of the evidence from CDBs did not fit with Ostrom's framework. This is particularly the case for the political dimension of a collective project. CDBs' willingness to act for community financial inclusion is closely tied to the political project of constructing an alternative economy. From this perspective, these banks are an "instituting praxis" (Dardot & Laval, 2014); a practice that institutionalizes an organizational alternative for the collective interest. This practice is based on the action principle of collectively building a resource and organization that are not subject to private property or appropriation. In other words, the Ostrom design principles focused only on collective management and governance but did not take into account either the community created or the common purposes. The next chapter provides more information about these elements, which are rarely addressed by the Ostrom theory.

CHAPTER 3

BUILDING COMMONS IN COMMUNITY ENTREPRISES: THE CASE OF SELF-MANAGED MICROFINANCE ORGANIZATIONS

Building Commons in Community Enterprises: The Case of Self-Managed Microfinance Organizations

<u>Abstract</u>

The question of how collective enterprises are created and managed is an important issue in entrepreneurship and organization theory. Building on a comparative case study of five community banks in Brazil, we analyze how community enterprises create commons whereas market and state institutions reproduce exclusion and inequalities. Our results suggest that four components are required to establish a new organization of commons: collective decision-making, community social control, servant leadership, and desire for social change. Building on this, we develop a model of commons organization and explain why these organizations are substitutes for existing marginalizing institutions. This study contributes to the literature by examining new elements for commons creation and shedding light on the emergence of new institutional arrangements for social change.

Key words:

Commons, Community enterprise, Institutional substitute, Microfinance, Brazil.

This chapter has been selected as one of the best papers of the 2017 Academy of Management Meeting (SIM division), and a summarized version will be published in the *Academy of Management Proceedings 2017 – Best conference papers.*

We thank John Almandoz, Tina Dacin, Jean-Pascal Gond, Helen Haugh, Marek Hudon, Marc Labie, and Frédéric Louault for their valuable comments on earlier versions.

1. Introduction

Over the last few decades, an increasing number of influential scholars have analyzed the emergence of social and community enterprises to create collective wealth (Battilana & Lee, 2014; Dacin et al., 2011; Tracey et al., 2011). One particular branch of this research focuses on how organizations mobilize to embed their activities in communities and create local adhesion (Mair et al., 2009, 2012; Venkataraman et al., 2016). The process of creating enterprises in communities is complex, as multiple factors are involved in venture creation (Marquis & Battilana, 2009). For example, community organizations can mobilize local social capital (Haugh, 2007; Peredo & Chrisman, 2006) and involve local stakeholders in collective decision-making (Ostrom, 1990).

Research on the commons offers a new perspective to explain how grassroots organizations mobilize community institutions for the collective provision of goods and services (Bollier & Helfrich, 2012; Lohmann, 2016; Ostrom, 2010). Commons organizations are based on the sharing of resources by and for users in order to respond to daily needs and create new communities (Dardot & Laval, 2014; De Angelis, 2007). Initially focusing on natural resources (Hardin, 1968; Ostrom, 1990, 2010), researchers gradually examined other types of commons goods and services, such as knowledge and information (Coriat, 2015; Hess & Ostrom, 2011). In this regard, commons organizations create, transform and legitimize nonprofit and community norms and rules (Bushouse et al., 2016; Ostrom, 1990). Hence, they share several features with community organizations (Haugh, 2007; Peredo & Chrisman, 2006), since their collective establishment and operating methods question taken-for-granted market and state practices and discourses (Dardot & Laval, 2014; Dubb, 2016; Laville, 2010).

In this chapter, we seek to explore the process through which community enterprises create commons and therefore develop as “commons organizations”. We argue that commons organizations are institutional substitutes built on and reinforcing community institutions. Beyond the traditional dualist approach of market and state economic production (Ostrom, 2010), commons organizations appear in situational context when existing institutions are inefficient in meeting social needs and/or are contested by social actors (Bollier & Helfrich, 2012; Dardot & Laval, 2014; Klein, 2001). Previous studies on institutional weaknesses focused on the combination of institutional logics to build an inclusive market (Mair & Marti, 2009;

Venkataraman et al., 2016) but rarely addressed how community enterprises emerge in response to the marginalization of institutions (Peredo & Chrisman, 2006).

The question of how organizations create commons appears to be relevant for community entrepreneurship research and institutional theory. The commons are another way of dealing with the creation of social value and collective dynamics in economic activities. In this chapter, we answer the following research questions: how do community enterprises create commons? What community components are mobilized in such process? These questions matter for both theoretical and practical reasons: scholars (Coriat, 2015; Fournier, 2013; Hess & Ostrom, 2011) and practitioners (Bollier, 2011; Bollier & Helfrich, 2014) all need to better understand how commons organizations function.

We answer these research questions through an in-depth analysis of five community development banks (CDBs) in Brazil that aim to promote endogenous development and socio-economic inclusion of marginalized communities (França Filho et al., 2012; Melo & Braz, 2013). Previous studies have shown that Brazilian community banks alter the traditional characteristics of microcredit services by making them more commons-like, especially through their prosocial and solidarity actions (Diniz et al., 2014; Fare et al., 2015) and self-managed organizational features (França Filho et al., 2012; Melo & Braz, 2013). As such, community banks aim to counterbalance the weaknesses of traditional Brazilian financial institutions, which still convey financial exclusion (Banco Central do Brasil, 2011). Our analysis relies on an extensive qualitative dataset collected during two field studies for a total of eleven months. The dataset consists of interviews conducted with actors at many organizational levels, observation of practices and meetings, and internal and public documents.

The results provide new insights on how community enterprises create commons. Our findings reveal four components necessary for the construction of commons: collective decision-making, community social control, servant leadership, and desire for social change. Collective decision-making is linked to community participation in the establishment of rules and sometimes to the existence of a local public sphere making it possible to discuss local issues for the collective interest. Community social control refers to the authoritative influence of community members and leaders over organizations' activities. Servant leadership among entrepreneurs and employees of CDBs means that entrepreneurs and employees serve and meet the needs of community members driven by values of altruism and compassion. Desire for social change refers to CDBs' objective of changing social structures to build another economic system that is more inclusive and cooperative.

In developing our argument, we make three contributions. First, we add to institutional theory by analyzing how communities build commons organizations as an alternative to weak and contested institutions. We study how community entrepreneurs establish shared resources as commons. In doing so, we shed light on the formalization of community institutional substitutes as opposed to other institutions which marginalize social groups and reproduce inequalities. Second, we provide new insights on how community enterprises gather community social actors together around common purposes. This concern is particularly addressed in our analysis of collective deliberation arenas, shaped as local public spheres for discussing community issues and undertaking action to resolve local problems. Third, we propose a model to define the process of creating commons organizations. Hence, our analysis sheds new light on how community enterprises build on community dynamics and engage in a vision of social change.

We structure our arguments as follows. First, we present the theoretical context of this chapter. Second, we describe the design and methodology of our research. Third, we show the findings of our study. Finally, we discuss how those findings contribute to community entrepreneurship research and institutional theory.

2. Theoretical Context

In this section, we review the literature on community institutions, the commons, and community enterprises.

2.1. Community institutions

The concept of institutions is defined as "multifaceted systems incorporating symbolic systems–cognitive constructions and normative rules–and regulative processes carried out through and shaping social behavior" (Scott, 1995: 33). For Powell and DiMaggio (1991), institutions are omnipresent in social life and shape the behavior of organizations and individuals. The main institutional orders in modern societies are markets, corporations, professions, states, families, religions and communities (Friedland & Alford, 1991; Thornton et al., 2012). Relying on regulations, norms and cognition (Scott, 1995), institutions convey institutional logics reflected in organizations' material practices, values, beliefs and norms (Friedland & Alford, 1991).

Community institutions are one of the main institutions in society (Marquis & Battilana, 2009). Based on formal and informal rules and norms, they govern activities and social life in traditional and modern communities (Thornton et al., 2012). Based on "the significance of local proximity, community identity and culture, interrelationships and networks" (Almandoz, 2014:5), community institutions provide a complex environment that influences local organizations (Marquis & Battilana, 2009). These institutions sometimes conflict with market and state institutions which follow other objectives than preserving and developing the community (Almandoz, 2014). As such, community logics sometimes engage in "resistance" to market and state regulatory pressures in order to protect local arrangements and autonomy (Marquis & Lounsbury, 2007). This is the case, for example, of US local community banks, which developed an array of organizational responses to resist regulatory pressures pushing for standardization (Marquis & Lounsbury, 2007).

In rare cases, institutions may be missing or inefficient. These exceptional cases, called institutional voids (Mair & Marti, 2009), are situational contexts in which institutions are absent, weak or inefficient. Mair and colleagues (2009; 2012) have shown how nonprofit organizations act in institutional voids to develop an inclusive market institution for poor people in Bangladesh. Similarly, an important trend in the literature on nonprofit studies mentions that nonprofit organizations are established to address weaknesses and failures of market and state institutions (Anheier, 2014). From this angle, creating collective ventures on community institutions can act as a substitute for inefficient market and public institutions.

2.2. The commons

Research on commons organizations offers a novel perspective to understand how community institutions and logics are mobilized for developing new organizational structures (Dardot & Laval, 2014; Lohmann, 2016). Lohmann defines commons as "formal and informal associations and assemblies characterized by voluntary participation (association), shared (common pool) resources, and shared purposes (missions), with predictable emergent characteristics of *philia* (also termed mutuality or social capital) and *moeurs* (or moral capital and practices)" (2016: 7; italics in the original). Hence, commons refers to community ways of cooperating and organizing socio-economic activities (Bollier & Helfrich, 2012; Lohmann, 2016). They are performed through the "instituting praxis" (Dardot & Laval, 2014) of coproducing rules in a participatory manner, which requires collective-choice arenas (Ostrom, 1990) and a political principle of democracy or self-government.

In addition, this commons perspective suggests that some tangible and intangible resources have intrinsic collective features and, as such, should not be commodified and ruled only by market and state institutions (Cook-Deegan & Dedeurwaerdere, 2006; Coriat, 2015; Hess & Ostrom, 2011). In this regard, providing access to commons is fundamental as these resources are usually linked to human rights (Klein, 2001). This is notably the case with water commons, but also with informational and urban commons. Considering some resources as commons would require institutional arrangements guaranteeing their provision and access to most or all of the people. Building on this, the commons rely on the social basis of their users and are linked to the "fundamental social ethic that is morally binding on everyone" (Bollier, 2011:33). Indeed, organizing collectively requires the people involved to define shared purposes and objectives. This process, linked to the creation of new communities, encourages organizations to establish themselves around common values and goals. According to Melé (2012), considering organizations as communities of persons makes it possible to understand organizations not as a nexus of contracts, but rather as collective projects built through cooperation and co-creation between the organizations' members. A collective project is often defined by favoring the common good of the community rather than particular interests (Melé, 2009).

2.3. Community enterprises

Scholars studying community enterprises and solidarity economy organizations provide information about how collective and social ventures function (Haugh, 2007; Laville, 2010; Peredo & McLean, 2013). Peredo and Chrisman define community enterprises as "a community acting corporately as both entrepreneur and enterprise in pursuit of the common good" (2006, p.310). These enterprises are intrinsically based on collective dynamics and adopt a holistic perspective of their action by combining social, economic, environmental and cultural goals at the same time (Lemaître & Helmsing, 2012). To this end, community enterprises do not only rely on a market basis but also build on several economic principles, such as reciprocity, mutuality and redistribution (Laville, 2010). From this perspective, they are often considered as examples of the plurality of economic activities that are not restricted to market production and exchange (Polanyi, 1944).

Community enterprises consider the production of goods and services as a collective project for common wealth creation (Dubb, 2016; Tedmanson et al., 2015). This perspective involves greater internal democracy, ranging from self-management to cooperative and community participation (Defourny & Nyssens, 2008). Self-management concerns a special type of collective organization in which workers and group members participate in decision-making, leading to more workplace democracy (Laville, 2010). Group members' participation in decision-making is visible in particular in cooperatives that apply the principle of one person, one vote (Périlleux & Nyssens, forthcoming).

Created and managed collectively in a grassroots dynamic (Haugh, 2007), community enterprises involve several participation mechanisms to constitute the social foundations of the enterprise (Laville, 2010; Peredo & Chrisman, 2006). Different collective-choice arenas exist for mobilizing communities, and include local stakeholders (Leca et al., 2014). Somerville and McElwee (2011) argue that community participation is organized as a "mobilization continuum" in which the involvement of the community member progressively diminishes as organizational functions become more specific. Therefore, the level of governance and management is dynamic and the number of participants evolves according to the characteristics of their status, e.g. owners, managers and employees. The proper definition of the community is also not fixed (Somerville & McElwee, 2011) as it can refer to collective affiliation to geographical areas, the people living in the area, active members, and beneficiaries.

In this chapter, we contribute to the literature on community entrepreneurship. We suggest that community enterprises can create and govern human-made commons. To shed light on this process, we examine how communities set up and institutionalize shared resources as commons to address inefficient and contested market and state institutions.

3. Methods

3.1. Research design

To answer our research questions, we conducted an inductive multiple case study of five community development banks (CDBs) in Brazil. Our goal was to generate theoretical insights into how communities set up and institutionalize resources as commons. We entered the field with a neo-institutional perspective in mind. We based several research questions on the variables of the Institutional Analysis and Development framework developed by Elinor and Vincent Ostrom to analyze collective action settings and the institutional foundations of commons arrangements (Ostrom, 2005, 2010). This framework was conceived to provide an analytical structure for defining the interrelatedness of the various components present in commons, such as resource characteristics, community attributes and functioning of collective action situations (Ostrom, 2005).

CDBs are grassroots organizations providing financial services to promote socio-economic development (França Filho et al., 2012). They are civil society organizations in a context of significant financial exclusion (Banco Central do Brasil, 2011). Financial exclusion is highly prevalent in Brazil: around fifty percent of the population does not have access to a bank account (Schiavinatto & Schmidt, 2011). As such, CDBs are set up in areas characterized by high levels of social and economic exclusion and vulnerability (Melo & Braz, 2013). They are managed and governed by the communities themselves through several collective-choice arenas. Each CDB issues a local complementary currency (CC) that is legal tender in its community (Fare et al., 2015). CDBs also provide at least two lines of credit: productive microcredits that are allocated in national currency, and consumption microcredits issued in local currency. Loan allocation is based not only on financial indicators, but also on social indicators (França Filho et al., 2012).

The five community banks were selected for a theoretical purpose (Eisenhardt, 1989; Yin, 2009). During a first field work mission, informants identified these organizations as successful cases of well-functioning CDBs in the Brazilian national context. We have identified that these organizations can be considered as successful according to criteria of longevity, portfolio and leadership. As such, we chose some of the oldest CDBs in the network, such as the first one to be established well as the oldest ones in the south-eastern and Amazon regions. Two of the selected CDBs have the largest portfolios in the network. Even though these portfolios are smaller than those of traditional microfinance organizations, size is still a criterion of relative success for CDBs. In addition, these banks benefit from strong leadership as the managers are actively devoted to the organizations and represent them in many public arenas. The presence of four of these five banks in the national council of CDBs reinforces this assumption of relative success. Moreover, our selection represented CDBs in different geographical locations within Brazil. The cases included CDBs in urban and rural areas, engaged in complementary activities supporting local development, such as financial inclusion programs, housing improvement projects, cultural support activities and commercial events.

As mentioned by Eisenhardt (1989), the theoretical selection of “polar types” is appropriate for theory building. As such, we chose CDBs considered successful to extend the emerging theory of the commons, since these cases are instructive about the way that community banks are created and can be sustained. Our selection provides new insights into collective action in community entrepreneurial activities. In other words, we chose only successful cases to identify the variables of success in community organizations for the construction of commons. Hence, the purposive sampling strategy was used to identify common patterns among units of analysis for theory development.

Table 1 summarizes the information about the CDBs. To ensure confidentiality, we have changed their names. Some of them have a management system that is almost amateurish, without a systematic approach to information management. In these cases, it was difficult to obtain longitudinal and organized data. We therefore have partial information, often given as cumulative data. Considering the age of these organizations, their portfolios can be considered small. Indeed, one of the main challenges for CDBs is accessing financial resources for lending. For regulatory reasons, CDBs cannot accept savings, and therefore rely on external partnerships, most frequently with public banks, in order to access capital. Some private foundations donated financial resources but in relatively limited amounts. Only BANTECHNO partners with a public bank for accessing capital. BANHOUSE and BANINDIGENOUS provide microcredits on the behalf of other banks, but this is still relatively limited in terms of number and amount. The lack of access to financial resources is clearly a limit to the growth and expansion of CDBs’ activities and may explain why their portfolios are relatively small.

Table 1 : Description of cases

Community Bank	Area Characteristics	Year of Formation	Services Provided	Number of Microcredits Provided	Number of Microcredits in Social Currency	Example of Other Services Offered
BANTECHNO	North East Region, Urban area, #inhabitants: 36,000	1998	Microcredit, CC, Correspondent banking	7,263 microcredits totaling R$2,864,172.56 in 2011	127 microcredits equal to R$40,000.00 in 2011	Developing financial technologies, support for women, youth development programs
BANHOUSE	South East Region, Urban area, #inhabitants: 31,000	2005	Microcredit, CC, Correspondent banking	564 microcredits (R$1,354,994.02) from inception to December 2015	525 microcredits equal to R$34,041.00 from inception to December 2015	Housing reform, cultural support, environmental projects, group purchasing
BANSEA	North East Region, Rural area, #inhabitants: 1,000	2008	Microcredit, CC	231 microcredits (R$52,058.20) from inception to December 2012	294 microcredits equal to R$17,613.60 from inception to December 2012	Associated with solidarity economy enterprises (internet point, agroecological farming, community tourism, etc.)
BANCULTURE	South East Region, Urban area, #inhabitants: 210.000	2009	Microcredit, CC	168 microcredits (R$ 213,716.45) from inception to January 2015	194 microcredits equal to R$41,685.00 from inception to January 2015	Support for cultural activities, support for programs aimed at women, youth and the elderly
BANINDIGENOUS	North, Rural, #inhabitants: 7,000	2009	Microcredit, Social currency, Correspondent banking	1,039 microcredits (R$ 1,252,200.00) from inception to July 2016	3,069 microcredits equal to R$128,144.50 from inception to July 2016	Support for women; commercialization, and implementation of cultural activities

3.2. Data collection

We collected data in two phases. Initial exploratory field research was conducted in Brazil in 2010 and 2011 at BANTECHNO and BANSEA to understand the general functioning of these CDBs, their interactions with communities, their governance and management mechanisms and their relationships with external institutional actors. We conducted a total of nine interviews with members of these two CDBs as well as with scholars researching these organizations. We also conducted participant observation on their management practices and interaction with communities. The observation was participant since we worked on the migration of microcredit data from manual to computerized management at BANTECHNO and on a social currency communication plan at BANSEA. Our participant observation consisted in systematically observing and recording the transfer procedures and interaction with the community for the communication plan. We report information written as field notes on a daily basis.

A second phase of field research was carried out for five months in 2014 and 2015. We stayed on average between two weeks and one month in each CDB, collecting different types of data from diverse sources. We interviewed 63 people participating directly or indirectly in the CDBs' governance and management[6]. Five informants were interviewed during both data collection phases and provided information about how the organizations changed between the two field work assignments. We were able to conduct interviews with most of the internal and external stakeholders involved in the banks' development. These included 23 employees and representatives of CDBs, 21 directors and employees of their supporting intermediary organizations[7], five representatives of governments at federal and state levels, three managers of the Brazilian Central Bank, three managers of public banks at national and state levels, three community leaders, and five external experts (key informant scholars and social scientists) who had good knowledge of CDBs and have observed developments in the solidarity economy. The interviews lasted between 30 and 214 minutes, with an average length of 80 minutes. They were conducted in Portuguese and Spanish, the native languages of the informants. All the interviews were transcribed and translated verbatim. Moreover, we regularly engaged in informal conversation with community members, leaders and the CDBs' beneficiaries.

6 More information regarding the data collected, such as the profiles and affiliation of informants, is provided in appendix.

7 Several CDBs benefit from the support of national network organizations that provide technical assistance and negotiate with public banks and governments for access to resources.

Our interview protocol contained questions about how community members participate in the governance and management of CDBs, and the extent to which the organizations are owned and controlled by communities. The protocol involved identifying the arenas that enable community participation, the quality of participants and conditions of access, the formal and informal norms and rules regulating these spaces; and their potential outcomes in terms of organizational functioning of the CDBs. In addition, we questioned informants about how they interpreted the effects of community participation on the financial services provided.

Ethnographical observation methods were used to collect data. We attended managers' internal meetings, assemblies with community members, and participated in several credit agents' visits to communities. Moreover, we observed daily practices in CDBs to understand how CDBs related to community members. During these meetings, we systematically announced our role as researchers and asked permission to be present and observe. We observed and accurately recorded in detail what the speakers said and how they interacted. We always kept in mind that we were observing how community members participate in CDB governance and how CDB employees interact with community members. We reported the proceedings of the meetings *in situ* and wrote our reflections after each one. We were always careful to look for the underlying meanings of and relationships in these interactions. In parallel, we collected secondary data from community organizations, such as meeting minutes, network charters, internal reports and institutional publications. Press articles and local masters' students' dissertations were sources of background information as well. We ended our research with data saturation when additional interviews, observations and secondary data did not add new information.

3.3. Data analysis

To construct a robust analysis that could support our research questions, we identified the patterns in the data collected that were relevant to understanding the construction process of commons in a context in which existing institutions reinforce social and financial exclusion and inequalities (Banco Central do Brasil, 2011). With the aim of "understanding institutional diversity" (Ostrom, 2005), we made an in-depth analysis of the five community banks to investigate how community enterprises create commons.

Stage 1: Assessing the nature of the shared resources

An analysis of commons organizations traditionally starts by identifying the resources shared by community members (Ostrom, 2005, 2010). Thus, to understand the creation of financial commons, we first identified in interview data the shared resources provided by CDBs. We confined our analysis to three types of financial services: microcredits, social currencies, and correspondent banking. Hence, we did not take into account the non-financial services that the organizations offer to community members.

CDBs provide microcredits to support productive activities, but also housing reform, cultural production and emergency consumption. The credits are allotted according to both financial and social criteria, such as necessity and social involvement in community activities.

Social currencies are monetary items issued by CDBs in order to localize economic exchanges in communities. While productive microcredits strengthen local production, social currencies aim to enhance local consumption and support small and medium enterprises in the community (Fare et al., 2015). From this perspective, the coordination of these financial services tends to promote endogenous development by stimulating socio-economic capabilities. These monetary resources are particularly accessible in case of emergency to be used for consumption.

Correspondent banking services are services that CDBs provide on the behalf of public and private retail banks (Diniz et al., 2014). They include payment mechanisms, bank accounts and distribution of public benefits. Contrary to the other financial services, which are resource units from a capital stock, correspondent banking mechanisms are not rival in use since there is no withdrawal from a resource system. They are accessible to the whole community and do not require an evaluation procedure for allocation.

Stage 2: Investigating community participation arenas in CDB governance and management

The second stage of our analysis consisted in analyzing interviews and archival data to identify the formal and informal institutional arenas enabling community participation in CDB governance and management. We identified six participation arenas: 1) constitutive forums in which community members collectively decide on the organization of constitutive rules linked to CDBs and the shared resources; 2) built on these constitutive forums, open forums that happen regularly for discussing public issues related to CDBs' activities and other aspects of community life; 3) governing entities that host CDBs and take strategic decisions, such as partnering with other organizations; 4) governing boards composed of CDB employees and community leaders to decide about the banks' projects; 5) credit approval committees including community members to decide on the allocation of microcredits; and 6) community agents implementing and monitoring rules to provide microcredits, social currencies and correspondent banking services.

In these arenas, community members cooperate, negotiate, discuss, deliberate, take decisions and implement rules related to the shared resources. These community arenas are nested and influence each other. There are no distinct boundaries, since several interactions occur between these arenas, and overlapping actors are present in several action arenas. Community participation in these arenas gradually decreases, since the topics discussed are more closely related to operational activities. These arenas are overarching categories adapted to socio-territorial settings (França Filho et al., 2012). As such, each community selects which arena will be part of CDB structure.

Stage 3: Identifying the organizational factors and mechanisms underlying the creation of commons

The third stage of analysis consisted in reexamining interview and observation data to focus on the components of community institutions that are mobilized to create CDBs and that influence their functioning. We followed a grounded theory approach (Glaser & Strauss, 1967; Strauss & Corbin, 1990) and referred to the Gioia method (Gioia et al., 2013), two well-suited approaches for qualitative analysis and theory building. First, through a process of open coding (Strauss & Corbin, 1990), we inductively identified the factors that enable the establishment of commons. We determined 20 first-order concepts favoring commons creation. We then found relationships between these first-order concepts through an axial coding process, and gathered them into second-order overarching themes. We found height overarching themes.

To make sense of our first-order concepts and second-order themes, we referred to the concepts conceived by CDBs and consulted the relevant literature on commons and community institutions. Four main aspects clearly appeared to have an impact on commons creation: collective decision-making, community social control, servant leadership, and desire for social change. Some of these theoretical categories have been constructed by CDB actors to theorize and reflect on their own practice. These initial concepts referring to CDBs’ main organizational features have been written up in local and national publications but still lack of precision and clear definition (e.g. França Filho et al., 2012; Melo & Braz, 2013). We expand these concepts from our data analysis and link them to the literature on the commons.

Thus, the construct of collective decision-making refers to both the upfront community collaborative process in the creation and establishment of CDBs rules and to the possibility of discussing issues linked to community life in a local public sphere. The concept of community social control is defined as the institutional arrangements and mechanisms, and their effective use, for ensuring that community members participate in the allocation CDBs' financial resources and the organization of strategic decisions. The construct of servant leadership is not present in or conceived by CDBs but ensues directly from our observation and analysis. Although there is no clear definition of servant leadership (Van Dierendonck, 2010), we refer to servant leaders as people who "center their efforts on helping subordinates grow to reach their maximum potential and achieve optimal organizational and career success" (Liden et al., 2008: 163). Finally, desire for social change is present in CDBs and the overall social movement which they are part of. This desire for social change refers to changing the socio-economic conditions of marginalized urban peripheries that suffers from segregation, violence and exclusion.

Figure 1 shows our data structure, highlighting the categories and themes from which we developed our argument. Table 2 provides evidence for our analysis and representative data.

Figure 1 : Community mechanisms for commons establishment - Data structure

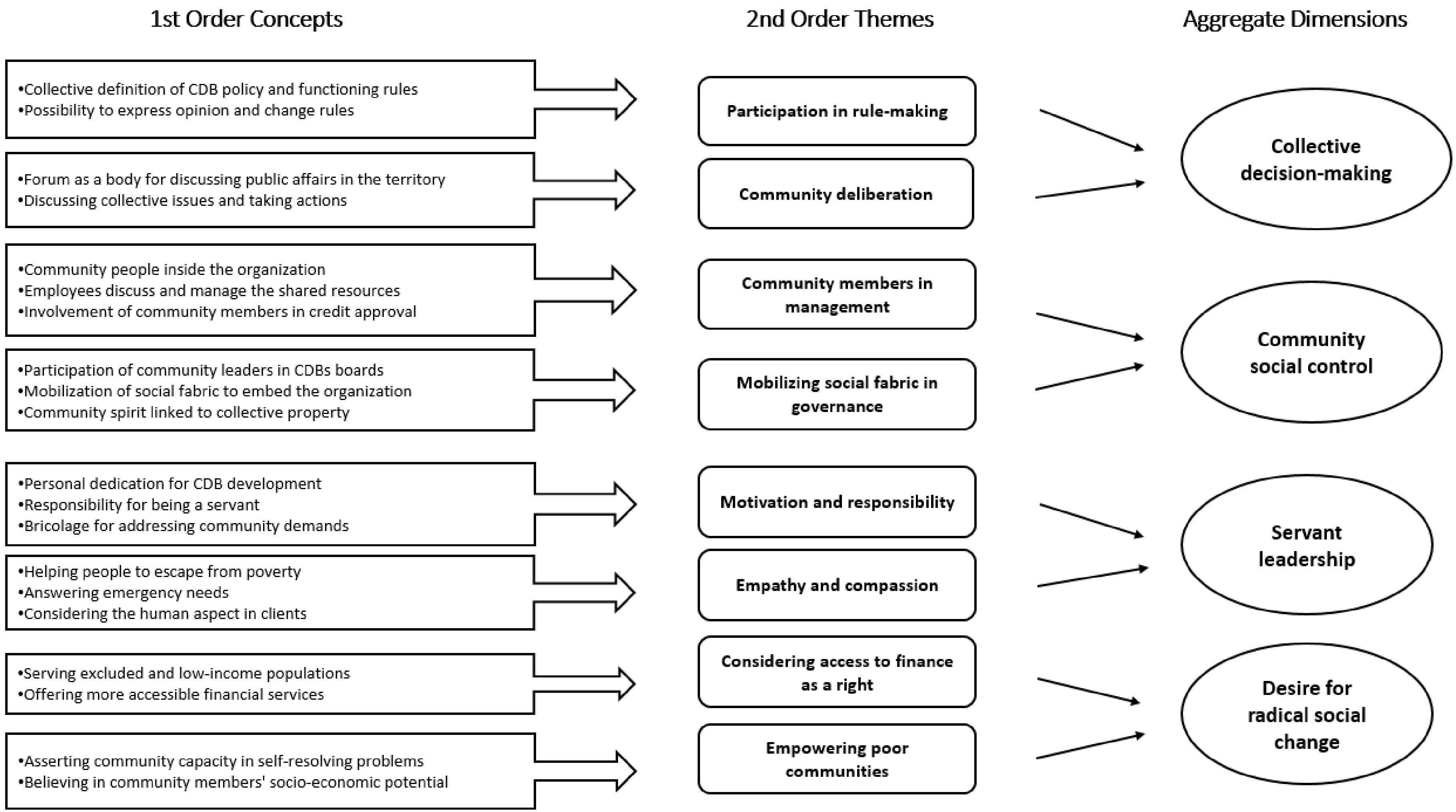


Table 2: Definition and illustrations of the second-order themes

2nd Order Theme	Definitions of the 2nd Order Themes	Illustrative Quotes
Collective decision-making		
Participation in rule making	Participation of community members in crafting and changing CDBs' constitutional and operational rules	*It is in this* [constitutive] *forum that the policy discussion will begin, the name of the bank, the social currency, the structure, how it will work and will not work ... so the community has the possibility to participate. It chooses and defines what it wants*[8]. (PHILBAN director #46) *You have to realize that the CDB is embedded within the community. The fact that CDB is from the community, as well as the fact that employees are from the community, opens a very large participation process. Any resident of the neighborhood, user or not of the bank, can come here at the headquarters to put a suggestion in the box that is there, talk to the manager or director of the bank, who I am, whenever he or she wants. How does he do it in a traditional private bank?* (COMBAN director #17)
Community deliberation	Extending CDBs' participation arenas to debate general community issues and serve as local public space	*The idea is that a CDB is, above all, a public community device. Thus, CDB issues also would go through a broader forum, in particular, the issues that concern the bank's relationships with community people* […] *Now, a forum is beyond the bank, it cannot be seen as a kind of general meeting of the CDB* […] *The forum is a body for discussing public affairs of the territory.* (UNICOM director #13) *The forum is a way of listening to the community; in the forum everyone can come and say what is his/her problem. From the moment that you say what your problem is, the executive board may take some actions and the governing board legitimize it politically.* (BANTECHNO executive #15)
Community social control		
Community members in management	Involvement of community employees and citizens in management to	*I think BANTECHNO never loses its relationship with the community because it is very strong, and thus, the people involved in BANTECHNO are from the community: they are community people who are at the CDB every day, they are community people who are dialoguing, they are community people who are here inside the organization*. (BANTECHNO executive #23)

8 Disclaimer : All the quotes were translated verbatim from Portuguese to English.

	ensure compliance with social mission	*The Credit Approval Committee* [that includes community members in deliberation for credit allocation] *is almost a social control mechanism, if a CDB proposes to democratically manage financial resources, if it proposes to think the idea of a social control of money, thus* [it will develop new mechanisms of] *conversation, dialogue, evaluation.* (UNICOM director #13)
Mobilizing social fabric in governance	Inclusion of community social actors in CDB governance insures community control on CDBs' activities	*The governing board includes community representatives, community leaders that do not work here. By definition they do not work here. So they are interested in what we're doing just because they are community leaders. They want the best for the neighborhood, so they get together and define more or less what the bank will do*. (BANTECHNO executive #15) *The bank is for the community. Hence the responsibility of being from the community is not only the coordination of the bank; as it is a CDB, it needs of the whole community. From the moment that an entrepreneur stops to pay a loan –since money comes from the bank it also comes from the community—*[the entrepreneur] *is hurting the community. Thus, there is a community spirit that we try to pass on to the community.* (BANINDIGENOUS executive #56) *The Credit Approval Committee is nothing more than people who represent the community too: it is a person of the church, a person who is known, respected within the community. So they are community representations deciding and defining these bank policies.* (UNICOM project manager #10)
Servant leadership		
Motivation and responsibility	Employees and community entrepreneurs are motivated by community development and feel responsible for serving communities	[Working in a CDB] *requires a lot of responsibility, knowing that you will work with the community, that you will have to be a servant, it is not a position of status; it is a position of servitude. You will serve, so here we are servants, we exist because the community exists, it requires the services and we are here, we propose to offer these services*. (BANTECHNO executive #15) *I think I'm in this process* [of CDB and solidarity economy] *because I believe in it, I do not see myself in another process. I think I made a decision and set my life in this way. In this social way, in this collective way, trying to develop these communities. I like to work with communities, listening to people, propose, seek solutions with them; but it's not easy.* (BANSEA director #5) [A regional public bank] *is here to offer credit and we brought it inside to give an answer to the community. When the community comes to the CDB, it wants to get something. If you do not have the service, the person managing the CDB must coordinate* [partnerships with external organizations for meeting the demand]. (BANINDIGENOUS director #59)
Empathy and compassion	Employees and community	*It is not only a credit, BANHOUSE also saves lives sometimes. And you will ask me how? There are families that sometimes are at "the hour of death" of poverty, the poverty line and you make them believe that there is someone there still looking for*

	entrepreneurs consider the human dimensions of beneficiaries and act with empathy	*them, escorting them. And then you see people going out from poverty line, through productive credit, up through the housing credit we have seen families going out of the poverty line.* (BANHOUSE credit agent #44) *Do you know what it is to come out and say "my light is cut off", and the manager say to you "Oh, I'm not here".* [In BANINDIGENOUS] *we give a way, we take the founds of an award, we help the resident to pay the light invoice, help him get back into society as worthy* […] *Thus we have a whole different treatment from personalization.* (BANINDIGENOUS director #59)
Desire for social change		
Considering access to finance as a right	Offering financial services tailored to low-income people with facilitated access for their empowerment	*CDBs should be a public policy necessarily, because we believe that it is an interesting process that many CDBs realize, that it is a citizen's right to have access to financial services, it is a citizen's right to access easily to pay their accounts, make credit, to create financial relationships, it is a human right as is the right of being healthy, and having food.* (BANTECHNO executive #23) *CDBs fulfill a social function, as schools and hospitals fulfill a social function, in attending people who are in some need of a service that they cannot afford by themselves, and the state has to provide this.* (UNICOM project manager #10) *Microcredit policies, which are typically created by public banks, cannot effectively reach our audience—the audience with which CDBs work. Especially, the traditional agencies require guarantors that our people cannot have and that borrowers have a clean name* [not registered in the credit bureau]. *Many people are* [registered in the credit bureau] *and cannot obtain a loan in traditional banks, even in the microcredit policies, even in public banks.* (PHILBAN director #46)
Empowering poor communities	Asserting and investing in poor communities' potential for self-management and socio-economic production	[CDB] *is a very interesting methodology, because it brings local development and another very important thing, which is community's self-esteem. When community sees itself as the owner of resources, inhabitants realize that they also control the economy*. (AB government executive #8) *We understand that CDB is something that has such potential for us, it is something that empowers us beyond technique. Today, with the bank, we already can transform women into entrepreneurs, provide them training on how to manage a business, how to make a business plan, how to think the sustainability of this business and everything.* (BANCULTURE executive #33)

4. Findings

In this section, we explore how community enterprises establish commons for local development. Our analysis of the institutional arrangements underlying CDBs' organization revealed that a set of four aspects were mobilized in creating and maintaining commons. However, these aspects are not equally present in our cases, as they are strongly influenced by community idiosyncrasies. Table 3 provides an overview of the degree of presence of these aspects in each case. In the section that follows, we introduce these four aspects and explain how they vary across the cases.

Table 3: Variation of commons components in cases

Cases	Collective Decision-Making[9]	Community Social Control[10]	Servant Leadership	Desire for Social Change
BANTECHNO	High	High	Yes	Yes
BANHOUSE	High	High	Yes	Yes
BANSEA	Low	Moderate	Yes	Yes
BANCULTURE	Low	Low	Yes	Yes
BANINDIGENOUS	Moderate	Moderate	Yes	Yes

4.1. Collective decision-making

Collective decision-making in CDBs happens through two processes and instruments. First, upfront and open constitutive forums and community assemblies enable community social actors to define and create the CDB's operational rules. Second, some CDBs maintain

[9] High collective decision-making is frequent in situations where a local public sphere (forum) involves local stakeholders to discuss community issues after a CDB has been formed. Limited collective deliberation is favored by the existence of a local forum, but this space is limited to a defined stakeholder, in this case local businesses. Collective deliberation is infrequent when there is no regular local forum.
[10] High community social control is encouraged by the existence of a collective deliberation space enabling CDBs' action in the community to be publicized. Moderate social control is present when CDBs involve non-employee community members in credit approval committees and publicly disclose information about the bank. Low social control is present when CDBs' activities are confined to association members.

community forums, which act as local public spheres for discussing local issues and taking action.

All CDBs follow the same outline in term of structure, as theorized from the case of BANTECHNO. Hence, when BANHOUSE, BANCULTURE, BANINDIGENOUS and BANSEA were set up, they involved their communities in redefining and possibly adapting the generally applicable CDB rules to local reality. The formation of CDBs results from a process of community consultation and from the involvement of community social actors in crafting the banks' constitutional and operational rules. User involvement in the co-production of rules takes place at several assemblies, which we call "constitutive forums", when all community members are invited to discuss and choose the name and format of the bank, its social currency, microcredit policy, daily functioning, and hiring policy. Community participation in rule-making is often enabled through meetings, workshops and assemblies which are open to everyone and in which community members are invited to give their opinion and vote. There are several modalities and mechanisms for participation.

When BANHOUSE started to operate, it had no specific credit policy. It followed the general guidelines of BANTECHNO and learned by doing. BANHOUSE staff invited community members to come to the CDB and apply for credit. After starting lending and experimenting with microcredit monitoring, credit agents summarized their new practices and submitted the newly defined credit policy to the local forum. As mentioned by a BANHOUSE credit agent, the forum voted each line in the policy:

> *Our credit policy was built with us, we made that collection, put it on paper. Only those criteria that were working were being written, and then they were put down on paper. But before it went to the bank portfolio,* [the credit policy] *was taken to the forum and we read it clause by clause, and asked the forum to add something else that was not written down. For example, the forum gave the idea of the three references for consumption credit, one of them being someone from the bank. This was a rule given by the forum*[11]. (#44)

11 Disclaimer: All the quotes were translated verbatim from Portuguese to English.

Similarly, when it was being formed, BANSEA involved the community by organizing several meeting and workshops to adapt the CDB model to its own territory. As a BANSEA credit agent put it:

> *The bank was inaugurated in 2008. But the association was formalized and set up in the workshops* […] *It was at this time that the whole community participated, so what is on the social currency today was decided by the community.*
>
> ***Question: The currency? The name of the social currency?***
>
> *Answer: ... name, symbols, drawings of the currency, the lines of credit, interest rates, everything was decided in a workshop with the community.* (#2)

In BANINDIGENOUS, participation in rules-making was slightly different but the community was still included in the approval process. This CDB was set up by two community entrepreneurs closely linked to BANTECHNO leaders. Invited to create a CDB in the Amazon region, and benefiting from the institutional support of the intermediary organization COMBAN, the two community entrepreneurs worked with a local cultural nonprofit to plan the implementation and development of BANINDIGENOUS, working on proposals for the CDB's name, social currency and microcredit policy. After training at COMBAN, the BANINDIGENOUS entrepreneur initiated community mobilization to give legitimacy to the CDB's action:

> *We held three assemblies, large assemblies, and the first public to attend were the businesses* […]. *So we visited businesses one-by-one, we invited them for the three-day seminar* […] *we made all the preparations for the bank, and were able to approve the name of the bank, the name of the currency and so on.* (BANINDIGENOUS executive #56)

Community involvement and participation is not easy and relies heavily on their social capital. In the case of BANCULTURE, community participation had to be redefined because local participation was less proactive:

> *We already had collective decision-making periods, like development forums, when we asked the whole community to reflect* [about CDB]. *But it is difficult to count on people's*

> *participation. People do not have this very strong culture of participation in the periphery. So we also have a purpose to rethink the forms of participation* [because], *it is not just anyone who goes to forums and meetings and stays two, three hours sitting, listening, arguing.* (BANCULTURE executive #33)

Thus, informal arenas exist to enable community participation in less formal settings. For example, CDB managers speak with community leaders and members that were not present or did talk in public in order to gather their opinions. Similarly, we observed that some CDBs, including BANCULTURE and BANSEA, take advantage of some project meetings to discuss other issues related to the CDB's activities.

While most CDBs seek community participation in rule-making, only a few communities manage to maintain a local forum once a CDB has been constituted. The maintenance of such collective-choice arenas depends heavily on the social capital structure of the communities. In this regard, social capital and mobilization is both a condition for and a result of community interaction and democratic deliberation. As such, BANTECHNO and BANHOUSE still regularly organize local forums for discussing issues related to life in community, such as transportation, safety and housing.

As mentioned in chapter 2, BANTECHNO emerged from a long tradition of community social movements, so it has significant capacity for social mobilization in the region. In the 1990’s, local organizations and community leaders organized several meetings and assemblies to deliberate about how to improve living conditions in the neighborhood. The “living in the inhabitable” assemblies made it possible to raise and discuss collective problems in the common interest while deciding on some action plans. Accordingly, collective deliberation was and still useful for deciding what action to take in order to respond to community members’ needs and aspirations.

The case of BANHOUSE is different, since this CDB did not emerge from a social movement. It gathered together different community groups that were fighting against each other before establishing the CDB. The constitutive forum favored dialogue between social groups. As a credit agent said, the forum makes it possible to discuss collective issues linked to life in community. As such, some external organizations may communicate directly and use the forum as an interlocutor to talk with the community:

> [A national enterprise] *is carrying out some reforms inside the* [community]. [The enterprise] *calls the community and says, "there will be disorder, but I hope it will not disturb you." So the forum is [...] where the people get together to speak about things on which they have a say* [a voice]*.... In many forums we discussed for hours something in common.* (BANHOUSE credit agent # 44)

Hence, the forum represents a sphere in which private individuals discuss public matters. Such discursive exchanges also determine what to do at local level and therefore generate action for the collective interest:

> *What are the actions* [implemented after a decision by the forum]*? Some work that is being carried out in our community, such as building small squares, health units,* [a nursery]. […] *The Echoes of the Good* [Ecos do Bem – a local public-cleaning project] *appeared within the forum. The community complained a lot about garbage... I think this was an important present that the community gave to itself.* (BANHOUSE credit agent #44)

This development had positive externalities in creating collective deliberation between community members, and a sense of common interest. According to the PHILBAN director:

> *The political community management is the most important element from the moment that the forum decides to have a community bank* […] *You see a community that begins to meet to think about cultural projects, to think of projects which are good for them and bad for them, dammit! It is of fundamental importance, and who creates it is the community bank, when it creates the development forum all this starts emerging.* (#46)

Hence, all CDBs use community participation and collective deliberation for rule-making and approval while they are being established. However, these direct participation initiatives and public debates evolve over time and sometimes taper off. Thus, CDBs such as BANSEA and BANCULTURE do not have local public spaces enabling discussion and debate, and the forum organized by BANINDIGENOUS is confined to local businesses due to limited interest from population. In this perspective, during our observation period we noticed conflicts between social groups in BANSEA and BANINDIGENOUS communities, with sometimes little political mobilization or few leaders involved in the CDB. The composition of local stakeholders and potential conflicts between social groups are key variables affecting the sustainability of collective deliberation spaces.

4.2. Community social control

We define community social control as the authoritative influence of community social actors on organizations' activities. As such, the control of the organization is not exercised by shareholders (no shares are issued) or external stakeholders, such as funders, but by community representatives, leaders and beneficiaries for the benefit of the community. Collective establishment of rules is the first step for ensuring community control over CDBs' activities, as well as the existence of a collective deliberation space enabling public discussion of CDBs' activities. Other mechanisms favor a certain community social control over CDBs, such as employees' community origins or community members' presence in credit approval committees.

As part of the self-management principle, CDB workers are inhabitants of the local area. The involvement of employees and entrepreneurs in the CDB's activities allows for a degree of certain social control over the bank's activities, because they bring a community perception to organizations and take into account the community's interest in daily operations. As mentioned by a BANTECHNO executive:

> *When we say that* [the bank] *is community and self-managed, it means that workers in the* [CDB] *are from the community. Thus by definition they already carry with them some interest in helping the neighborhood. In addition, the governing board of the bank is composed of residents of the neighborhood and, as a result, representatives of the general interests of the community.* (#15)

This concern for community interest is also in evidence in hiring policies. Indeed, the employees of CDBs such as BANHOUSE and BANSEA were chosen by the community during the constitutive forum. They were elected through a participatory process, thus emphasizing their responsibility to the community. BANTECHNO employees followed a training session with a community consultant, based on solidarity-economy values of cooperation and inclusion. Moreover, most BANTECHNO employees have been involved in solidarity entrepreneurship activities supported by the CDB. Similarly, all BANCULTURE employees are from the southern suburb of São Paulo, and share a similar understanding of the issue of socio-economic discrimination of peripheral populations.

Community social control of CDBs' activities is also exercised by the governing board, composed of several community leaders and representatives of local organizations. In this arena, CDBs' activities are monitored by community members and linked with other local development projects. As noted by a UNICOM program manager:

> *The governing board is composed of entities that promote local development; there you have Christian and Afro-Brazilian churches, municipality representatives, other NGOs, other associations… various types of local entities. It will depend and can encompass 10, 8, 5, 12 entities… That will vary by territory.* (#1)

Nevertheless, ensuring that community leaders participate in the governance board is not easy. This is especially the case for communities in which tensions and conflicts exist. On this aspect, we observed some tensions between a couple of CDBs and the communities in which they are implemented. For example, BANSEA challenged the traditional power structure of specific families in its territory. Challenging power structures generates conflict in communities, and as a result some community leaders do not participate in BANSEA's governance structure.

Even though the governing board does not include all community members because of existing conflicts, it at least enables the CDBs' activities to be coordinated with other groups and activities. This is the case, for example, of BANSEA, which ensured a degree of social control by coordinating with other solidarity economy organizations linked to its not-for-profit structure. Its governing structure includes producers' cooperatives, an internet center, a community radio, and tourism activities. Gathering all these development organizations under the same umbrella organization is a way of guaranteeing that they are embedded in and linked to the community. In a similar way, BANCULTURE is the financing project attached to a broader association acting for women's emancipation from violence, the socialization of the elderly, and literacy campaigns.

Social mobilization for social control was not easy for BANINDIGENOUS either. Due to a certain lack of interest from community members, the CDB created the local forum for businesses to ensure publicity and to discuss BANINDIGENOUS's activities. This is exactly what a BANINDIGENOUS executive referred to:

> *At the beginning, we thought of setting up a governing board* [composed of local representatives]*, but when we called and invited the representatives to a meeting, they did not come. They did not come because they had no interest in coming. We have the municipal school, the state high school, the medical station, the nursery, we invited them, but they did not come.* […]*. Then, to maintain social control, we decided that we needed to create another instrument, and there we* [the two BANINDIGENOUS community entrepreneurs] *thought to create the forum of entrepreneurs.* (#56).

Moreover, the participation of community members in credit approval committees also favors a certain degree of social control over the use of financial resources. We observed that credit agents do not consider only the financial situation of the borrower but also social criteria, such as his or her behavior in the community and need for access to credit. As such, the fact of being active in community activities is taken into account in most CDBs, such as BANHOUSE, BANSEA, and BANCULTURE. In BANSEA, BANINDIGENOUS and BANCULTURE, external community members are present in the credit approval committee for assessing borrower's dossier.

4.3. Servant leadership

We found that CDBs' managers and employees act as stewards (Davis et al., 1997) and servant leaders within communities (Van Dierendonck, 2011). Indeed, they fit several of the characteristics of servant leaders defined by Spears (1995). These include listening to and being attentive to CDBs' users, showing empathy in understanding other people's living situation, displaying stewardship when managing collective resources, and building a community. Personal commitment and servanthood (Liden et al., 2008) in developing the community enterprise to meet users' needs is displayed by CDB managers who serve the community and sometimes sacrifice themselves to the undertaking.

As such, the behavior of entrepreneurs and employees is based on responding to people's needs and developing the communities to which they belong. This behavior is present in the motivation and sense of responsibility that entrepreneurs and employees have, as well as their personal involvement in making the community enterprise succeed. As mentioned by a BANINDIGENOUS executive:

> *I always talk to people, this organizational growth was not magic, it was hard work, personal dedication, to understand that* […] *we have a great responsibility for this community, we have this responsibility. Me particularly, I was born here, I had my childhood here, I will die, but I will leave my contribution share to community development. This is something I want to leave to my children, my grandchildren…* [Who will maybe say] *those crazy there, who once dreamed to have a better community, more developed, they have left a legacy for us.* (#56)

This personal commitment is reinforced by the fact that most employees also volunteered for CDBs. Indeed, these organizations function mainly thanks to public subsidies. In 2013, most subsidies did not reach the CDBs due to problems in adjusting federal calls for request. During this period, all the organizations we studied continued to function, in large part due to volunteering employees.

Based on interpersonal relationships, CDBs' employees and managers show sensitivity to other people's personal concerns and help them achieve their potential. This is a sign of the emotional concept of empowering people to foster their self-confidence (Van Dierendonck, 2011). This empathy and emotional healing (Liden et al., 2008) is possible based on compassionate proximity, as several community employees and entrepreneurs have been in situations of extreme poverty. This may enable a CDB's employees to adapt to the psychological perspective of the people they serve. As noted in this quote, compassion may be a driver of community improvement and social change for emancipation:

> *We work with the human person, the citizen there. We take people, citizens who are not ... that no one believed in, and we believe* [in them], *change that person's life* […] *For us, it is better, in terms of values, knowing that we are helping people* […] *knowing that we're changing their life.* (BANINDIGENOUS director #59)

This personal involvement based on contribution for a better future is closely linked to a comprehensive willingness to understand what communities need and want for themselves. From this perspective, community entrepreneurs develop a special sense of care and attention, closely linked to social bricolage for attending demands:

> *Hence,* [our job] *is to seek: what is the community demand, what does it need to develop, where are these qualifications and opportunities and how to mediate them. What are the difficulties? Technical, political? What kind of training do* [community members] *need?* […] *So we will prepare projects, coordinate with other institutions, either private or public, and then mediate what we call bureaucracy to get to a certain* [outcome]. *So this is our role to mediate all this to bring* [improvement] *to the community.* (BANSEA director #5)

However, it happens that some communities do not choose people that will be personally involved in CDBs and thus act as servants. This does not apply to our cases, since we have chosen those that were successful and where personal involvement was part of these organizations' success. During our field immersion, we talked to other CDB managers, some of whom reported that they had selected agents that were not personally involved in the project and considered it as a conventional job. The managers confessed that it was a mistake in the hiring policy, since these agents do not share the same values or care for communities.

4.4. Desire for social change

CDBs do not only rely on social objectives, such as increasing financial inclusion and alleviating poverty; they also uphold a project for social change for marginalized and peripheral communities. The social change project is based on the ambition of promoting socio-economic development in deprived areas by increasing local wealth generation (Melo & Braz, 2013) as well as by improving community self-esteem and cultural affirmation (Fare et al., 2015). To do so, CDBs act as part of the solidarity economy movement, which aims to promote “another economy” (Singer, 2002) characterized by collective ownership of the means of production, inclusion of democratic principles in enterprises and the incorporation of collective interest in economic activities.

One crucial aspect of the CDB network's vision of change is that it considers access to finance should be a right. As is written in the historical guidelines for CDB, "It is always good to remember that credit is a human right, so it is a duty of the state. When it comes to providing credit to the poorest, the state does so in an insufficient and deficient manner" (Melo & Magalhães, 2006: 34). Thus, CDBs aim to provide access to financial resources to populations that would find it very hard, or impossible, to gain access in any other way. This is particularly the case of people registered with national credit bureau who can only access credit thanks to CDBs. Indeed, formal microfinance and banking institutions do not lend money to people registered with the credit bureau, because their financial history makes them riskier.

Considering access to finance as a right involves more inclusive practices for marginalized populations. For example, according to archival data and interviews, BANTECHNO and BANINDIGENOUS developed microcredit especially for poor women who are beneficiaries of the cash transfer program *Bolsa Família* (these women are considered as one of the more indigent sections of the population). Furthermore, BANHOUSE provides microcredits for housing reform to poor households and BANCULTURE provides credit to support local artists from the outskirts of towns and cities who are not included in formal cultural scenes. The development of these financial products is closely linked to the emancipation vision that they carry. From this perspective, finance is a tool for including communities and creating a new narrative for social change:

> *We always invested in* [culture]. *We always believed that strengthening this popular culture would change the storyline of our community, would make our community less violent, because people would respect more, respect diversity, make people like their territory.* (BANCULTURE executive #33)

The whole process of self-governance and management is also a vehicle for social affirmation and emancipation. According to several interviewees, social change also emanates from the empowerment of assuming a novel way of organizing. This includes collective responsibility to resolve community social problems:

> *No one has ever prepared a community to own something. Social projects come within a community given by someone* […] *So you come with a culture of a community that is not used to managing anything and you say, "Oh, come here! Let's start mobilizing a community to manage ". It takes a long time until a community gets organized and*

> *understands how to proceed. It's a very long mobilization process.* (PHILBAN director #46)

Indeed, redefining a marginalized population's relationship to finance contributes in a way to social change, as it challenges existing social structures of domination in a highly unequal society. Affirming autonomy in the provision of financial services and the capacity of allocating them in a collective manner defined by users is a strong political message for new practices of economic democracy on a local scale. As mentioned by the UNICOM director:

> *I consider that this process of local self-organization, through CDBs, is a super experience of a learning process for themselves, communities, in the sense of the affirmation of democratic political cultures.* [Thus] *apart from being initiatives with strong socioeconomic appeal, they are deep political and educational initiatives, because these practices teach people about working in cooperation, with confidence, because it is like a device that requires people to act that way.* (#13)

5. Discussion

Discredited for a long time (e.g. Hardin, 1968), community institutions are increasingly recognized as being suited to the contemporary challenges of natural management and social problems (Marquis & Battilana, 2009; Ostrom, 2010; Peredo & Chrisman, 2006). This chapter reports on a comparative inquiry studying how community enterprises establish commons as institutional substitutes. In this section, we explain how our findings on the establishment of commons contribute to and extend the literature on community entrepreneurship and institutional theory.

5.1. Creating commons in community enterprises

Commons organizations are a form of community enterprise since they are created by communities acting as part of an entrepreneurial project. Community enterprises usually mobilize traditional economic principles, such as reciprocity and mutuality (Peredo & Chrisman, 2006), that are not linked to the market or the state. Building on these characteristics of community enterprises, commons organizations have the additional characteristics of a social change objective, often linked to a political project of building new communities and reforming the economy (Dardot & Laval, 2014; Fournier, 2013).

Commons organizations aim to answer problems not resolved by markets or states (Bollier & Helfrich, 2012) and therefore respond to institutional weaknesses when existing institutions are unable to guarantee socio-economic inclusion or meet communities' needs. We argue that the creation of such organizations is an institutional substitute for inefficient and marginalizing institutions. However, commons organizations differ from charities and NGOs, which are themselves often interpreted as a response to market and state failures. Commons organizations, on the other hand, are grassroots and self-managed entities, which are not predominant characteristics of charities and NGOs. Hence, commons substitutes are established and controlled by the users themselves, who build the rules collectively. The substitute therefore embodies a self-managed vision to solve problems locally.

Our institutional approach provides a new perspective aiming to understand the institutional components present in commons organization creation and durability. We have highlighted four aspects of community institutions that make it possible to construct new commons: participation and deliberation, community social control, servant leadership, and desire for social change. Figure 2 provides a model of how these aspects influence shared resources and communities to develop embedded purposeful organizations for socio-economic development. In the cases studied, we consider that the presence of commons organizational components, in their varying degree, enable the constitution of commons institutional arrangements.

On these aspects, commons organizations appear to be similar to social and solidarity economy enterprises. These enterprises are based on democratic values aiming to involve workers and users in governance and management (Laville, 2010; Leca et al., 2014). The purpose of this inclusion is to foster greater participation and co-production of rules, a crucial part of generating commons. In addition, some social and solidarity economy enterprises can potentially generate shared resources that are not alienable. This is the argument of Périlleux and Nyssens (forthcoming), according to whom financial cooperatives can be understood as a human-made commons. The authors argue that financial cooperatives are embedded into intergenerational reciprocity and, as such, permit the constitution of shared resources belonging to future generations. The financial fund developed over the years by financial cooperatives that accumulate interest cannot be alienated or sold, but "it exists by itself, with its own materiality"

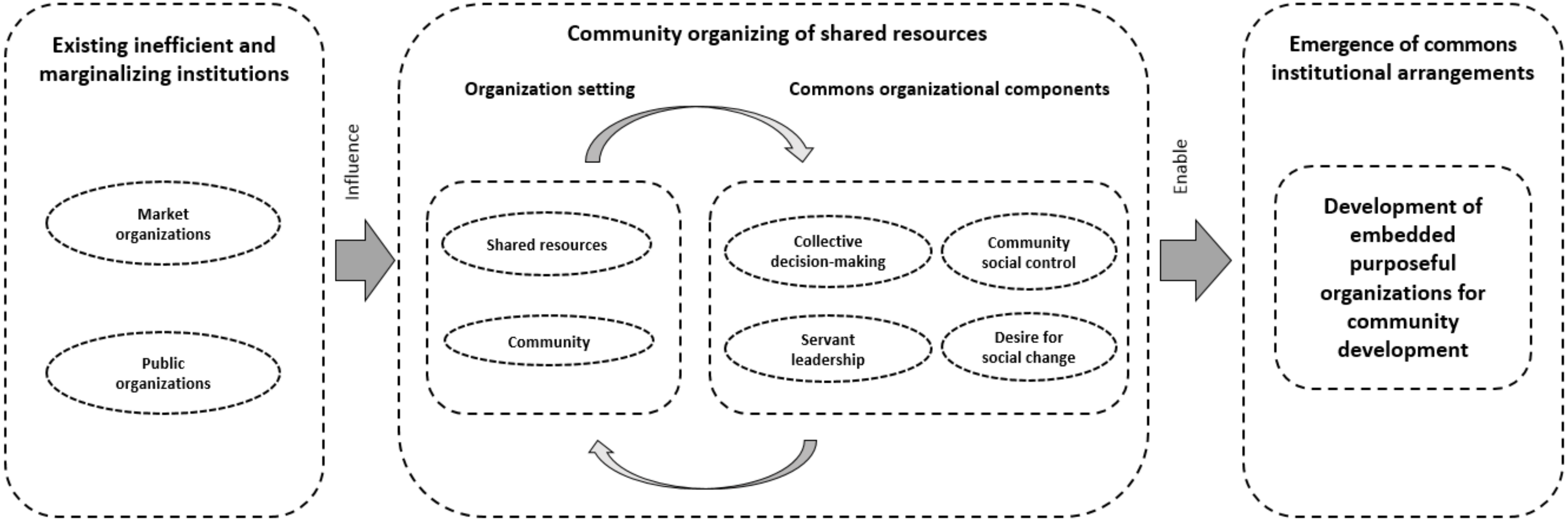
(Périlleux & Nyssens, forthcoming). Our study contributes to this emerging trend linking commons and solidarity economy organization.

The role of entrepreneurs and employees as servant leaders is also crucial in commons organizations. The dimension of servanthood and the desire to serve and contribute to community may be closely linked to the manner in which the organization has been set up by and for community development. The fact that employees have been selected though collective deliberation and voting may reinforce that assumption. In their systemic literature review of servant leadership theory, Parris and Peachey (2013) mention that the theory has been applied in very few nonprofit and community organizations. Our analysis provides some insights into the theory's pertinence in such organizational settings, and how servant leader attitudes can also be tied to the specificity of commons organizations and community enterprises. In other words, we explore how new organizational features build a servant leadership culture.

In addition, this servant leadership component is important to the success of these grassroots organizations, since charismatic leaders carry on the project even in difficult periods (e.g., financial difficulties, robbery). These leaders meet the profile of community entrepreneurs dedicating time and energy to the functioning of their venture (Mair & Marti, 2006). This is particularly the case of BANTECHNO, BANCULTURE, BANINDIGENOUS and BANHOUSE, whose leaders represent them in local and national forums and regularly deal and advocate with public and private actors. They also ensure that the CDBs function if faced with an income shortfall. This happens in particular when CDBs do not benefit from subsidies and therefore rely on voluntary participation in order to operate. Hence, the presence of these charismatic leaders is crucial for attracting resources and planning the development of CDBs.

Finally, the desire for social change plays a key role in establishing commons. CDBs support a project to change the institutional status quo and social structures of marginalization. Asserting that these communities are able to build their own bank on an alternative rationale supposedly contributes to this process of change. Accordingly, this transformational desire conveys the broader performative dimension to develop "another economy" (Singer, 2002). Hence, CDBs differ from strict mutual interest organizations, because they carry a transformative vision of society.

Figure 2 : Creating commons arrangements as institutional substitutes



This desire for social change is often referred to as a key element of a more radical approach to the commons (De Angelis, 2007; Fournier, 2013; Linebaugh, 2008). According to Dardot and Laval (2014), the commons fulfill citizens' desire to create communities in order to remove resources from commodification. This conception is also adopted by De Angelis and Harvie, (2014), for whom the commons aim to promote social change by producing alternative organizational forms that limit the enclosure of collective resources and the general commodification of resources needed to reproduce life. Following this approach, the commons are part of a counter-movement (Polanyi, 1944) of market expansion and potentially represent a reappropriation and democratization of the socio-economic sphere (Laville, 2010). In the case of CDBs, many informants have advocated that access to financial services should be considered as a right, since it is an important condition for socio-economic inclusion (for a debate on this argument, see Hudon, 2009). Following this idea, access to these resources should be guaranteed as they are important for human socio-economic development.

When attached to social movements, commons organizations potentially emerge when contesting—or putting up "resistance to" (Marquis & Lounsbury, 2007)—market and state institutions (Bollier & Helfrich, 2012; Dardot & Laval, 2014; Klein, 2001). Indeed, we consider that many community organizations, especially commons, emerge as a reaction to contested institutions. In many societies—if not all of them—institutional power structures perpetuate inequalities and social exclusion (Mair & Marti, 2009). Thus, developing alternative institutional arrangements, such as commons based on self-management, provides an alternative answer to existing marginalizing institutions. In other words, if the rules, norms, values and beliefs driven and disseminated by existing institutions do not guarantee access to the resources necessary for human development, other types of institutional arrangements might be designed. Commons arrangements are one of these.

5.2. Local public spheres for commons creation

Our results contribute to and expand the literature on the commons, particularly through the concept of collective deliberation spaces. Indeed, even though Ostrom mentioned the importance of co-production of rules (Hess & Ostrom, 2011) and collective-choice arenas (Ostrom, 1990), the literature on the commons rarely mentions collective arrangements that go beyond management and governance of the shared resource (for exceptions see Dardot & Laval, 2014 and Fournier, 2013). Our understanding of collective decision-making, and more precisely collective deliberation, can be closely associated with the notion of the public sphere.

Habermas (1991) described the emergence of the bourgeois public sphere in 18th century Europe as a social space in which private persons gather to discuss public concerns and interests. Supposedly open to all, without distinction of status and wealth, the confrontation of ideas and opinions was aimed at favoring the use of reasoning and criticism to resolve common problems, and especially to discuss government and state action. The notion of publicity is key to constituting a public sphere because what is debated and critically assessed in that sphere is access to and publicity of information on state functioning. However, despite the significant impact of his theory, Habermas has been criticized for providing a "bourgeois" conception of the public sphere and eluding mechanisms of exclusion and social distinction (Calhoun, 1992).

Hence, other conceptions of the public sphere, such as "post-bourgeois publics" and "counterpublics" (Fraser, 1990), have been investigated. These counterpublics are set up by marginalized populations to debate public issues and the common interest but adopt other discourses and decision-making methods than the bourgeois publics. In other words, counterpublics are developed by populations excluded from the bourgeois public (such as women, working class and people of color) who gather to pursue other types of discursive practices and political behavior. The collective deliberation spaces in CDBs are a form of counterpublic in the sense that they are developed by peripheral and excluded communities for both opinion formation and decision making. These spaces provide a local sphere for discussing issues often neglected by the traditional political deliberation system; they also put the economy at the center of public deliberation.

In these counterpublics, community social actors, such as local leaders and involved citizens, debate issues related to life in the community, ranging from infrastructure and health care to development projects. These spaces are often alternatives to local public administration that do not take peripheral interest into consideration. Thus, these popular counterpublics may contest and conflict with public policies implemented by municipalities. In other words, these spheres represent a grassroots way of debating community interest and performing actions on a local scale. In addition, these collective deliberation spaces are also used to publicly disclose CDBs' activities. The publicity can include the granting and non-repayment of loans—as practiced at BANHOUSE. In these cases, these spheres provide publicity on the shared resources and their effective use and distribution in community.

Nevertheless, these spheres are not present in equal measure in each CDB. Even if the banks' constitutive and operational rules of are constructed in collective deliberation spaces, very few CDBs manage to sustain these spaces over time.

5.3. Limitations on CDBs as institutional substitutes

The institutional arrangement of CDBs is an alternative form of organization for responding to institutional weaknesses or marginalization. Nevertheless, CDBs still face difficulties in attending to all community members' financial needs, which limits their capacity to provide a powerful alternative to financial exclusion. Although CDBs are considered and structured as institutional substitutes, their lack of financial resources restrains their action and their impacts in communities. To address this issue, CDBs set up multiple partnerships with public banks and governments for accessing resources and diversifying their financial services offerings (Melo & Braz, 2013). Therefore, CDBs do not act in total contention with or isolation from markets and state institutions.

Partnerships with public banks enable CDBs to access capital and, to some extent, expand their offer of financial services. These partnerships also influence CDBs in their operational management, as public banks require the use of management and accountability criteria found in more traditional financial organizations. The effect of these partnerships has been to professionalize some CDBs that were acting in a somewhat amateurish manner. For example, in some of the cases we investigated, we noticed the absence of appropriate software for rigorously managing credit information. This did not prevent CDBs from operating but it may be a challenge for scaling their activities or for complying with future partners' rules and requirements. Hence, we observed that some supporting intermediary organizations were providing training and access to microcredit software for CDBs, with a view to professionalizing community organizations.

Another key limitation of CDBs' activities lies in their financial (un)sustainability. Their small portfolios do not provide CDBs with enough resources to be financially self-sufficient. Hence, they mainly function thanks to public subsidies, which pay for employees, equipment, external support from intermediary organizations, and sometimes utility bills. These subsidies are often complementary, e.g. a national subsidy covers employees' salaries while a state subsidy pays for equipment. But dependency on external resources has serious consequences for the operational sustainability of CDBs, which could be lastingly affected if these public policies are terminated. This is what happened after we had completed our field work, when the federal policy supporting CDBs was stopped due to a change of the Brazilian federal government. As a result, some CDBs had to rely on voluntary work or local government subsidies in order to continue operating. Reliance on outside funding is a major limitation on the operational capacity of these organizations to constitute an enduring substitute.

6. Conclusion

This study reports on the activities of community banks in Brazil in an effort to understand how communities create commons institutional substitutes in a situational context of weak and contested institutions. We identified four elements –collective decision-making, community social control, servant leadership, and desire for social change—that enable the generation of commons. Our findings contribute to the literature by providing fresh insights into the creation of commons in community enterprises and their institutional foundations. We do not claim that our findings represent the only way in which commons are created, as each community should craft its own institutional arrangements that are locally embedded in social structures. But we do believe that our findings contribute to a better understanding of how commons are created.

Moreover, we trust that commons emerge most of the time in the context of institutional contestation. From this perspective, they represent alternatives to markets and states, the dominant economic institutions. They are the expression of other voices—particularly those involved in social movements and civil society—that are supplementary to these institutions and express other human and social needs. Therefore, we argue that commons are a promising avenue of research in institutional and organization theory to explain how grassroots organizational forms are created and how they can contribute to social change.

Although we believe that we contribute significantly to a better understanding of the construction of commons, our study also raises possibilities for future research, some of which address the limitations of our research. The first limitation of this research lies in the selection of CDBs, as we investigated only those that were successful. This choice was made with the theoretical purpose of defining factors of success in community enterprises. But it is also a limitation because the selection of unsuccessful cases would also have provided important insights into the commons. The investigation of such cases could help in testing the validity of our research if the absence of the factors effectively identified affects the creation of commons organizations.

Second, we believe that our results on the factors that affect the creation of human-made commons are not limited to the specific industry and geography of our sample, but can also be generalized to other countries and industries. Thus, there is also a need for research exploring whether our results can be applicable to other forms of grassroots community organizations. It would be interesting to conduct studies in other sectors, such as culture and energy, and generate comparisons in order to examine the degree to which our results apply across sectors.

CHAPTER 4

INSTITUTIONAL CHANGE AND DIFFUSION IN INSTITUTIONAL PLURALITY: THE CASE OF BRAZIL’S SOLIDARITY FINANCE SECTOR

Institutional Change and Diffusion in Institutional Plurality: The Case of Brazil's Solidarity Finance Sector

<u>Abstract</u>

How new organizational forms are created and institutionalized is a major empirical and theoretical issue. This chapter builds on a comparative case-study of five intermediary organizations in Brazil which aim to diffuse and consolidate a microfinance-based community enterprise model. We analyze what kinds of institutional work these organizations do to create this community enterprise model in an institutional context characterized by a plurality of actors and logics. Our results suggest three interdependent processes. First, intermediary organizations individually diffuse and adapt the community enterprise model to local idiosyncrasies by mobilizing communities, adapting to local contexts and providing community support. Second, intermediary organizations perform external institutional work through recognizing community enterprise, mobilizing politically, and structuring banks. Finally, these organizations create and maintain a national network that supports the other two processes. More precisely, intermediary organizations enact a community development bank (CDB) model, establish diffusion practices and strategies, and construct local networks of CDBs. The study contributes to the literature by investigating the role of intermediary organizations in creating and institutionalizing new organizational forms through internal and external institutional work.

Key words:

Institutional work, Institutional plurality, Community entrepreneurship, Microfinance, Brazil.

This chapter has been written with Marcos Barros.

We thank Luciano Barin Cruz, Tina Dacin, Vincent Giolito, Jean-Pascal Gond, Royston Greenwood, Helen Haugh, Marek Hudon, Marc Labie, Frédéric Louault, Michel Renault, Neil Stott, Paul Tracey, and Charlene Zietsma for their valuable comments on earlier versions.

1. Introduction

On 28 May 2003, Brazil’s president, Luiz Inácio Lula da Silva, made the unprecedented move of creating the National Secretariat for Solidarity Economy (*Secretaria Nacional de Economia Solidária*: SENAES). The agency’s main goal was to provide nationwide support for innovation projects and organizations linked to the solidarity economy, including community development banks (CDBs). These grassroots microfinance organizations were promoted by Banco Palmas and other organizations all over the country. However, despite the new legitimacy provided by the national agency, the CDBs soon discovered that federal policies were not strictly followed at all levels. In fact, in each place where CDBs were introduced, there was a need to engage with local state actors and banks to legitimize this new organizational form. In essence, to consolidate their activities, CDBs and their intermediary organizations—also referred as bridging organizations (Brown, 1991), which link community enterprises, governments and private corporations—had to deal with a national context of fragmented and decentralized actors.

How new organizational forms are created and institutionalized is a major empirical and theoretical issue that has preoccupied practitioners and scholars (e.g. Dees et al., 2004; Schneiberg, 2013). A growing trend in the research into new organizational forms focuses on social and community enterprises, which offer an innovative way to resolve social problems whilst generating economic opportunities (Dacin et al., 2011; Tracey et al., 2011). Traditional research on new organizational forms has suggested two processes for their creation and maintenance: institutional diffusion and change. From one point of view, the growth of these forms depends on their diffusion into other contexts, through an effort of contextual bridging where “new meanings, practices and structures [are transferred] into a given context in a way that is sensitive to the norms, practices, knowledge and relationships that exist in that context” (McKague et al., 2015: 1083). The diffusion of innovative practices is often considered as an important way of scaling their impact and reaching more people and communities (Dees et al., 2004; Lyon & Fernandez, 2012). From this perspective, the diffusion of practices and new organizational forms, such as community enterprises and political innovation (Porto de Oliveira, 2010), may be key to resolving problems in multiple territorial settings and potentially impacting the sources of problems generation (Westley et al., 2014).

However, new organizational forms also demand legitimation at the institutional level by influencing the regulations and beliefs of existing institutions (Slager et al., 2012; Tracey et al., 2011; Zietsma & Lawrence, 2010). This process is defined as institutional work, i.e. "the purposive action of individuals and organizations aimed at creating, maintaining and disrupting institutions" (Lawrence & Suddaby, 2006, p. 215). In a recent stream of studies on social entrepreneurship (Westley & Antadze, 2010; Westley et al., 2014), scholars have been drawing our attention to the absence of research that enhances understanding of the mutual influence of—and possible contradiction between—institutional diffusion and change. Most notably, researchers have been portraying institutional work aimed at "a single clearly identifiable institution" (Empson et al., 2013: 809), while diffusion brings new organizational forms to different places, potentially increasing the number and diversity of legitimacy pressures. Diffusion and institutionalization of new forms of organization often operate in institutional contexts characterized by plural institutionalism in which multiple regulatory regimes and beliefs influence organizations' development (Jarzabkowski et al., 2009).

Our study examines how intermediary organizations diffuse new organizational forms and influence existing institutions in a context of plural institutional regulations and norms. Plural institutional contexts present "multiple regulatory regimes, embedded within multiple normative orders and/or constituted by more than one cultural logic" (Kraatz & Block, 2008: 243). More specifically, we answer the following research question: what kinds of institutional work are performed to support the creation and institutionalization of a new organizational form in a context of plural institutionalism?

To this end, we completed a case study of five intermediary organizations diffusing and promoting community enterprises in Brazil. Our analysis is based on multiple forms and sources of data we collected over a period of eleven months in Brazil: interviews with agents from different levels in all organizations, notes of meetings we observed, and internal and public documents. We explore how the institutional work performed by intermediary organizations and aimed at governments and banks enables the institutionalization of the new diffused organizational forms. The institutional work is performed at the intersection of the microfinance and the solidarity economy sectors within a plural institutional environment characterized by agents of both the financial and public sectors. We investigate the strategies that intermediary organizations develop internally within the network and externally with institutions in the environment to promote and affect regulatory and cognitive changes.

Our results suggest that the intermediary organizations engage in diffusing and institutionalizing CDBs and in creating and maintaining CDB networks. They were individually in charge of creating CDBs in their regions while collectively legitimating their model at the national level. We broke this institutional work down into external and internal work. External institutional work is directed at legitimating CDBs in the eyes of state agencies and banks. Its outcomes are recognition of the organizational form, as well as new regulations providing access to subsidies and financial diversification. Internal institutional work is aimed at maintaining the internal consistency of the CDB network and supports the external work. It consists in diffusing the organizational form and structuring it around a common model and networks. External and internal institutional work is mutually reinforcing. External work gives intermediary organizations greater ability to operate and structure both the network and their own activities, whilst internal work provides more weight at the negotiating table to influence institutions. Overall, the results show the adaptive strategies adopted by intermediary organizations to respond to institutional demands from a diversity of actors in a plural institutional context.

From our analysis, we have developed three distinct contributions to the literature on institutional work and new organizational forms. First, we propose that the institutionalization of new organizational forms requires the adjustment of both external and internal institutional work. These constructs provide new elements to understand how networks both influence existing institutions and structure their action to institutionalize new organizational forms. Second, we provide new insights into the institutional work required in a context of institutional pluralism. We elaborate on the specificities of each institutional work project directed at specific institutions, whether governments, public banks or communities. Third, we extend our understanding of the role of intermediary organizations in network formation for the creation of new organizational forms.

The remainder of the chapter is structured as follows. We start by reviewing theories on institutional change and diffusion of social and community enterprises, from the perspective of the institutional plurality literature. We then present the research context of our study, define our methodological approach, and report our findings on the institutional work performed by the intermediary organizations. We then discuss our results, explain their contribution to the literature on social and community entrepreneurship and institutional work, and draw our conclusion.

2. Institutional Work in Community Entrepreneurship and Institutional Plurality

Social and community enterprises are usually considered as new organizational forms providing innovative ways to respond to social needs. In their analysis of the studies of social entrepreneurship, Dacin et al. (2011) suggest that it is essential to examine the processes through which social entrepreneurs are able to accomplish their task. The authors criticize the lack of attention of the "distributed nature of social entrepreneurship" (2011: 1205), especially in institutional structures that demand different actions to acquire legitimacy and resources. The growing institutional perspective on social entrepreneurship (Battilana & Dorado, 2010; Mair & Marti, 2006) has increasingly insisted on its relationship with institutional change, particularly in terms of how these actors can enhance, reform or revolutionize institutions (Mair & Marti, 2009; Mair et al., 2012; Tracey et al., 2011). This view is enhanced by the notion that social problems are in fact socially constructed (Lawrence et al., 2013), and so the demand that actors challenge taken-for-granted perspectives to attract attention and support to their issues and solutions (Zietsma & Lawrence, 2010).

In connection with this view, social entrepreneurship scholars started to promote the idea that, in order to fully develop and endure, social and community enterprises must go beyond simple diffusion and profoundly change institutional structures (Westley & Antadze, 2010; Westley et al., 2014). In essence, researchers suggest that high-impact change demands innovation across multiple sectors and at multiple levels. In other words, initiatives created by actors to solve problems at the local level must be transformed into fundamental issues that demand macro-scale transformation. However, according to Westley and colleagues (2014), the interaction between diffusion and institutionalization (which they term "scaling out" and "scaling up") requires further investigation to clarify what criteria might explain successful accomplishment of these processes.

The processes of institutional change and diffusion have been traditionally discussed in the institutional literature as separate processes or, at best, an unproblematic relationship. Early research focused largely on isomorphic processes where the goal was to explain organizational-practice adoption (Strang & Meyer, 1993; Tolbert & Zucker, 1983). In both these and subsequent studies, exploration of active efforts of "contested" diffusion (Adler & Kwon, 2013; Smets et al., 2012) is seen as a natural consequence of change endeavors in a unified institutional context. However, more recent accounts of cross-national diffusion processes have highlighted the influence of distinct local environments (McKague et al., 2015). However, their analysis of actors' "contextualization work" (Gond & Boxenbaum, 2013; Heinze et al., 2016) centers on an effort to strategically create adapted spaces, but not necessarily to change the local institutional context.

In a similar vein, the literature on institutional change, which has grown in response to the initial institutional focus on homogeneity (Dacin et al., 2002), has begun to concentrate on the institutional work of logic creation, maintenance and destruction, mainly in a single setting (Battilana & Casciaro, 2012; Empson et al., 2013). The literature on institutional work investigates how individuals and organizations create, maintain and disrupt institutions (Lawrence et al., 2009). In particular, an important literature stream on institutional work focuses on the creation of institutions (Maguire et al., 2004; Tracey et al., 2011) and builds on the notion of institutional entrepreneurship (Battilana et al., 2009; DiMaggio, 1988). Lawrence and Suddaby (2006) defined three categories of institutional work for creating institutions, namely political work, reconfiguring actors' beliefs and altering meaning systems. These categories are used to simultaneously undertake actions, interactions and negotiations among multiple actors to legitimate new practices and norms (Zietsma & Lawrence, 2010). For example, Slager et al. (2012) showed that the institutionalization of responsible investment standards as new practices was a highly participatory process, and Tracey et al. (2011) referred to the constant bridging between institutional logics and institutional levels. Therefore, institutional work entails combining multiple institutional prescriptions and actors for building a new institution or organizational form.

Most institutional work research takes into account the existence of diverse legitimacy demands, yet this variety is normally attached to a unified institutional context (Smets et al., 2012; Zietsma & Lawrence, 2010). But what happens when the institutional structure is fragmented and decentralized in many autonomous and independent loci of power? How can community enterprises diffuse in different "geographical and political contexts that are amenable to and supportive of [new organizational forms]" (Lawrence et al., 2013: 322)? We consider this situation is in light of the interaction between concepts of institutional work and institutional plurality.

According to Jarzabkowski et al. (2009: 286), the creation of institutions "furnish[es] some insight into institutional pluralism, in terms of explaining how a new institution is created and inserted into an existing set of institutions". Institutional pluralism occurs when organizations face "multiple regulatory regimes, embedded within multiple normative orders and/or constituted by more than one cultural logic" (Kraatz & Block, 2008: 243). Institutional complexity is an extreme form of institutional plurality (Ocasio & Radoynovska, 2016). It occurs when organizations operating in institutional pluralism face incompatibility with or tension between institutional demands from the multiple institutions. However, these demands are not necessarily in tension or incompatibility in institutional pluralism.

Hence, the concepts of institutional plurality and complexity have normally been linked to organizations' responses to "incompatible prescriptions from multiple institutional logics" (Greenwood et al., 2011: 318). However, if complex environments request that organizations and individuals (strategically) react or adapt to multiple institutional demands, it follows that institutional workers also have to negotiate with "multiple and contradictory regulatory regimes, normative orders, and/or cultural logics" (Pache & Santos, 2010: 457) in their attempt to create, maintain or disrupt institutions in plural environments. In fact, according to Jarzabkowski and colleagues (2009), institutionally complex contexts are increasingly "part of the ordinary, everyday nature of work, rather than exceptional phenomena" (2009: 289).

Complexity and plurality can increase, depending on a number of factors, such as fragmentation and centralization. Fragmentation is concerned with "the number of uncoordinated constituents upon which an organization is dependent for legitimacy or material resources" (Greenwood et al., 2011: 337). Higher fragmentation means a greater number of "uncoordinated" constituents, the institutional demands of which organizations have to face (Pache & Santos, 2010). Centralization, on the other hand, refers to the power structure between these constituents. Greater centralization means that the field is controlled by dominant actors "that support and enforce prevailing logics" (Pache & Santos, 2010: 457).

Pache and Santos (2010) have suggested that highly fragmented and moderately centralized contexts exhibit greater complexity. According to these authors, because they are "characterized by the competing influence of multiple and misaligned players whose influence is not dominant yet is potent enough" (2010: 458), such organizations have a greater number of institutional demands to account for in their organizational responses or institutional work. We propose that the Brazilian context, with autonomous local state agencies and banks, represents this institutional plurality for the CDB network. Therefore, our question remains: what kinds of institutional work are performed to support the creation and institutionalization of a new organizational form in a context of institutional pluralism?

3. Research Context: Institutional Plurality and Solidarity Finance

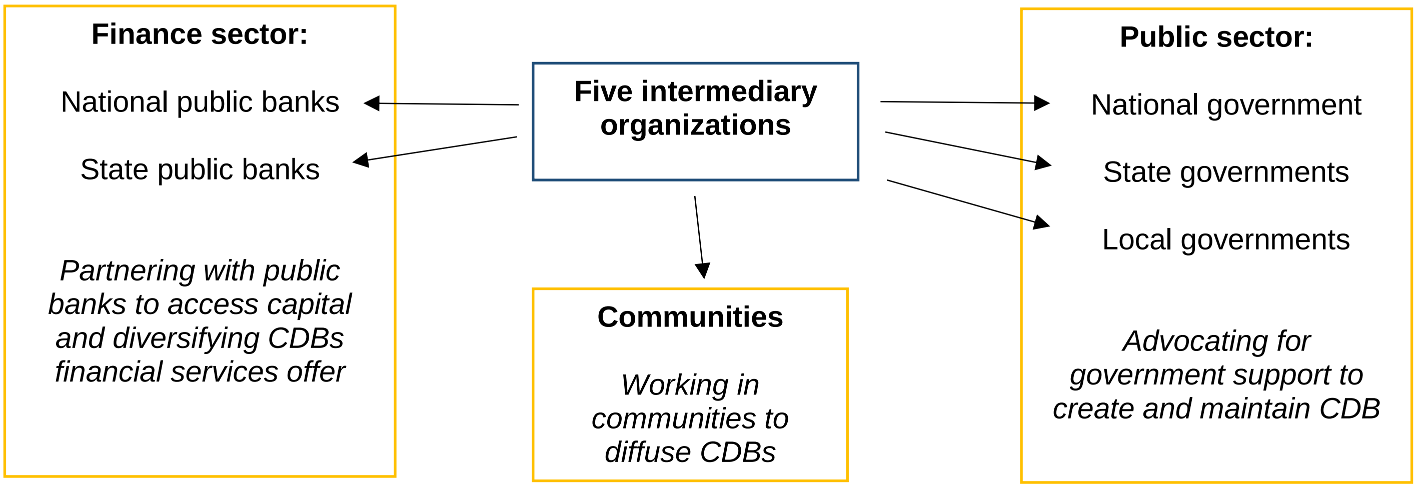
This study examines new the diffusion and institutionalization of organizational forms in institutional pluralism. Brazil is an appropriate context in which to study this phenomenon, as the country has a plurality of institutional orders that new organizational forms must face. Brazil is a federal state with three main institutional layers that define the territorial administration: the federal, state and municipal levels. The latter two layers have jurisdiction inside their state, while under the general framework of the federal constitution.

The solidarity economy sector—to which CDBs belong—is influenced by such institutional plurality. Indeed, the solidarity economy organizations are structured at municipal, state and national levels into a social movement in order to influence political actors at these levels so that they create supporting public agencies. As such, SENAES was created in 2003 to support the sector nationwide; following this example, several states and municipalities established similar agencies in their territorial jurisdictions. SENAES played a crucial role in the institutionalization of CDBs. From 2005 to 2016, the federal agency supported the financing of the creation and consolidation of these banks at national level. The agency provided substantial funding to enable intermediary organizations to operate, as well as institutional support in order to dialogue and advocate with public banks and regulatory agencies—as will we present in the findings.

Moreover, as microfinance organizations, CDBs are also connected to the financial sector – and, more precisely, to public banks at national and state levels. Indeed, the Brazilian microfinance sector is highly dominated by public banks that are usually in charge of implementing microfinance-related public policies decided by governments.

Our cases sit within this plural institutional environment characterized by government agencies and public banks at multiple layers. Intermediary organizations therefore operate in these institutional spheres and face governments and banks' regulatory regimes and institutional logics. They also intervene in communities to diffuse and incubate CDBs. We elaborate on the strategies that intermediary organizations pursue in order to promote the new organizational form. We also examine how these strategies adapt to the institution they aim to influence. Figure 1 illustrates the plural institutional environment in which intermediary organizations operate with the main actors involved in the process.

Figure 1: Mapping the institutional plurality in which intermediary organizations operate



3.1. The recent history of community banks in Brazil

CDBs, the community enterprises we study in this chapter, are microfinance organizations established in deprived territories (Melo & Braz, 2013). They are new in the Brazilian microfinance sector as they are self-managed by communities through multiple collective-choice and participatory arenas, which differs from the governance system of other Brazilian microfinance organizations. In addition, they issue a social currency for increasing internal consumption in communities, an innovative development in the microfinance landscape (França Filho et al., 2012).

CDBs follow and replicate the grassroots microfinance model developed by Banco Palmas in 1998. They are diffused nationwide and benefit from the support of five intermediary organizations attached to the solidarity economy movement, such as university incubators and non-governmental organizations (NGOs). Thanks to their action, the number of CDBs increased from one to 103 between 1998 and 2013 (Melo & Braz, 2013).

The CDB network started as self-initiated by three intermediary organizations and the CDBs they incubated. In 2010, the three organizations were joined by two other intermediary organizations. All five were mandated by the National Secretariat for Solidarity Economy to support the diffusion of CDBs nationwide, with each intermediary organization being in charge of a special region. Considering the continental scale of Brazil, multilateral coordination was needed to establish the CDBs. The intermediary organizations and the CDB network are modes of coordination to achieve effectiveness in structuring these community enterprises. The CDB network is shaped by "shared governance" (Provan & Kenis, 2008), which is decentralized and ensured both by CDBs and by intermediary organizations. Our research investigates the institutional work done by these five intermediary organizations.

4. Methodological Framework

Our analysis of the diffusion and institutionalization of microfinance-based community enterprises relies on a grounded qualitative study of intermediary organizations. A grounded-theory approach was appropriate because our goal was to build theory about the variance in how intermediary organizations affect their institutional field to create new organizational forms (Strauss & Corbin, 1990).

In terms of sampling strategy, we studied the whole population of intermediary organizations. The five not only act as intermediary organizations for CDBs; they also develop other projects independent from their CDB intermediary mission. These organizations were identified by informants during exploratory field research in 2010–2011. To generate a richer and more-generalizable theory, organizations were further selected on the basis of their origins, features, ways of working, and presence in different geographical locations within Brazil. The five cases then differ in terms of foundation (two university incubators, two local NGOs and one community organization), partnerships and advocacy policies (at national, state and local levels with public banks and governments), and complementary activities (research, education and development projects in communities). Table 1 describes the five cases; their names have been changed to preserve anonymity.

4.1. Data collection

Although the five intermediary organizations are our units of analysis, we also collected data from CDBs, governments and public banks in order to understand their interactions and mutual influence. Data were collected from three sources: field observation notes, semi-structured interviews and internal documents. We carried out a first phase of field research in Brazil in 2010 and 2011 in two organizations (COMBAN and UNICOM) in order to gain a general understanding of the diffusion strategies in communities, of relationships and partnerships with governments and public banks, and of the general architecture of the network.

Table 1: Characteristics of the intermediary organizations

Cases	COMBAN	UNICOM	PHILBAN	UNIWORK	SOCBAN
Organization type	Community-based NGO	University incubator	Community-based NGO	University incubator	NGO
Founding year	2003	2005	2003	2002	2000
Founding origin	Community social movement	Student social movement	Local philanthropy	Student social movement	Opportunity recognition
Start date of work with CDBs	2003	2005	2005	2008	2010
Host CDB	Yes	No	Yes	No	No
Area of incubation	Mainly North-East	North-East	Central-West, and South-East (since 2013)	State of São Paulo, and South-East (from 2010 to 2012)	Only North (Amazon)
Facilitation of local CDB network	Yes	Yes	Yes	No	No
Other activities	Several community-development programs	Research and development projects	Several community-development programs	Research and development projects	Some development projects

A second phase of field research was carried out over five months in 2014 and 2015. On average, we stayed for two weeks to one month in each organization, which enabled us to engage regularly in informal conversation with employees and managers while being immersed in the research. During our observation period, we also conducted 63 semi-structured interviews with employees and representatives of intermediary organizations (n=21), CDBs (n=23), governments at federal and state levels (*n*=5), the Central Bank of Brazil (*n*=3), public banks at national and state levels (*n*=3), external experts (key informant scholars and social scientists) (*n*=5) and community leaders (*n*=3). These interviews lasted an average of 80 minutes each. Sixty interviews were recorded and transcribed verbatim, while eight could not be recorded for practical reasons (but notes were taken).

Interviews followed a protocol that evolved with the research project. The discussion guide provided a loose but continuous structure throughout data collection, though the interviews varied in terms of emphasis on particular topics. The discussion guide included four broad topics: (a) the identification of the diffusion practices and interactions with communities; (b) a description of the organization of national and state-level CDB networks; (c) the influence of intermediary organizations in policy change; (d) the nature of the relationships with public financial institutions. Also included were specific questions tailored to the background of the interviewee.

To increase the internal validity of the analysis through data triangulation (Yin, 2013), the interview data were augmented by observation field-notes, as well as secondary-data collection. For example, we witnessed events that underpinned the development of CDB networks: a policy benchmark meeting between two state governments, two CDB state-network meetings, and one CDB national coordination meeting. We also observed two meetings with other solidarity finance organizations (credit cooperatives and rotating funds) at national and state levels. During these events, we recorded in writing the discussions and dynamics between participants. Moreover, we made regular notes of what we observed in the organizations during the immersion. In parallel, we collected secondary data in these organizations, such as minutes of meetings, network charters, internal reports and institutional publications.

4.2. Data analysis

To determine the different kinds of institutional work carried out to support the institutionalization of CDB, we followed three analytical stages: (a) exploring the complexity of CDBs' institutional environment; (b) identifying intermediary organizations' institutional work in this plural setting; and (c) comparing similarities and differences between intermediary organizations' work.

Stage 1 – Exploring the complexity of the institutional environment

The first stage of analysis consisted of examining observation and interview data to define the CDB context of institutional plurality (Kraatz & Block, 2008). We further attempted to characterize this plurality by analyzing the multiple institutions and logics exerting different demands and legitimacy pressures (Pache & Santos, 2010). During this stage of analysis, it became clear that the institutional work strategies developed by intermediary organizations are performed with these three types of actors at multiple levels. Intermediary organizations are active nationally, but also at regional level—particularly in the states of AB and CD[12]—and locally.

First, intermediary organizations interact with communities to do their job of CDB diffusion. Our cases faced multiple institutions in each community where they diffused CDBs; the differences between cases were emphasized by the continental size of Brazil, which encompasses very different local cultures, value systems and social-mobilization capacities.

Second, we identified the multiple solidarity-economy government agencies with which intermediary organizations interact in order to access resources and gain legitimacy. This analysis encompassed the three institutional levels of the federal state, i.e. SENAES at federal level, two local government agencies at the level of the states (AB and CD), and some municipalities.

Third, we identified the main public banks with which intermediary organizations established relationships for diversifying the offer of CDB financial services. In so doing, we identified three national public banks providing capital for intermediary organizations and CDBs, contracting the latter as correspondent banks or both: FlamingoBank, HeronBank and KiwiBank[1]. At state level, we determined two public development banks, LoonBank and OstrichBank, that also partnered with intermediary organizations to develop or adjust new products for CDBs. We established the nature of these relationships, the preconditions for cooperation, and their outputs and limits.

This complex institutional context – composed of communities, government agencies and public banks at national, state and local levels – is the backdrop for our cases. These institutions do not act in isolation, and changes at one level or in one sector can affect another level or

12 For reasons of confidentiality, we have changed the names of the states in question.

sector, as there are many overlapping jurisdictions. Therefore, multiple cross-sectoral and cross-level exchanges and influences exist.

Stage 2: Inductively analyzing the institutional work strategies for developing CDBs

The second stage of analysis aimed to identify the array of institutional work with these multiple actors for the diffusion and consolidation of CDB. We re-examined and processed the data in an inductive manner following the "Gioia method" (Gioia et al., 2013), an inductive methodology that is well-suited to theory-building. This process consisted of in three analytical steps.

First, we identified first-order codes emerging from the data. At this stage, the main institutional projects explaining the institutionalization of CDBs were coded into categories such as "Contacting local organizations and leaders" and "Participating in negotiation spaces". We started with 46 first-order codes, and finally selected 26 codes.

As the second step, we searched for thematic and qualitative relationships between first-order codes and gathered them into second-order themes. This was an iterative process that involved several discussions between researchers. We identified 19 second-order concepts, which we reduced to 10 as conceptual themes (Eisenhardt, 1989) that adequately reflected the institutional work strategies and enabling elements present in the institutional environments. Examples of second-order themes are "Mobilizing communities" and "Building local networks".

The third step consisted in consulting the existing literature to make sense of our emerging framework of institutional work with three types of actors (communities, governments and financial organizations). More precisely, we looked at the literature on the institutionalization of new organizational forms (Heinze et al., 2016; Tracey et al., 2011; Westley & Antadze, 2010; Westley et al., 2014). Building on this, we aggregated second-order themes into three aggregate theoretical dimensions: "Diffusing CDBs", "Institutionalizing CDBs" and "Creating and maintaining the CDB network". Figure 2 presents the data structure that emerged from this analysis. Illustrative data and supporting evidence for our analytical framework are shown in Table 2.

Figure 2: Data structure

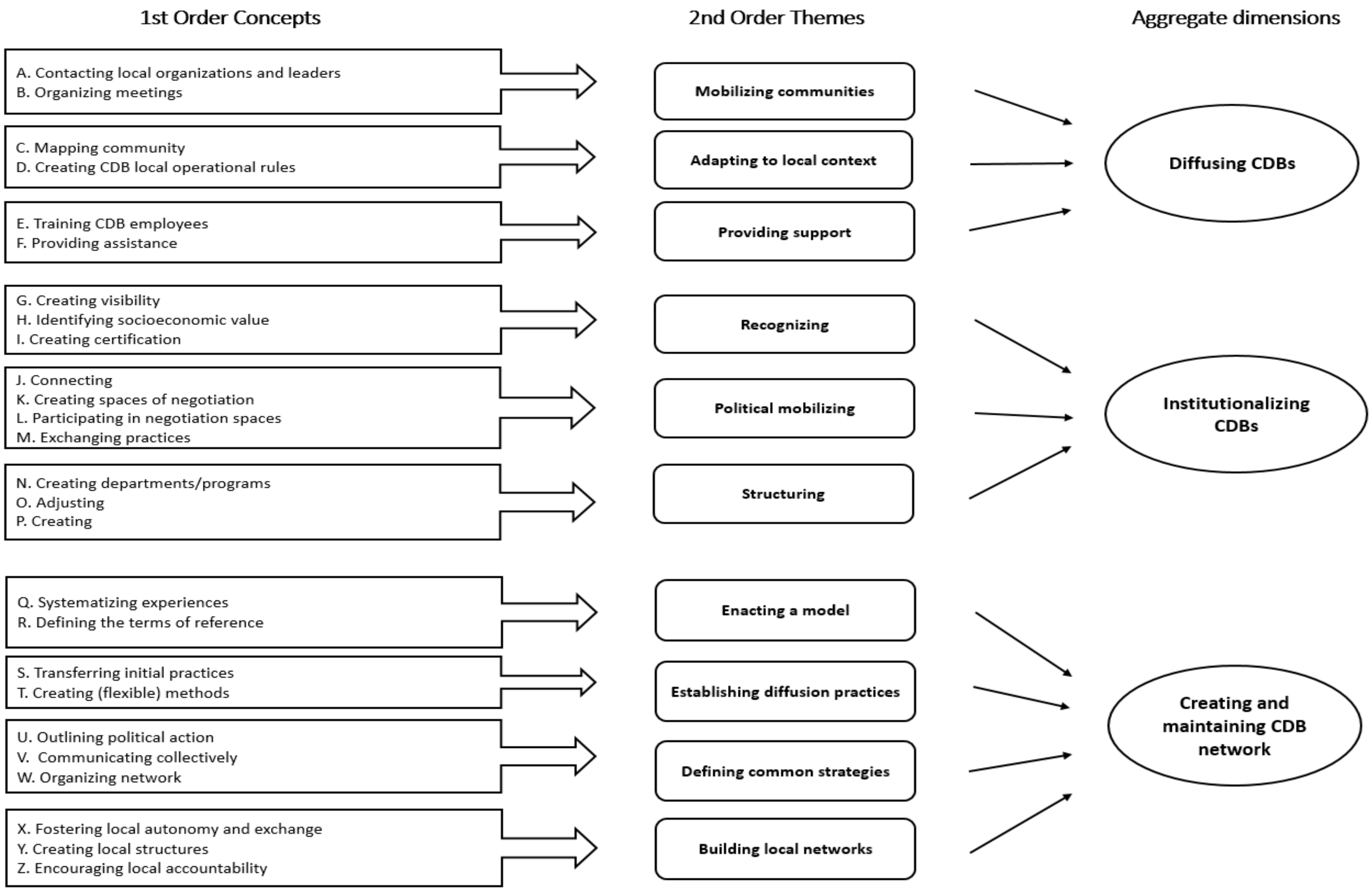


Table 2: Dimensions, themes, codes and data

Aggregate theoretical dimensions	***Second-order themes***	***First-order codes***	***Illustrations***
Diffusing CDBs	Mobilizing communities	A. Contacting local organizations and leaders	*The first step* [to implement a CDB] *is gathering people involved in the fight for community improvement (entities, neighbourhood associations, social movements, solidarity economy enterprises, local government etc.). This group will move the community around the idea of CDBs; gather people, converse, discuss.* (UNIWORK – archival data) *Sometimes they come here, a community leader comes here, sends an email or some institutional representative, in an event, a meeting, makes contact and so on.* (UNICOM executive #9)
		B. Organizing meetings	Internal document on CDB implementation and accompaniment mentions the following three steps as being the first actions required: "*preparatory meetings with community and public power*", "*seminars for sensibilizing and deliberating about CDB creation*" and the "*definition of a supporting team*". (COMBAN – archival data) *First, the seminar on the solidarity economy ABC, then we dialogue about what the CDB is, how it works, etc. Then we do the dialogue process with businesses, trade, with community leaders.* (BANTECHNO executive #23)
	Adapting to local contexts	C. Mapping communities	*Technicians go there to make some visits to identify, for example, if the demand is from the community or someone's head, more collective;* [they] *also assess the level of social organization* […] *Make a socio-economic diagnosis, to know the potential, the production and consumption of the place.* (UNICOM executive #9) SOCBAN developed a document explaining and providing a template to realize a "*production and consumption map*" of communities willing to create a CDB. This publication explains how the community can do the mapping, and face the difficulties encountered, as well as providing a template for a survey to carry it out. (SOCBAN – archival documents)

		D. Creating local CDB operational rules	*We will discuss the interest rate, which is a more practical thing,* [...] *what the credit lines will be, what the criteria will be to take out a loan in the CDB. We define things like the mission of the bank, the bank's vision, then the credit policy.* (UNICOM project manager #10) *So it was the community core that built the credit policy; what we did was say: "CDB people, you need to build a credit policy, set out in a document how much you will lend, to whom you will lend, give priority or not* […] *Discuss among yourselves and decide the best way to do it." In that way, we never interfered.* (UNIWORK program manager #35)
	Providing support	E. Training CDB employees	[CDB agents] *will go through a management training process. This process of management is designed so that the girls* [agents] *know about the management of spreadsheets, the importance of financial management, people management, are working with these tools of administration itself, which is a piece of work that a technician will do first.* (UNICOM project manager #10) In January 2015, PHILBAN organized an immersion for enabling CDBs in the South-East region to use a microfinance software package – with the idea of professionalizing from manual to computer management. Twenty CDBs were present and followed this training, provided by a specialized technician and coordinated by PHILBAN. The training was preceded by a CDB exchange of practices and experiences. (observation data)
		F. Providing assistance	*PHILBAN* [...] *is proposing the entity and helping other banks* [… it] *provides this role of mobilization, technical assistance, to help all those managing institutions administratively, legally and on accounting.* (PHILBAN director #46) *Our work is defined in the organization of communities through training, through technical assistance, with technicians trained by SOCBAN to lead the discussions between the bank, bank managers, and the promotion of existing banks in order to get consolidation. So, we want to consolidate CDBs; this is why we offer CDB technical advice.* (SOCBAN coordinator #58)
Institutional-izing CDBs	Recognizing the community enterprise	G. Creating visibility	*Over time,* [CDBs] *were becoming important, forming public opinion, appearing in the media, and then* [they] *started to have academics and intellectuals also researching and showing* [their social impact]. (BANTECHNO executive #15) COMBAN, UNICOM and PHILBAN managers were asked to present their action during the first Central

			Bank of Brazil forum on financial inclusion in 2009, with the objective to "*perform diagnosis regarding microfinance in Brazil and promote partnerships*". An entire day of the forum was dedicated to "*social currencies, community banks and other initiatives*", which gave these grassroots organizations great visibility among regulators, public agencies and market actors. (Central Bank of Brazil – archival data)
		H. Identifying socio-economic value	COMBAN invited multiple scholars and practitioners to write a chapter in its book celebrating the 15th anniversary of Banco Palmas. Important personalities (e.g. SENAES the National Secretary for Solidarity Economy, a Central Bank of Brazil legal counsel, and international scholars in social finance) emphasized the values of CDBs for financial inclusion, poverty alleviation and social justice. (archival data – Melo & Braz, 2013) [CDBs] *are very important to us; this is why we have to think about services that meet* [their needs …] *We have already flexibilized* [some elements for them]*; we have to see what is missing.* (KiwiBank executive #52)
		I. Creating certification	*Last year, we faced the battle of certification, because the Central Bank* [of Brazil] *implemented a rule that correspondent banks had to have certification. This was an immense surprise because KiwiBank demanded that the rule was adhered to, setting various target dates leading up to the end of December; otherwise, it would have closed the correspondents. We held on, we set up the course in AB with UNICOM staff, went into KiwiBank, homologated the course, because it was not only about designing the course, it also had to be approved, KiwiBank had to accredit it. We got it recognized and today we have the certification.* (COMBAN director #17) *The* [CDB network] *created the certification course with UNICOM and then succeeded after some time, to gain the certificate.* (Brazilian Central Bank general attorney #51)
	Political mobilizing	J. Connecting	*Various* [public] *organizations, and then I add not only the experience of AB, CD, but along with that there are other federal agencies, such as KiwiBank, such as HeronBank, therefore, these are banks such as FlamingoBank, which are federal entities like us here at the Ministry of Labour, which realized this relationship and took a chance on us,* [...] *and that our dialogue* [with CDBs] *reflected an example of what state public administrations could do. So, first I see it very naturally, but I am very proud, because we were coordinating it here; you also have a personal dimension involved in this, institutional and personal.* (Federal government executive #50)

			COMBAN had very strong visibility, it had a very strong brand, it had a very strong strategy with FlamingoBank. We did a workshop within FlamingoBank – [a French activist] *even participated – we brought Paul Singer* [the National Secretary of Solidarity Economy SENAES], *we brought some CDBs, at this time also the Central Bank* [of Brazil], *then, we had a strong debate in FlamingoBank.* (COMBAN director #17)
		K. Creating spaces of negotiation	*The* [AB] *State Council for solidarity economy is defined by law* [...] *This council has several fronts of work; one of them is solidarity finance. Those who participate* [are organizations] *working with solidarity finance, or are in fact credit cooperatives, CDBs, rotating funds or supporting institutions, along with members of the government;* [those] *from government are* [the AB solidarity economy agency], *OstrichBank* [and] *the Casa Civil* [the executive office of the President of Brazil], *which manages the state fund to combat poverty. And then, a work agenda has been set to support solidarity finance.* (UNICOM program manager #1) [We were] *invited for meetings* […] *We were seeing their needs, because* [KiwiBank] *is a social bank, we work more with social issues* [...] *then it is in this sense, we did some actions out to encourage them, how KiwiBank could help; we always helped.* (KiwiBank executive #52)
		L. Participating in negotiation spaces	"*You have the conferences, which are spaces in which government calls people to discuss policies in a defined sector*", such as plenary sessions and thematic committees on solidarity finance. These arenas gather social-movement actors (including CDBs) and policy-makers. The first sessions served to define a collective identity and outline the initial features of a national solidarity finance system. (archival data and interview data) At state level, UNICOM and CDBs participate in the working group for social finance composed of representatives and managers from the solidarity-economy state agency, state public bank, solidarity finance organizations (CDBs, credit cooperatives, and solidarity funds) and their related organizations. They all present their action (e.g. with PowerPoint presentations) and discuss the implementation of supporting policies. (archival data)

		M. Exchanging practices	*SENAES is within the Ministry of Labour and our state secretary is within the AB Department of Labour, at state level, and we are working together in partnership* [with SENAES]. *SENAES is running there, we're here too, so it's a good job because it strengthens the movement nationally and we increase reference to other states.* (AB government executive #8) UNICOM and PHILBAN organized a meeting between representatives of their respective state governments' solidarity economy agencies and state banks to exchange practices about support policies for CDBs. The actors explained chronologically the evolution of their policies, the different instruments, and their integration within the general government policies of poverty alleviation. (observation data)
	Structuring	N. Creating departments and programmes	*"During Lula's government, in 2003,* [Microcredit HeronBank] *was established, for the purpose of providing savings and credit services to lowest income populations.* […] *As part of the dialogues with public banks, there was a direct partnership between HeronBank and COMBAN, established in 2005. Under this agreement, CDBs would start offering correspondent-banking services* [and] *have access to a credit portfolio of BRL700,000, thus increasing their service capacity.*" (archival data – Neiva et al., 2013) "*From 2003, with the changes in the federal government [FlamingoBank's labour and income department] came the name of the Department of Economic Solidarity [...] seeking to incorporate a new and little-known concept, but pointing to a different way of looking at the problem of employment and income generation"*. COMBAN entered this department to access microcredit lines for CDBs. (FlamingoBank – archival document)
		O. Adjusting	[During the 2013 CDB national meeting] *I came and we managed to implement some things. We defined the limits, a differentiated contract; we succeeded – we had only around five CDBs* [as correspondent banks] *and then we just got the job done* [of getting to know other CDBs]. *Then we tried to adjust the standards and norms.* (KiwiBank executive #52) There is a special chapter for CDBs in the internal manual/guideline of KiwiBank for implementing correspondent-banking partnerships. The requirements for partnering are different if CDBs present themselves as CDBs and not as non-profit organizations, which requires different regulation. (observation data and interview data)

		P. Creating	*We succeeded, in CD state, in achieving something that was unheard for community banks, which was a public policy called "crediting".* (PHILBAN director #46) *And then comes the partnership proposal with OstrichBank, which is a bank, an AB state-development agency to oversee the possibility of creating a partnership with CDBs, so that this agency may be assisting in the creation of this fund for CDBs.* (AB government executive #8)
Creating and maintaining the CDB network	Defining a common model	Q. Systematizing experiences	*You will arrive at one thing called "Palmas methodology" – that is, around a certain experience, you conceptualize and transform it into a methodology, and that's the methodology that today makes the difference.* (UNIWORK program manager #26) During the first national meeting of CDBs, the three existing intermediary organizations and 12 CDBs gathered and shared their practices to systematize these experiences. Indeed, as is written in archival data, "*The CDB practice is recent in Brazil [...] Therefore, we consider it very important to record in writing, register experiences, retrieve ideas, thinking and rethinking our actions*." (archival data and interview)
		R. Defining the terms of reference	[The definition of terms of reference] *was done when the network started to function, and that was* […] *from 2007 to almost 2010* [...] *I think that in 2006/2007, the systematization work has been strongly developed that has served to implement the bank so far.* (COMBAN executive #21) COMBAN published in 2006 a little book explaining CDB history, terms of reference, objectives, community implications, and solidarity finance strategies. This document provided the basis for CDB community enterprise and methodology. (archival data)
	Establishing diffusion practices	S. Transferring initial practices	*In 2010, when these CDBs were still not as consolidated, COMBAN had to be the technical entity, because many of them, SOCBAN did not know what the hell CDBs were, even PHILBAN was very young, then COMBAN was the technical support entity to all these* [organizations]. *What was our work? To visit and provide technical support.* (COMBAN director #17) *COMBAN provided all the support for us at the beginning, so we know closely, we met, lived,* [the COMBAN manager] *came here, showed us what this philosophy of CDBs would be like.* (PHILBAN executive #42)

		T. Creating (flexible) methods	*There, you also have a standardization movement, like it or not, you have a part of the standard methodology that comes to CDBs and then you have the differences that the territories and each experience print in their daily lives. So, you can see a particular and standardized way of action, and differences in the adequacy of both the incubators as the experiences in their territories.* (UNICOM executive #9) [There are incubation] *differences sometimes at a didactic level, because the content is the same, follows a pattern. First in the Brazilian network: concept, steps, stages, it is the same that we follow, including because the request for proposal, the agreement with the Federal Ministry of Labour recognized these network procedures, recognized this methodology network and signed the contract with us to reproduce this method. So, only the didactic* [side] *is different in my opinion, how you transmit the content.* (SOCBAN coordinator #58)
	Drawing up common strategies	U. Outlining political action	*We were also able to discuss with the Brazilian Network of CDBs and also bring to SENAES our position on request for proposal ... of how it could develop and how the call could cover* [costs], *in the sense of bringing our demand, not to discuss the call because it is legally forbidden; we do not discuss the call, we discuss the demand we have in order that SENAES can assess it.* (PHILBAN director #46) Intermediary organizations and CDB national coordinators define their political action towards federal government to create a national system of solidarity finance. To do so, they also coordinate their action with the two other segments of solidarity finance organizations: credit cooperatives and rotating funds. Hence, all these networks gather individually and together to define and elaborate this project, and to adopt a common position towards governments. (observation data)
		V. Communicating collectively	*There are several communications that, whenever we discuss some important issue – a letter to a government or an action for a bank, a mobilization for Mr Whatshisname, a communication for Mr Whatshisname* [...] *– are always sent to all* [the network] *at once so that they all support, participate, define their position ... We sign and send.* (COMBAN executive #21) *"We will write a letter to the Central Bank* [of Brazil's] *President asking him to authorize the Brazilian Network of CDBs (and similar) also to be a certifier of these correspondents* […] *With absolute certainty, the Brazilian Network of CDBs has more techniques for training and certifying this new model of correspondent than do the current certifiers."* (archival data –extract from a position letter in the certification battle)

		W. Organizing networks	*"During the fourth national meeting of the CDB network in November 2015, intermediary organizations and CDBs decided to create the CDB National Association, also called the National Bank of Communities. This association represents CDBs, with the aim of promoting dialogue in CDB territories,* [and in] *public and private institutions, with the objective of structuring its action in the long run. Its elected board is composed of representatives of CDBs from all over Brazil."* (archival data) [The construction of local networks] *is very new, right? But the network meeting is exactly for this. I think in March* [2015] *there will be the fourth National Meeting and these* [state-network] *models will be presented ... the debate will be to have the system of systems.* (COMBAN director #17)
	Building local networks	X. Fostering local autonomy and exchange	*The construction of the state networks is what ... with the multiplication of CDBs, the states began to have a greater presence ... Here in AB, we now have eight banks; in CD, there are 11. Then it allowed a closer approximation with less cost for CDBs. Meeting nationally is one thing; in the state it is another, much easier. Then it began to strengthen these state networks, so we did it here in AB; the staff of CD are doing it,* [and] *also in Ceará, so you have those three focuses of more-robust state facilitation.* (UNICOM program manager #1) *We need to think about the network in terms of the actions directed today to strengthen this network, under which each* [CDB] *knows what the other is doing or may be doing* [...] *The actions are too loose, so I think the network has to advance.* (BANINDIGENOUS director #59)
		Y. Creating local structures	*During the national CDB coordination meeting, we observed that three intermediary organizations representatives started to explain their ongoing work on the construction of local networks. More precisely, they expressed their will to develop independent entities to provide microcredit to CDBs, have discussions with local government, centralize management. We perceived that each network has a different governance structure.* (observation data and interview data) *The idea is that there is an integrated system of which all community banks will be part, to have a database of CDBs, to allow greater management capacity and to support staff* [...] *and then, for example, have people such as* [a new credit coordinator]. *So the idea is this: maintain good local relationships with community banks and centralize things that separate community banks cannot do.* (COMBAN executive #21)

		Z. Encouraging local accountability	*We are here deploying a system like this; everyone who wants* [to join] *will also have to be director, co-participant, legally responsible – whoever wants to get in will be like this.* (COMBAN director #17) [Today, COMBAN] *works as an umbrella organization. We have experienced that throughout this process from 2003, 2004* […] *but since the first bank until now, we have experienced this umbrella experience and it really does not work; you just centralize all actions and all the problems in one organization.* (BANTECHNO executive #23)

Stage 3: Comparing intermediary organizations institutional work

The third stage of analysis consisted of comparing intermediary organizations institutional work. First, we defined the similarities between cases in their work with communities, governments and public banks at national, state and local levels. More precisely, we first discovered many similarities in that their diffusion practices and work strategies, such as following a certain defined but flexible diffusion method and influencing the solidarity economy policy construction.

However, many differences between cases appeared during this process. Indeed, even if intermediary organizations had developed similar institutional work practices, many idiosyncrasies influenced these processes and their outcomes. We highlighted the differences between cases due to diverse institutional environments (such as the presence of supporting state governments and public banks) and organization capabilities (such as political capital or research expertise).

Finally, we were surprised with the results on network creation and maintenance. Indeed, our initial objective was to understand the forms of institutional work between intermediary organizations and state/banking organizations. The surprise came from the extent of the internal institutional work done to support external work.

5. Findings: diffusing, institutionalizing and networking CDBs

The institutional plurality of the Brazilian context demands that intermediary organizations find solutions to guarantee the development of CDBs. Our findings show that three interdependent processes sustain CDB institutionalization. First, intermediary organizations individually adapt the CDB model to their local contexts and idiosyncrasies by mobilizing communities, adapting to the local context, and providing community support. Second, they perform external institutional work collectively at national level and individually at local level through recognizing community enterprises, mobilizing politically, and structuring banks. Finally, intermediary organizations accomplish internal institutional work that supports the previous processes by ensuring that they have enough internal coherence to defend the model while leaving some flexibility to adapt to local situations through enacting a CDB model, establishing diffusion practices and strategies, and constructing local networks of CDBs. Below, we examine each of these processes separately, and then analyze the dynamics of their mutual influence.

5.1. Diffusing CDBs: mobilizing, adapting and supporting

Intermediary organizations diffuse the new organizational form in different local contexts. Building CDBs in new settings requires the community enterprise model to be adapted so that it is accepted and can be sustained, thus facilitating self-management and autonomy for the organizations. Three forms of diffusion are taking place: mobilizing communities, adapting to the local context and providing support.

5.1.1. Mobilizing communities

The diffusion of CDBs induces a flexible and adaptable process in which communities are deeply involved. Because CDBs are self-managed organizations, they are independent from intermediary organizations, and so require strong community participation. Therefore, the community is central to the process of creating a CDB. The first stage of this process, according to internal documents and interviews, starts with contacting community social actors, such as local organizations and leaders, that will support the projects. A UNICOM project manager explained the process: "*Initially, you have that contact process with local authorities, associations, who are actors and institutions that will be supporting the project*" (#10).

Contacting the community also involves interacting with its informal leaders. According to interviewees, unofficial community representatives have a better feel for the community's needs and aspirations and can eventually become active agents for the network. Therefore, the intermediary organizations reinforce the message of the need to bring these people around to attending the meetings:

> *Informal leaders do not have the vices that formal ones have. So, we say to the officers, "Go, make your visits, but be aware of Dona Maria in this street. It would be a shame if Dona Maria was not in the forum."* (PHILBAN director #46)

The mobilization of communities often lasts around three to four months. However, this process is not systematically applied; it is adapted to the rhythm of the community. According to a

UNICOM project manager, "*what distinguishes one community from another is the time that they will take to incorporate* [this process …] *It depends on the territory, on the level of community involvement*" (#10).

After the initial contact, intermediary organization staff took the second step of community mobilization by organizing workshops, seminars and general meetings with community members, associations and public agencies. The idea is to start to educate local leaders about CDBs and their potential benefits to the community. Intermediary organizations members seek to paint a picture of the wider economic impact of the initiative:

> *From the contact with territory associations, we do some awareness-raising within the community, organizing workshops and general meetings with the community to find out if members really are interested in implementing a CDB – and not only a CDB, because in UNICOM we work with the prospect of deploying a bank, but around this bank we have other activities that make it sustainable.* (UNICOM project manager #10)

5.1.2. Adapting to local context

According to a UNICOM project manager (#10), the diffusion process in all regions "*always starts with listening to the community to find out if they have any interest, if they know what a CDB is*". After the community enterprise model is understood and accepted by the community, the work of the intermediary organizations is to understand how the CDB fits with the local context. First of all, the intermediary organization maps the production capacities of the territory, as well as the consumption habits of the members, in order to define: (a) the potential for creating socio-economic networks; and (b) the identity characteristics of that territory:

> *We do what we call "mapping", which is a survey within the community, with questionnaires, to see what potential activities that territory could develop with the bank.* (UNICOM project manager #10)

In addition, intermediary organizations work alongside communities to determine more-practical aspects, such as the CDB's operational rules. To do this, communities construct public spaces organized as forums where these matters can be discussed. Intermediary organizations attend these local debates but avoid interfering in the collective deliberation:

> *We encouraged them to create within the community a community-development forum, a first group of associations, random people interested in the subject, so we made a call: "On this date, we will discuss the solidarity economy and local development", things that appeared to begin a discussion. This discussion was continued by the people of the community who were implementing the CDB. And then, this core, formed by people from the community, was the core that decided CDB matters.* (UNIWORK program manager #35)

The intermediary organizations will help, for instance, to consider interest rates, risk-assess credit lines, and design and print currencies, but they will in no way prevent communities from designing their own instruments. Therefore, the financial instruments and management systems are adapted to local contexts. As such, in addition to the two lines of credit recommended in the CDB official national guidelines, several communities have created new financial services that best suit their socio-economic territorial needs.

Intermediary organizations respect the autonomy and self-management of the CDBs they create, but at the same time try to guarantee that the standard rules and regulations governing the field are also respected by the nascent CDBs, as one member of CDBDNO staff described:

> *We never intervened to say: "No, you cannot do this". What we said, for example, was: "You cannot lend money at more than 1%, because in Brazil there is the usury law, i.e. only financial institutions have the right to lend at more than 1%, and the CDB isn't one". Now, we warn them about things like that, but we are always trying to work with them.* (UNIWORK program manager #35)

5.1.3. Providing support

In parallel with mobilizing the community and adapting to the local context, intermediary organizations also create a support structure, particularly in the first year of the CDB. After identifying the people who wish to be involved in the community bank, the first task is to offer training to its future employees. This phase involves not only banking-management skills but also knowledge of the solidarity economy and citizen participation.

After the formal training period, intermediary organizations continue to provide technical and legal assistance to the local CDBs. For example, during our observation at COMBAN in 2011, we saw that the organization provided accounting support to 13 CDBs affiliated with this intermediary organization. Managers at COMBAN created a database to store loan information for the local CDBs, in order to ensure accuracy. This enduring relationship is somewhat paradoxical, given the intended autonomy of the CDBs. According to one PHILBAN executive:

> *There is a dependency; I do not know if it's really dependence* [...] *but they are always consulting us;* [our relationship] *is like consulting, you know? They act independently, do their stuff there, but when they have any questions, they consult us, and we help whenever we can.* (#42)

As written in one CDB's guide, "it is important to remember that each community has its own dynamic, meaning each CDB has autonomy in creating credit lines that will take account of different needs and realities" (UNIWORK – archival data). Although CDBs follow the CDB guidelines in creating productive microcredits in reais and consumption credits in social currencies, several of them created specific lines of credits, such as housing loans or loans for women beneficiaries of Bolsa Familia (Rigo, 2014). Some CDBs also created microcredits for young people and cultural production, but these cases are rarer. As a UNICOM director mentioned, differences in the diffusion process exist, but all organizations follow collective decision-making principles:

> *What do we incubate? Community banks ... so, there is an agenda of common principles on what a CDB is, what it should do etc. Regarding the way in which each* [intermediary organization] *incubates* [CDBs], *whether there is a difference* [between CDBs], *I don't know, because I have never seen how the staff work elsewhere.* [But] *its* [i.e. the intermediary organizations's] *principles and methodologies rely heavily on certain practices – popular education, meetings, workshops, joint decision-making.* (#13)

5.2. Institutionalizing CDBs: recognizing, mobilizing, and structuring

One type of support provided by intermediary organizations was help in finding local partnerships, particularly with local state actors and banks. Our cases show the work of the intermediary organizations at two different levels with two different actors. Nationally, the intermediary organizations collectively worked alongside federal agencies and banks to institutionalize the model. Locally, considering the specificities of each region, each intermediary organization worked individually (with support from the network) to legitimize the model in the eyes of local governmental and financial actors.

As we demonstrate below, there are some striking similarities and differences between the institutional work carried out by different actors and at the various levels. Intermediary organizations encouraged state and banking actors to recognize the CDB model and to undertake political mobilization to engage actors in the project. The institutional work of state actors was supported by the exchange of policies and practices between the federal agencies previously involved in the project and the local agencies. Meanwhile, for banks, institutional work included the material component of establishing CDB-type structures. Finally, in terms of the levels at which the work took place, political mobilization cut across both national and local contexts in order to win over all actors to the CDB project. Although intermediary organizations have similar strategies, the institutional context and organizational capabilities influence their institutional work. Table 3 compares intermediary organizations' institutional work with that of governments, public banks and CDBs.

Table 3 highlights the different institutionalization strategies deployed by intermediary organizations. As such, we can see that COMBAN plays a crucial role in influencing government at national and local levels, as well as influencing public banks to develop new products for CDBs thanks to its historical prestige and political relationships. COMBAN also connects CDBs through the national network and is currently creating a local network for CDBs. UNICOM and PHILBAN are also active at local level in creating CDBs state networks. The construction of these networks benefits from the local presence of CDBs they support as well as the access to public funding thanks to political mobilization at state level. These two intermediary organizations also influenced public banks in their respective states to design new microcredit products for CDBs. Historically active in CDB diffusion, UNIWORK is now acting as an intermediary between the federal government and the CDB network. This administrative function echoes the strong institutional links this intermediary organization has with the National Secretariat for Solidarity Economy. Finally, SOCBAN appears to be the least integrated intermediary organization. It does not carry out any particular institutional work aiming to influence banks or governments, nor does it structure a local CDB network.

This comparison reveals the variety in degrees of the institutional work carried out by intermediary organizations. The three historical actors, COMBAN, UNICOM and PHILBAN, have actively operated at both the national and local level. Not only have they advocated new products for public banks, but also exerted influence on governments to have their support in the creation and consolidation of CDBs. Furthermore, the aforementioned actors have organized CDBs into local networks. On the other hand, UNIWORK and SOCBAN obtained less significant outcomes in terms of CDB institutionalization. These differences between these two groups of intermediary organizations can be attributed to the organizational capacities of each organization, whether political connections or symbolic recognition, as well as the existence of institutions potentially open to support CDBs and change their regulatory regimes to include the new organizational form.

5.2.1. Recognizing the community enterprise

The first task was to generate visibility in federal agencies by mobilizing the social movement of the solidarity economy. In this way, the new organizational form gained visibility, including through public meetings with central actors willing to include civil-society organizations in public debates, such as the first forum on financial inclusion organized by the Central Bank of Brazil. In parallel, the work started to get recognized through awards and news reports: "*The awards give visibility, right, enough visibility. We can move forward, people start to believe, like "I didn't know, but there comes the media"."* (CDB director #59). After the CDB model had gained recognition, the next step was to explain how the new organizational form worked and how it could effectively make a positive impact on communities.

One example happened in CD state, where PHILBAN's staff contacted local public agencies to talk about microcredit. When these agencies understood the CDB model and saw its connection with their policy for low-income families, "*they realized that CDBs were very interesting initiatives and were working with the public that they wanted to include. That was a big change*" (PHILBAN director #46). A similar thing happened in many small cities:

> *Economically, poor municipalities see the CDB as a possible action to boost the economy of their territories. Very important CDBs emerged this way, CDBs that are now part of the Brazilian network, so to speak: Banco dos Cocais, in Piauí* [one of the poorest Brazilian states], *and many others that had direct support from municipal governments.* (UNICOM program manager #1)

Table 3: Comparison of intermediary organizations' institutional work strategies with governments and public banks at multiple levels

Cases	Work with governments	Work with public banks	Work with CDBs
COMBAN	As historic pioneer, this organization plays an important role at national level. It influences national policies through its participation in the solidarity economy forum and personal leadership. After an initial local success, it does not benefit from state-government support, but partners with several municipalities nationwide for CDB implementation.	COMBAN integrated an existing microcredit program and proposed partnering with FlamingoBank and HeronBank to access capital and make it available to other CDBs under its supervision. It played an active advocacy role during the "certification battle". In addition, it invited KiwiBank to adjust its correspondent-banking model.	Since 2003, COMBAN has diffused the CDB methodology, and passed the CDB incubation methodology to other organizations. It is presently constructing a local organization encompassing several CDBs in the city of Fortaleza, and also built a broader local CDB network.
UNICOM	This organization provides academic support and plays an important role at national level. It also actively promoted new government policies at AB state level (through participating in the solidarity finance working group), and partners with local municipalities for CDB implementation.	UNICOM played an active advocacy role during the "certification battle", and provides the training certification for CDBs. Its participation in negotiation at the local level influenced the development of a microcredit product for CDBs from OstrichBank.	UNICOM was the first organization to support CDBs after COMBAN in 2005. It supports the implementation and consolidation of CDBs in the North-East region and is developing a local CDB network in the state of AB.
PHILBAN	PHILBAN plays an important role at national level. It also actively promoted new government policies at CD state level, and partners with local municipalities for CDB implementation.	PHILBAN played an active role in the "certification battle". It strongly encouraged LoonBank to create a CDB microcredit product.	Since 2005, PHILBAN has incubated CDBs, first at state level and then in the Central-West and South-East Brazilian regions. Since 2013, it has facilitated a local CDB network in the state of CD.
UNIWORK	Since 2013, this organization has worked as an interlocutor between the CDB network and federal government. Moreover, it partners at a local level with municipalities to implement CDBs.	This intermediary organization coordinates national projects for the CDB network.	UNIWORK started to incubate CDBs in 2009 in the state of São Paulo and was in charge of CDB diffusion in the South region from 2010 to 2013.
SOCBAN	This organization plays a role at national level as part of the CDB coordination committee. During our field work, it met several times with state and local governments.	This intermediary organization has not carried out any particular work with public banks.	SOCBAN started to incubate CDBs in 2010. It supports the implementation and consolidation of CDBs in the North region (Amazon).

Bank managers also realized that this work could help them accomplish their goals and boost their image:

> *What we managed to do at the time was to frame CDBs as important and necessary for the KiwiBank,* [...] *we want to be there, in the community to provide this service* [… CDBs] *are important in this category. Important for what? For the image of KiwiBank.* (KiwiBank national executive #52)

Nevertheless, one important recognition factor—the effort to create a certification for CDB staff—caused much greater controversy, both locally and nationally. Essentially, the network wanted to develop its own training program and award its own diploma instead of following the standard course already in place for operating as correspondent banks: "*They* [CDBs] *understood that they could not, as community non-profit organizations, follow a course and a certification process given by the body that takes care of all the banks; they wanted a more independent process*" (Brazilian Central Bank general attorney #51). However, to comply with the new legislation, banks such as KiwiBank demanded that CDBs should follow a certification training program coordinated by appropriate organizations, such as FEBRABAN (the national federation of private banks), if they wanted to be recognized as correspondent banks.

Therefore, the network members engaged in a certification battle to set up and approve their own training. Specific training would be offered by UNICOM at the Federal University of AB, and would be characterized by the solidarity economy values. However, the network had to convince the financial sector, and mobilized its social networks and relationships in several institutions to certify its correspondent-banking training program. The battle to convince KiwiBank to recognize this program included all types of advocacy work, such as public letters and network mobilization.

5.2.2. Political mobilizing

The battle for certification described above highlights an important part of the political mobilization work carried out by the intermediary organizations. Once their model was known and understood, they had to politically influence the public agencies and banks to commit to the project. Through our analysis, we identified three steps as necessary at all levels and for all actors: connecting with these actors, creating opportunities for negotiation, and participating in this negotiation.

Establishing a political connection with state agencies and banks was essential to opening the dialogue about CDBs and partnerships with these actors. However, these links were activated differently depending on context. At the national level, with the recognition and support of SENAES, intermediary organizations relied heavily on their growing collaborations for recognition by other public and financial actors:

> *We can say that we approached* [COMBAN] *because of the secretariat of the Ministry of Labour, SENAES. There was already a dialogue and* [COMBAN's spokesperson] *probably asked to speak with us. We are not sure exactly how it happened; it's more likely that* [COMBAN's spokesperson] said "*call FlamingoBank here: We want to present a project" or suchlike, or he may have met with us in microcredit seminars too.* (FlamingoBank executive #38)

At the local level, it was the strength of intermediary organizations' local networks that helped create the necessary connection with local authorities. In Fortaleza, for instance, the relationship with a state representative got COMBAN through the doors of the town hall, which had previously been closed to it: "*We managed an audience through a colleague of ours who is a state representative*" (#23). Over time, in fact, some intermediary organizations' members developed a major network of influence in different regions and spheres at the level of local provinces and cities. One of these politically astute figures is PHILBAN's spokesperson, who – according to a CD government executive – "*gets along very well, exactly with whatever policy she is working on, so she relates to any government, whether state, municipal, federal*" (#41).

These contacts opened the way to – and benefited from – the creation of negotiation opportunities that facilitated the generation of mutual understanding and a more comprehensive view of the CDB model. Indeed, some governments set up and institutionalized two categories of participation and negotiation opportunities between the solidarity economy movement and public authorities for public-policy co-creation: (a) conferences where both these actors debated general policy; and (b) councils with fewer actors and more technicians, which debated and assessed what could be achieved at the conferences. As such, CDBs and intermediary organizations influenced national policy change by negotiating at these conferences and councils:

> *The Brazilian state created, especially after* [the launch of] *the Workers' Party, some mechanisms for popular participation; one is the Council. The Solidarity Economy National Council is a body set up by the state to debate or give opinions on the solidarity economy public policies. That is, the Council is composed of state agents and civil-society representatives to discuss or decide some aspects of solidarity-economy policy.* (UNICOM program manager #12)

Inspired by these negotiation opportunities at federal level, and by the efforts and advocacy with provincial governments, such opportunities for negotiation were replicated at the local level. For instance, in AB state, a state council was established, where solidarity finance was discussed between government/state public-bank members, intermediary organization and CDBs' representatives. The direct outcome of these discussions was the creation of two requests for proposals (in 2011 and in 2015) to create solidarity finance organizations. One government representative highlighted the importance of such spaces for meeting demands for social movement:

> *Each local civil society discusses its needs with us. It is not by chance that today we have a working group of* [solidarity] *finance, who wrote the request for proposal* [...] *In the working group, for instance, the different solidarity finance segments – the cooperatives, banks and rotating funds – did a survey about their real needs, what they must have in terms of equipment, structure ... they brought their demands and we, here in the state, made the request for proposal.* (AB government executive #8)

In addition, exchanging policies and practices appeared in our account as a specific element of institutionalization in the state apparatus. It included the organization of a dialogue between government bodies at different levels. This process began with national policies feeding other local policies at state and municipal levels. There was then an effort to adapt this national experience to local specificities. An interviewee explained:

> *These two cases that are* [CD] *and* [AB] *bring up a reality that is very natural in the history of Brazilian public policy: a new policy like* [this of the solidarity economy] *usually occurs at union level, the federal level, and then it is natural that other spheres watch, see what we're doing there and replicate in their reality.* (#50)

Moreover, we can also observe an exchange between states that have the same level of jurisdiction. In October 2014, for example, one researcher participated in a visit by AB policy-makers to meet with CD policy-makers to discuss their respective CDB support policies. He observed strong respect and interest on the part of these actors to find adapted and contextualized policies for CDBs. Public agents presented how CDBs responded to the priorities of state governments as well as how they legitimated their activities through the integration of state-development banks for funding microcredits.

5.2.4. Structuring banks

Another work stream specific to the interaction of a defined actor was the structuring of the departments, programs and services offered by national and local banks in line with the specificities of microfinance organizations and CDBs. At the national level, this structuring involved pressure by the national government to promote microcredit and the solidarity economy financing programs. Then, COMBAN profited from these new programs created by federal financial agencies. For example, in 2005, COMBAN integrated the national program for production-oriented microcredit launched by the federal government. It partnered with HeronBank's microcredit branch to borrow capital and distributed these funds to several CDBs. Similarly, COMBAN partnered with FlamingoBank in 2010 to access financial resources at lower interest rates. As a bank representative explained, it "*entered the formal microcredit line, just as regular microcredit OSCIPs* [the legal term for non-profit organizations] *would. There was no special line*" (FlamingoBank executive #38).

Again at national level, KiwiBank developed a special model of correspondent banking for CDBs. According to our observation during a national CDB meeting, this model was more flexible in terms of accountability and offered greater benefits to CDBs, such as better remuneration for the services provided on behalf of the public bank. This adjustment of the organizational correspondent-banking guidelines to CDBs was the result of a long process of rapprochement and dialogue between the public-bank staff and intermediary organizations, particularly COMBAN:

> [We created this new model.] *Because of this, of knowing, being invited to a meeting, because that's what* [COMBAN's spokesperson] *did. He did an event and called us,*

> *wanted us to take part in the lecture; he put us there in the community: "Come to see, come feel the need."* [COMBAN's spokesperson] *came here, talking to* [the former president of KiwiBank] *who began the relationship; it was the CDB network urging and calling* [people] *to come and know.* (KiwiBank national executive #52)

At the local level, the changes in banks were facilitated by the support of political entities and governments. This was particularly the case at state level in AB and CD. In charge of developing state policies, public banks were invited by governments to create new financial products for the CDBs present in the state, especially funding for microcredit. In CD, the state governor, the state agency for SME development and LoonBank – urged by PHILBAN and its spokesperson – met to try to solve the lack of funding for CDB microcredit.

Similarly, OstrichBank, the AB's state-development bank, is working on developing a microcredit product for CDBs and maybe other solidarity finance organizations (credit cooperatives and rotating funds). During the 2014 solidarity finance state meeting in AB, we observed that this project was supported by both government officers and state bank managers. The creation of the LoonBank and OstrichBank microcredit services, designed for CDBs, may also be considered as the adjustment or adaptation of state microcredit policies to these new organizational forms, as both public banks had already implemented local microcredit programs for small entrepreneurs.

5.3. Creating and maintaining the CDB network: enacting, defining and constructing

This work of diffusion and institutionalization by intermediary organizations at national, state and local levels with different actors required a high degree of coordination. Creating and maintaining the CDB network was, therefore, an essential element of institutional work to guarantee the support of the external activities. It was vital to guarantee a common structure and strategy while leaving the flexibility to deal with local idiosyncrasies. In our data, we found that four types of work were essential to achieving this delicate equilibrium: enacting a CDB model from practice; establishing diffusion practices; drawing up strategies; and constructing local networks of CDBs.

5.3.1. Enacting a CDB model

The first piece of work done by intermediary organizations was to build a common model that would serve as a reference point for the entire network during the diffusion of the new organizational form in different contexts. According to a UNICOM program manager, the model was enacted through local practices and experiences in the various fields:

> *It was exchanging experiences, improving here, improving there. We created a more-or-less common methodology, a part of the network ... it was a collective construction process that took place, with one party making a proposal, the other coming and improving it, until it came down to one thing.* (#12)

This systematization created what is today known as "the CDB methodology" and defined the terms of reference for each intermediary organization on its "*prerogatives and logic of how it would implement a CDB, how you work with it"* (COMBAN executive #21). Three intermediary organizations (COMBAN, UNICOM and PHILBAN) participated in this process, with the other two joining the network afterwards. However, as suggested in the above quotation, the reference point was not a static object, but an unfolding and mutable one that could and should adapt to all idiosyncrasies found in the different regional contexts where CDBs were to be diffused. Nevertheless, according to a UNICOM program manager, the methodology was still the main foundation of all their efforts:

> *The methodology spread over a base; it was not each one doing it the way they thought was best* [...] *although there are specifics in each place, but you find the same line of work, the same backbone, the same operating skeleton.* (#1)

5.3.2. Establishing diffusion practices

With the methodology established, the intermediary organizations also worked to determine how these practices would be diffused. In other words, it was important to define not only the content of the methodology proposed for communities but also how these actors would be approached and would participate in the creation of their local CDBs. In the beginning, this expertise was concentrated on COMBAN, which was then put in charge of transferring the initial practice to all other organizations. Therefore, its members traveled all over the country, and helped to establish the first diffusion processes:

> *COMBAN came to implement the banks – that is, we could not implement a territorial development methodology that was not the CDB based on the COMBAN methodology; hence, COMBAN was a partner and came to deploy CDBs here* [in São Paulo]. (UNIWORK program manager #26)

This threefold diffusion process (mobilizing communities, adapting to local context, and providing support) was eventually formalized in the network. Nevertheless, it was open to adaptation by local intermediary organizations. One of the members explained how, for instance, one of the main tools in this process – the "social-currency control sheet", which aims to organize the circulation of the social currency, from issuance to its return to the CDB – was also open to change:

> *Each incubator, with its specificities, imprints a little difference on these experiences. But, for example, even the social-currency control sheet used follows the example given by COMBAN. Why not make changes to the spreadsheet, you know? So you have COMBAN passing on* [the method] *to other organizations, a certain methodological standardization, but differences are inevitable in each incubator.* (UNICOM executive #9)

5.3.3. Drawing up common strategies

In parallel to this work, intermediary organizations drew up collective strategies. The first step was to outline a coordinated course of political action to advance the cause and achieve the desired results: "*In addition to the individual action of each CDB, the facilitation of a network with more political content, with more political propositions, was essential to achieve these types of government initiative, this kind of government attitude*" (UNICOM program manager #1).

Similarly, intermediary organizations collectively communicated on issues affecting the whole network. According to the members we interviewed, all important themes were discussed collectively. Indeed, if mobilization or political action was needed from all intermediary organizations, "*they always send* [notification] *to all at once so that everyone supports, participates and express opinions*" (#21). The battle for certification, discussed above, is one time at which the united strength of intermediary organizations was paramount to convincing state actors and banks that an adapted training course and diploma were essential:

> *It was like this: we met and made the claim. When KiwiBank launched this rule – the FEBRABAN certification to be in correspondent banking – the network gathered, sent the letter to KiwiBank, saying that it did not agree with the methods of FEBRABAN.* (PHILBAN executive #42)

5.3.4. Building local networks

Intermediary organizations worked to guarantee that all these actions would be supported by a suitable structure. Therefore, the last stage was to build and maintain the network. In areas where growth had been stronger, intermediary organizations tried to foster nodes where autonomy could be pushed further. This was the case, for instance, in AB, CD and the state of Ceará, where "*with the multiplication of CDBs, states began to have a greater presence* [...] *then we began to strengthen these state networks*" (UNICOM program manager #1). In that process, new demands were made for these intermediary organizations to act as catalysts for exchanging information and discussing with their local networks of CDBs:

> *I have already mentioned this in the* [AB] *network. Network meetings have to be training meetings, political education, political discussion of CDBs, and specific training techniques for day-to-day activities.* (BANSEA director #5)

All these demands mean that local structures should be created to support these needs. One of the projects of intermediary organizations is to evolve into a new format of network, in line with the development of local CDBs. The idea is to go beyond geographic limitations and create a real identity while allowing each region the freedom to develop its own solutions and decentralized networks:

> *I think the immediate future is that we will have state networks, regional networks of strengthened CDBs, with entities, with more centralized structures of representation and management, with more efficient management, using management systems, management software, with the greatest diversity of financial services for communities, in addition to microcredit and social currency, such as micro-insurance* [and] *electronic social currency.* (UNICOM program manager #1)

Finally, with these growing decentralized structures and actions, intermediary organizations are also increasing the accountability of local actors. This means that to enjoy the support and structure of the network, CDBs themselves will acquire much of the responsibility that originally lay with intermediary organizations. A new stage of development in the network is taking place:

> *The goal is to strengthen those banks* […] *they are always depending on us. Always. So what do we want?* […] *We want a structure independent from* [PHILBAN] *to reach the entire network. Today, PHILBAN does it, signs agreements, writes a project or gives training. So it's overload for us today. So we want a network that has its own structure.* (PHILBAN executive #42)

6. Discussion

We began our research by asking what kinds of institutional work were performed to support a new organizational form in an institutional context characterized by a plurality of institutions. We investigated how intermediary organizations diffuse and structure community enterprises and influence recognized institutional actors.

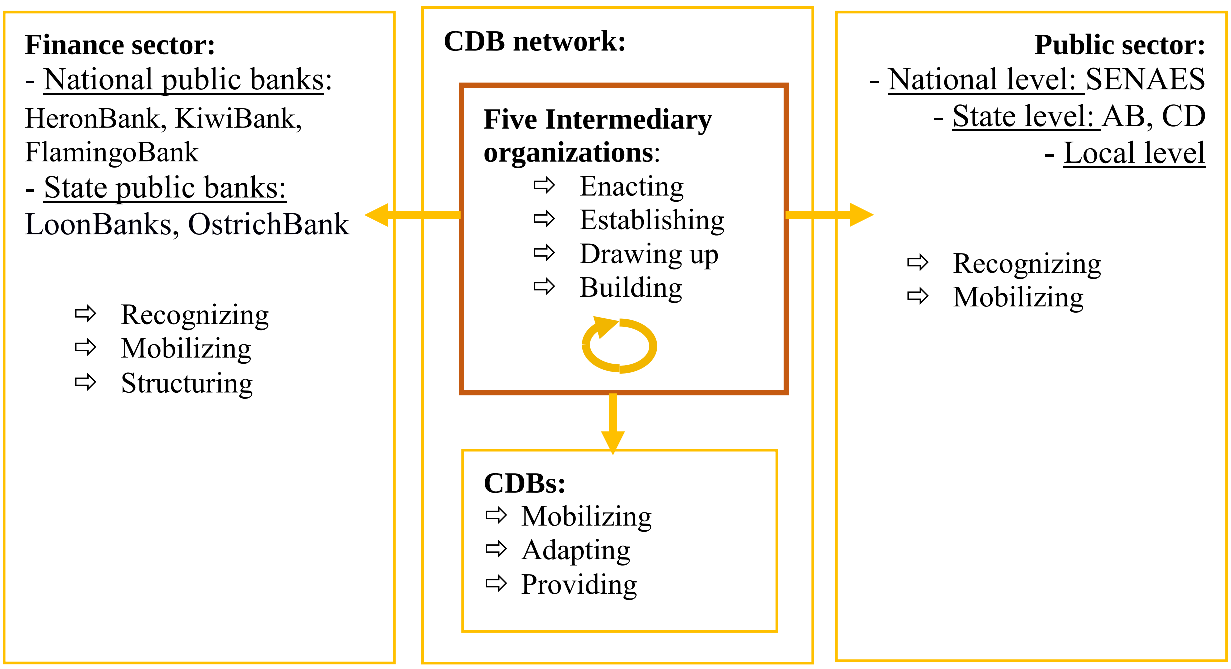
On one hand, our analysis showed how the diffusion of the new organizational form of the CDBs demanded local adaptation of the model, and also evolved into the setting up of a CDB network. The process of structuring into a network ensured that diffusion was built on a common CDB model and that all intermediary organizations followed similar diffusion practices based on participatory mechanisms. The creation of a CDB network aimed at consolidating and establishing the new organizational form, particularly by setting a common internal and external agenda for encouraging CDBs' activities and structuring their influence on institutions in their fields.

We proposed the concept of internal institutional work to refer to CDB diffusion, as well as network establishment. We argue that this internal institutional work was essential to guarantee the adaptation required for institutional diffusion and structuring in the plural institutional context of CDBs.

Internal institutional work is akin to internal legitimacy, defined by Drori and Honig as "*the acceptance or normative validation of an organizational strategy through the consensus of its participants, which acts as a tool that reinforces organizational practices and mobilizes organizational members around a common ethical, strategic or ideological vision*" (2013: 347). Internal institutional work ensures that all intermediary organizations follow a common system of norms and definitions whilst diffusing the new organizational form. The proper strategies and practices have to be validated at local level for CDB diffusion and at national level for external institutional work that has been collectively established.

On the other hand, institutionalization of CDBs at the same time had to follow a similar and distinct path for different actors and at different contextual levels. In other words, intermediary organizations adapted their strategies to influence government and financial actors at national and state levels. Therefore, while political mobilization was comparable for all actors at all levels, our study revealed that state actors and banks required different actions – respectively, the exchange of policies, and the structuring of departments and programs. We proposed the concept of external institutional work to refer to these institutionalization processes that involve policy-making for new regulations, structuring banking products and promoting the community enterprise model. Figure 3 illustrates this complex process of internal and external institutional work for the institutionalization of the new organizational form of CDBs.

Figure 3: External and internal institutional work and diffusion



These external and internal institutional works are mutually reinforcing. The spontaneous diffusion of CDBs by intermediary organizations attracted government support, which gave more resources to expand diffusion. A greater presence and diffusion of CDBs made it possible to give visibility and recognition to the new organizational form and strengthened intermediary organizations' ability to promote the community enterprise model and advocate for access to resources and new products from public banks. The external work favored access to resources to structure CDBs' actions and diffusion. Therefore, the diffusion of CDBs and the creation of a network provided sufficient negotiating clout, empowering them to the extent that they gained access to resources, and that access yielded a continuum of CDB consolidation.

In addition, this chapter provides new evidence of the role played by intermediary organization in creating and maintaining new organizational forms. These can be considered as bridging organizations (Brown, 1991) as they link and connect local organizations (CDBs), influence policy-making, and promote new products and partnerships with financial actors. The structuring of these bridging organizations into networks enhanced mutual learning of local experiences and increased the capacity to access resources. This allowed the organizations to effect change at the institutional level, which they could not have done independently, as the case of the certification battle illustrates. However, the plural institutional context in which these intermediary organizations operate gives them considerable ability to negotiate individually at local level.

This study of intermediary organizations adds an understanding of the dynamics of community enterprises in plural institutional environments. Recent research in the field (Westley & Antadze, 2010; Westley et al., 2014) has pointed up the necessity of the dual process of diffusion and institutionalization of social and community enterprises, but has also called for further investigation into the potential contradictory movements of diffusion and institutionalization.

One of the main contradictions between diffusion and institutionalization in our cases lies in the participatory process in action. More precisely, we showed that diffusion involves a variety of participatory strategies at community level, whilst external institutional work relies on strong leadership, personal contacts, and advocacy strategies. Even if CDBs regularly participate and are included in network decisions and strategies, external work with government and public banks appears to be concentrated to a greater extent in intermediary organizations. Of course, some exceptions exist, such as CDBs acting in networks and negotiation spaces. Nevertheless, this difference in participation can be considered as a potential contradiction between internal and external institutional work. One can argue that external work requires political, technical and leadership skills that are not present in all CDBs.

Our study exposes the effect of these processes on the multiplicity of fragmented and decentralized actors and levels prompted by the diffusion of community enterprises. As a consequence, different institutional demands and, most importantly, the targets of institutional work must be addressed by intermediary organizations and community entrepreneurs. Our findings suggest that institutional work for community enterprises that is diffused simultaneously should go beyond the traditional perspective of "a single clearly identifiable institution" (Empson et al., 2013: 809) and should pay attention to the multiplicity of institutional actors at different contextual levels.

Adding to this discussion, we contribute to the literature on institutional work and its nature in plural institutional environments. Through our research, we found that institutionalization in a context of plural fragmented and decentralized constituents elicits a specific structural response from organizations. In effect, the external institutional work on state actors and banks, in this plural environment, demanded internal institutional work to create and maintain a network of organizations capable of supporting these processes. The idea of internal institutional work that complements external efforts has been increasingly debated in recent research (Gawer & Phillips, 2013; Ocasio & Radoynovska, 2016). In our case, internal institutional work was performed not only within organizations but also between organizations. However, the premise of previous studies still holds true, since the animus behind such work remains to guarantee that the structure (whether organization or network) answers the demands of the (changing) institutional context.

Our study of the intermediary organizations' institutional work shows an institutional innovation that, despite the national recognition embodied in SENAES, remains in its early stages. The types of institutional work that have been done by intermediary organizations – recognizing the community enterprise and mobilizing politically – show that they are still a long way from full sedimentation of their new organizational form. Therefore, we would like to suggest that our study contributes to the literature on early stages of institutionalization and the concept of "negotiated settlements" (Rao & Kenney, 2008). According to these authors, innovations during the initial institutionalization process have to be constituted as settlements, i.e. "agreements have to be negotiated among parties [defending different projects] before new forms can be institutionalized as codes" (2008: 353).

We observed this process in the political mobilization performed by intermediary organizations in their interaction with banks and state actors. Thus, this chapter contributes to the literature by providing an empirical account of the settlement process and the institutional work involved in establishing it. In particular, we suggest that the work of creating and participating in negotiation spaces emphasizes the abilities required of intermediary organizations and community entrepreneurs to negotiate effectively across a variety of organizations. Furthermore, our study provides a different framework based on the strength of networks in addition to powerful subject positions (Maguire et al., 2004).

7. Conclusion

In this chapter, we analyzed the institutional work performed by five intermediary organizations to diffuse and establish community enterprises in Brazil. Our results suggest two strategies — internal and external institutional work — deployed by intermediary organizations to support new organizational forms. Internal institutional work refers to the activities linked to the diffusion and consolidation of the community enterprise. This encompasses the formalization of a new organizational model and the establishment of local networks. External institutional work concerns the activities deployed to influence state governments and public banks for new regulations and a change in their belief system. We provided new evidence of the mutual influence of and reinforcement between internal and external institutional work.

Our investigation brings a new perspective to the diffusion and the institutional work done by intermediary organizations. Their goal is to promulgate community enterprises and seek to institutionalize CDBs, working alongside established actors. The findings allow us to move from a view of new organizational-form diffusion and institutionalization as separate processes to a perspective on these two movements as being necessary and complementary for the consolidation and scaling of community organizations.

This chapter also investigated the institutional work done by intermediary organizations to diffuse and establish CDBs. We adopted a snapshot analysis of the work rather than a longitudinal investigation. The aim of this snapshot analysis was to examine the diversity and variance of intermediary organizations' strategies to respond to multiple institutions simultaneously. However, this work and these strategies have evolved over time. As such, a processual analysis of the development of CDBs would certainly complement our findings. From this perspective, it would be particularly interesting to capture changing complexity over time and examine how CDBs and intermediary organizations reacted and subsequently adapted their strategies. The gradual establishment of CDBs and the increasing institutional demands they faced engendered conflict between institutions. The certification battle is a good example of the clash between the financial and community logics. Hence, we think that further research should be conducted to investigate the structuring of CDBs amid changing complexity.

CONCLUSION

Conclusion

The commons is a concept that is increasingly widespread in the world of research and among practitioners. A growing number of social activists mention them as a grassroots alternative to counterbalance market and state forces in regulating social and economic life (Bollier & Helfrich, 2014; Klein, 2001). Accordingly, the commons are community institutional arrangements that aim to promote another way of organizing, with a view to sharing resources, cooperating among users, and creating communities. Despite a strong tradition in environmental and informational resources, little is known about how the lens of the commons could be applied to human-made resources. Thus, human-made commons face many organizational challenges in terms of management and governance, but also as regards influencing their institutional environment to consolidate and institutionalize their activities. This dissertation has sought to address these empirical challenges through a multifaceted analysis of financial commons. We focused on two types of social finance services and organizations, determined the extent to which they can be considered as commons, analyzed how they mobilize community institutions for building alternative institutional arrangements, and studied their scaling strategies.

Our conclusion is composed of five sections. First, we provide a summary of our work and findings. Second, we present our main theoretical contributions to social and community entrepreneurship research, organization theory, and social issues in management. Third, we establish some of the limitations of the commons and our research. Fourth, we examine some policy and managerial implications of our findings. Finally, we conclude by suggesting avenues for further research.

1. Summary

The objective of our dissertation was to generate theories on both the commons and social finance. We adopted an interdisciplinary perspective using organization theory, business ethics, new institutional economics, and research into nonprofit organizations and social entrepreneurship. More precisely, to understand the extent to which social finance services and organizations could be considered as human-made commons, we drew up four research questions:

Q1. To what extent do complementary currencies allow finance to constitute common goods, or commons?

Q2. Does community collective governance and management influence the inner characteristics of microcredit services, potentially transforming them into commons?

Q3. How do community enterprises create commons?

Q4. What kinds of institutional work are performed to support the diffusion and institutionalization of commons organizations in a plural institutional context?

Each question was tackled in a specific chapter. Chapter 1 provided a conceptual analysis of complementary currencies, specifying the extent to which alternative monetary systems can be considered as commons. To this end, we used two theoretical frameworks for the commons to examine the organizational features of seven complementary currency systems. We defined these two constructs as the new commons framework in organization studies and the common good framework in business ethics. The results suggest that these complementary currencies and the organizations that provide them can be considered as commons according to the common good framework, since they create new communities of exchange and common interest between users. According to the new commons framework, however, only systems relying on self-management and cooperation can be considered as commons. Building on these results, we suggested two new categories: "social commons" and "commercial commons". That classification enabled us to define an ethos of the commons, a principle that consists in organizing commons practices through both collective organization and ethical concern for human flourishing.

In chapter 2, we sought to identify the effects of community self-governance on microcredit services. Microcredits are usually conceived of and managed as private goods. However, some social finance organizations, such as community banks, organize these financial services in a self-managed and cooperative manner. Building on Elinor Ostrom's design principles of successful commons organizations, we proposed an in-depth single case study of Banco Palmas, a community development bank (CDB) in Brazil. We analyzed the governance features for microcredit resources management, and our results suggest that community self-managed enterprises can alter the inner characteristics of the private goods they provide. Specific organizational arrangements of self-governance and collective-choice arenas present in these grassroots organizations foster the inclusion properties of microcredit resources, making them hybrid. In this regard, hybridization of private goods occurs by mixing the characteristics of private and common goods.

In chapter 3, we further investigated how community enterprises create human-made commons. More precisely, we sought to understand the community institutional components used to set up and institutionalize shared financial resources as commons. We based this analysis on a comparison of five community banks in Brazil. Our findings suggest that four components are mobilized when creating commons in community enterprises: collective decision-making, community social control, servant leadership, and desire for social change. We proposed a model to explore how these factors interact to create human-made commons, and we theorized why commons are institutional substitutes for inefficient and contested institutions.

Finally, chapter 4 focused on how to diffuse and consolidate institutional arrangements for commons. More precisely, we analyzed the kinds of institutional work performed by five intermediary organizations to support the establishment and institutionalization of CDBs in Brazil. Our results shed light on three interdependent processes realized by these intermediary organizations. First, they diffuse CDBs in multiple communities nationwide and adapt the community enterprise to local idiosyncrasies. Second, they perform external institutional work by mobilizing governments and public banks at national and local levels. They influence governments and banks to support CDBs' diffusion and growth through partnerships and new product design. Third, intermediary organizations encourage and maintain CDB networks by establishing both the unified but flexible CDB model and dissemination practices. We characterized unified (but flexible) CDB diffusion, and the structuring of networks as internal institutional work carried out to support the establishment of CDBs. We showed the mutual interactions between internal and external institutional work.

All the chapters of this dissertation provide theoretical concepts and principles for community enterprises, nonprofits and voluntary organizations. We chose a multiple case-study approach and selected our cases as a “purposive sample” (Yin, 2014) to enhance theory building and the transferability of our findings. We considered our cases as an instructive opportunity to shed light on the general processes of human-made commons creation, management, governance and structuring. Even though each of our cases is unique and influenced by local idiosyncrasies, we are confident in the possibility that our findings can be generalized to seemingly-similar organizations in other industries and geographical contexts. This would be particularly the case of organizations having a demographic resemblance to the cases selected, namely other complementary currencies, grassroots organizations, and intermediary organizations acting for the creation and establishment of community enterprises. Yet, this generalizability has limitations, and our findings cannot be applied to all microfinance organizations or social enterprises, but rather to community and intermediary organizations sharing similar organizational features.

In this regard, we can state that our results could apply to other Latin American countries in which community organizations are active in responding to unmet needs. This would apply in particular to indigenous enterprises which build on collective action for setting up economic activities (Peredo & McLean, 2013). From this perspective, our constructs on commons generation may be applied and further developed in several Latin American countries. Moreover, our findings on the diffusion and establishment of community enterprises could potentially apply to other contexts characterized by institutional pluralism. This would apply to federal states around the world in which multiple institutions are present at local, regional and national levels, and would be especially relevant for continental countries, such as Canada, India and Russia, in which multiple institutional orders with autonomous local agencies are simultaneously influencing organizations' development and structuring.

2. Contributions to Commons and Social Entrepreneurship Literatures

The objective of this dissertation was to provide a set of empirical and conceptual papers for building theories on the "commons paradigm" (Bollier, 2011). In doing so, we proposed a new theoretical lens through which to investigate social and community entrepreneurship. We think that the commons paradigm provides a promising avenue for analyzing community and social enterprises. This research approach can be associated with the "emerging community of progressive management scholarship" (Adler, 2016: 123) that engages in conversation on the alternatives to traditional forms of businesses and state intervention (Dubb, 2016; Phan et al., 2016).

We believe that each of the chapters makes original contributions to progressive management scholarship investigating more precisely the nature of the commons, their governing institutional arrangements, their community institutional components, as well as the institutional work required for diffusing and consolidating them. Our first contribution is to provide a new typology of the commons, showing the variety of possibilities according to values, purposes and governance. This typology is based on a constructivist approach that defines the way in which commons are created and how this affects their very nature. It provides new insights into how commons can be classified, going beyond the traditional definition of common goods as rivalrous and non-excludable. Apart from this new classification, we believe that we contribute to the commons paradigm through a management science approach.

In recent years, there has been increasing interest in using the work of Elinor Ostrom to advance scholarly understanding of nonprofit organizations and social enterprises. In 2016, the Association for Research on Nonprofit Organizations and Voluntary Action addressed this issue in a special edition of its journal, *Nonprofit and Voluntary Sector Quarterly* (see Bushouse et al., 2016). Similarly, in an editorial for the *Academy of Management Journal,* Tihanyi and colleagues refer to Ostrom for examining the mechanisms of stakeholder engagement in decision making; they argue that such questions constitute “emergent, contextual trends that are reshaping of governance in organizations” (Tihanyi et al., 2014: 1539). Building on all this interest, we use Ostrom’s theory (1990, 2005, 2010) to study community institutional arrangements and collective decision-making mechanisms for assigning rights, duties and graduated sanctions to users of shared resources. One of the original aspects of our dissertation consists in using Ostrom's work in a new empirical setting: social finance organizations.

Therefore, one of our main contributions is theory building and mutual extension of both the commons and social entrepreneurship literatures. On the one hand, we argue that commons theory enables a better understanding of collective action in social and community enterprises. On the other hand, we consider that community enterprises constitute extraordinary cases of collective organizations, and so can provide new insights into the commons literature. We argue that these two theories are mutually reinforcing and extend each other.

First, the attention to collective action in the commons literature provides another way of dealing with collective dynamics and the creation of social value in social and community entrepreneurship. We provide new information about the involvement of local stakeholders in the creation, management and governance of community enterprises. We identify two institutional components enabling collective action in community enterprises, namely collective decision-making and community social control. The special attention we pay to the role of local public spheres for creating and governing community enterprises opens avenues for further research on the linkages between political deliberation and the generation of economic activity.

In doing so, our dissertation investigates how community entrepreneurship and social transformation are related (Daskalaki et al., 2015). More precisely, we provide new insights on the political dimension of community entrepreneurship (Barinaga, 2013, forthcoming; Dey, 2016). We argue that the co-creation of community enterprises and the constitution of shared resources create new possibilities of self-determination for social change. CDBs favor the development of new sociality (Hjorth, 2013), which is based on the willingness to create a more inclusive economy and to foster political democratic debates on community action. The local public spheres, shaped as counterpublics, engender the development of a new sociality in marginalized populations but with the objective of taking action for collective benefits.

The literature on social entrepreneurship often suggests that social and community enterprises are created in response to needs within communities that go unmet because the market does not function properly (Di Domenico et al., 2010; Mair & Marti, 2009). We investigate how collective action emerged in these areas, and we develop the construct of institutional substitute to qualify situations where community enterprises emerge in response to institutional inefficiency and marginalization. We determined the components of collective decision-making, community social control, servant leadership and desire for social change that underpin the commons literature. These components are determinants in the emergence of community enterprises and have not, until now, been subject to systematic analysis in the context of social entrepreneurship.

In addition, we shed new light on the institutional conditions that promote the creation and establishment of community enterprises. We investigate the institutional work done by intermediary organizations to diffuse CDBs, but also to influence, negotiate and associate in order to build and consolidate community enterprises in a context of institutional pluralism. The institutional dimensions of social and community enterprise emergence and structuring are important in social entrepreneurship research (Dacin et al., 2011; Smith et al., 2013).

Our overall theoretical contribution to the social entrepreneurship literature is to provide a better understanding of social finance. According to Doherty et al. (2014: 431), social finance is a relevant area for theory development in social entrepreneurship. We investigate the functioning of new organizational forms of social finance. More precisely, we study the institutional components present in social finance organizations to establish their activities and create human-made commons.

Finally, we address the call for more research on prosocial and purposeful organizations (Hollensbe et al., 2014). We show how community arrangements for social finance enable a more humanistic approach to financial management, based on servant leadership and social values. These social values rely on cooperation, solidarity, inclusion, and sustainability. In addition, they are closely tied to the notion of human rights. In the case of social finance in general, and community banks in particular, the founders and organizers of these systems argue that access to credit and monetary resources should be a right, since financial resources are a prerequisite for socio-economic integration. Considering access to financial services as a right induces a change in the manner they are conceived and provided. Accordingly, access should take precedence over solvency conditions because it has major repercussions on human integration and life. As argued by commons activists (e.g. Klein, 2001), this is a reason why certain goods, such as water or food, should not be ruled by market principles alone but by more inclusive mechanisms.

3. Limitations

We believe that the commons paradigm provides organizational and management alternatives developed by civil society to supplement market and state institutions in the provision of goods and services. However, several limitations and difficulties are present in these community organizations. By pointing to these limits, our purpose is not to discourage communities from establishing and managing human-made commons. Rather, we want to emphasize that creating human-made commons is difficult and cannot always be achieved.

First, our research reveals that guaranteeing community participation in governance and management is complex. Since each community is different, it has its own idiosyncrasies that will be reflected in participation. Conflicts between social and family groups, local inertia, and failure to understand the reasons for developing alternative institutional arrangements are barriers that hinder community involvement in grassroots organizations. Indeed, the pace and obligations of daily life rarely allow time for participating in collective-choice arenas. Social conflicts may discourage participation and cooperation among local actors. Moreover, some people may find it hard to grasp the principle of self-management. Several of our informants told us that many people do not want to take decisions, preferring instead to receive clear orders. In addition, community members may not see any need to change the institutional order if they are more conservative in their values. These elements can potentially limit participation in commons organizations to social movement activists and not gather the critical mass necessary for the functioning of commons. This may be the case in governing and managing arenas in community banks and also in complementary currencies that need a diversified network of users in order to function.

Similarly, managing financial resources is not easy; it requires professional training. In several community banks, we observed a lack of professional skills in credit management and classification of information. It can also be difficult to balance community management, sometimes close to amateurism, with professional financial management, which is more technical and less sensitive to social needs. As Brazilian community banks do not accept savings, they have to finance themselves through partnerships with banks. These partnerships require a higher degree of technical skill and an understanding of the accounting indicators used by the traditional financial sector. In consequence, there are two options: either community banks adopt these indicators, which can potentially push towards isomorphism and mission drift, or they advocate new financial products and indicators in public banks, which requires institutional work. We believe that CBDs pursue both options. They tend to adopt some of the managerial practices that are commonly used in the financial sector, such as the use of software for credit management and accounting reports, whilst influencing public banks to design new products for CDBs. In this regard, there is a double movement tending to professionalize and institutionalize CDBs by using more efficient and accepted practices and convincing banks to incorporate some community practices in their partnerships and norms. However, strong tensions can occur between community logic, based more on participatory management, and market and regulatory logics, which are more profit-oriented. We think that the success of community banks will depend on their ability to skillfully combine these two logics in order to maintain their anchorage in their communities and continue to partner with traditional financial actors.

This question leads us to an important issue that may prove to be a limitation of financial commons, namely economic efficiency. Gaining the rhythm to collect credit allocation information, and to discuss and possibly negotiate in order to best meet the needs of the community generates operational costs that may decrease financial efficiency. Indeed, most community banks do not provide enough financial services to be financially self-sufficient. There are different ways of evaluating the financial and social outcomes of these community organizations. The number of microcredits provided, correspondent banking services offered, and the amount of social currency issued are among the indicators of financial inclusion favored by community banks, which serve marginalized communities from which public and private banks are absent. Many informants argue that CDB efficiency should not be restricted to financial indicators, but could include social indicators linked to the improvement of poor peoples' capabilities to develop new entrepreneurial activities, improve their housing conditions, and develop new personal abilities.

4. Policy and Managerial Implications

Another contribution of this dissertation is to participate in the debate on the role that regulators and investors play in assessing and partnering with social finance organizations. The interactions with public and private sectors are crucial for the development of social finance services and organizations. More precisely, we think that the implications are threefold: regulation; public support through subsidies; and partnerships with private corporations.

By virtue of their social purposes and potential, these innovative services and organizations play an important role in societies and supplement state and market actions for economic development and social inclusion. Therefore, investigating how social finance functions and is governed is important because it allows regulators to construct suitable legal frameworks. Indeed, unsuitable legislation could result in the prohibition or illegality of these alternative organizations and practices, which would seriously affect their existence and development. The question of recognizing the legality of these community institutional arrangements and financial services is therefore crucial for them continuing to operate. For example, legal uncertainty over complementary currencies is one of the main challenges to these monetary arrangements, and an incomplete understanding by the legislator could lead to legislation that fails to differentiate between for-profit and nonprofit currencies. We hope that this dissertation provides resources and information for the design of precise lawmaking.

Legal status is important for partnering with more established organizations, such as governments. These partnerships with public institutions have been crucial for the development of CDBs, enabling them to access critical resources and scale their activities. Reliance on government support has been the subject of debate in microfinance, especially through the "smart subsidies" theorized by Morduch (2005), which are used to support emerging microfinance organizations until they reach financial sustainability. In the cases we explored, the use of smart subsidies has been critical for the emergence and scaling of CDBs. These subsidies may be justified on the grounds of the social mission that these organizations accomplish in deprived communities.

Partnerships with public banks and private corporations have been equally crucial for the development of new CDB projects and the diversification of their products. Usually carried out under corporate social responsibility programs, such partnerships require a deep understanding of how community organizations function. They challenge taken-for-granted corporate practices and ideologies. As we demonstrated, practitioners have already done a large amount of institutional work to explain how CDBs function, and we believe that academic research can contribute to these debates on new policies and the creation and design of product.

We hope that our results will have some policy and managerial implications, enabling not only regulators but also potential public and private partners to better understand social finance. Indeed, working out the actual logic of complementary currencies and the functioning of community banks is important to assess their social roles in societies. Hence the policy implications could be linked to the development of suitable regulations for social finance which would protect these human-made commons from isomorphism, privatization and destruction (as suggested by Périlleux & Nyssens, forthcoming). The collective nature of community organizations should also be taken into account when designing new public policy and appropriate private partnerships.

5. Directions for Further Research

This dissertation opens the debate on the relevance of human-made commons, a new phenomenon that is growing and drawing increasing attention. As the issue of human-made commons is still relatively recent, the perspectives for further research are manifold. More particularly, we suggest several lines of inquiry—commons, social entrepreneurship and research into organization theory—that merit further exploration.

Our research aimed to gather the different conceptions of commons. There is still little scholarly agreement on what a commons paradigm could be. Conceptual research that theoretically builds this paradigm into management science would certainly be promising because it could identify the different ways in which social actors understand the commons. Indeed, traditional natural commons (e.g. fisheries, forests, groundwater) are different from human-made commons, such as financial services, energy provision, and cultural goods. The links between the commons and human rights should also be narrowed as this parallel is often used by social movements and activists (e.g. Klein, 2001). We believe that identifying the boundaries of the commons paradigm in management science would be an important contribution to the field.

Similarly, in this dissertation we focused on the nature and governance of social finance resources. We believe that further research into other types of commons, for example in the agricultural, cultural and energy sectors, would be promising. It is indeed interesting to better understand how communities organize differently to provide food, culture and energy, based not on market or state, but on community needs with appropriate rules crafted by the users themselves. This research could be done on the nature and governance of resources in other geographical settings and by looking at how cultural norms affect the organizational arrangements for shared resources.

Links between social and community enterprises and the commons could be further investigated. Scholars have highlighted the potential of social economy organizations in creating commons (Nyssens & Petrella, 2015; Laville, 2010; Périlleux & Nyssens, forthcoming). This dissertation argues that social finance organizations are part of the social economy sector. However, the three traditional organizational forms of this sector—cooperatives, nonprofits and mutual funds—are fundamentally different in their organizational features, participatory mechanisms, and social and market orientations. We intuit that they could potentially create different types of commons linked to these organizational arrangements. This could allow for the emergence of cooperative commons, associative commons and mutual commons, even though these terms may overlap. We encourage scholars to better define the nature of the potential commons created by social economy organizations.

Similarly, we believe research linking commons organizations and emancipation would be promising. Indeed, many community organizations aim to foster institutional change and affect the ways communities consider themselves and implement new development opportunities. Understanding more fully how commons are used for social change and create new narratives for peripheral communities would be of great value. This emancipatory perspective on community entrepreneurship could be reinforced and gain in validity through the use of non-Western theories. For example, using Brazilian scholars such as the sociologist on organizational diversity Alberto Guerreiro Ramos or the education emancipation specialist Paulo Freire would be highly pertinent for highlighting the emancipatory dimensions of Brazilian solidarity economy organizations.

Another important avenue of research would be to better investigate the commons through an in-depth analysis of how they are experienced by users themselves. Phenomenological research would make sense of commons through the eyes of their users. Our scholarly interpretation was based mainly on how researchers, practitioners, managers and policy-makers understand the issue, but we paid little attention to users. This choice was mainly due to considerations of time and resources. A phenomenology of the commons (Mattei, 2012) would therefore make it easier to understand how the commons are experienced by looking at the ways in which users feel about the governance process, rules, resources and the performative project. Understanding the way in which commoners live and construe commons would be an important theoretical contribution.

Similarly, it would be interesting to contrast the viewpoints of the different stakeholders involved in the establishment and diffusion of CDBs. This comparison would probably reveal the tensions between actors' considerations and the presence of potentially incompatible institutional logics. We suggested some of the contrasting perception of CDBs in Chapter 4 but did not focus extensively on these aspects as our research questions addressed institutional work, not a comparison of logics. Comparing stakeholders' perceptions would therefore provide new insights on how new organizational forms can potentially affect the cultural and cognitive systems of institutions.

This type of phenomenological approach to the commons is equally relevant in the case of a polycentric system in which hierarchical units coordinate at different levels and have different communication channels. In the case of CDBs, we believe that analyzing the governance and exchange of knowledge at three levels would be particularly interesting: first among CDB network organizations, second among network organizations and their local networks, and third between these organizations and the community banks they incubate. We could continue with this phenomenological analysis of the commons by imagining that these governance bodies and their communication channels experience the rules differently, since there are many different interpretations depending on organizational and personal values, experience and education. We think that an important contribution to organization theory would be to understand how rules and practices are interpreted, adapted and diverted at different organizational levels.

Finally, we think that an in-depth inquiry into how these new organizational forms grew over time and coalesced into networks would be interesting. A longitudinal process study of the evolution of community banks' practices and partnerships with public and private organizations would be promising. Attached to this is the question of determining to the extent to which commons can grow and still stay embedded in community roots. Researchers could focus on the preservation of community dynamics when scaling. Community banks organize themselves into national networks that influence local practices. In this case, how do organizations balance local and national governance? Another very promising avenue of inquiry would be to examine the ways in which the three Brazilian solidarity finance organizations (community banks, credit cooperatives and rotating funds) cooperate and look for synergies in order to construct a national solidarity-based finance system. Comparing these solidarity finance organization models would make an important contribution to a better understanding of microfinance in Brazil. In addition, we believe that power issues and comparisons of underlying logics are still a key area of research for social finance.

To conclude, we hope this dissertation provides solid scientific evidence for better comprehension of community wealth-building commons organizations. We examine social finance services and community enterprises, and investigate how these organizations diffuse and institutionalize. We hope we have proved the pertinence of community institutions in the provision of goods and services and, therefore, the potential of an emerging commons paradigm in management science. Various implications have also been identified so that practitioners, regulators and managers can take the existence of grassroots organizations into account in their work. We firmly believe that these academic works contribute to and bring new perspectives on social issues in management, social entrepreneurship, organization theory and business ethics.

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DATA INFORMATION APPENDIX

Data information appendix

Appendix 1 : Interview information - in addition to daily and informal conversations.

Interview #	Organization	Title/position	Gender	Duration	Transcribed
#1	UNICOM	Program manager	M	80'	Yes
#2	BANSEA	Credit agent	F	123'	Yes
#3	BANSEA	Member of the credit approval committee	F	45'	Yes
#4	BANSEA	Credit agent	F	56'	Yes
#5	BANSEA	Director	M	82'	Yes
#6	BANSEA	Former credit agent	F	62'	Yes
#7	AB government	Executive, microfinance	M	110'	Yes
#8	AB government	Executive, solidarity finance	F	30'	Yes
#9	UNICOM	Executive, university professor	F	110'	Yes
#10	UNICOM	Project manager	F	214'	Yes
#11	UNICOM	Project manager	F	60'	Yes
#12	UNICOM	Program manager	M	48'	Yes
#13	UNICOM	Director, university professor	M	130'	Yes
#14	COMBAN	Executive, social programs	F	75'	No
#15	BANTECHNO	Executive, mico-insurance services	M	69'	Yes
#16	COMBAN	Project manager, technologies	M	54'	No
#17	COMBAN	Director	M	150'	Yes

#18	BANTECHNO	Credit agent	F	74'	Yes
#19	BANTECHNO	Executive	F	60'	Yes
#20	COMBAN	Project manager, technologies	F	44'	Yes
#21	COMBAN	Executive, microcredit services	M	80'	Yes
#22	BANTECHNO	Former executive	F	80'	Yes
#23	BANTECHNO	Executive, correspondent banking services	F	133'	Yes
#24	External expert	University professor	M	85'	Yes
#25	Community leader	Community leader	M	50'	No
#26	UNIWORK	Program manager	F	80'	Yes
#27	BANCULTURE	Executive	M	218'	Yes
#28	UNIWORK	Project manager	F	58'	Yes
#29	BANCULTURE	Executive	M	96'	Yes
#30	External expert	University professor	M	60'	Yes
#31	BANCULTURE	Program manager	F	72'	Yes
#32	BANCULTURE	Project manager	M	46'	Yes
#33	BANCULTURE	Executive	M	97'	Yes
#34	External expert	University professor	M	40'	Yes
#35	UNIWORK	Program manager	M	93'	Yes
#36	BANCULTURE	Director	F	62'	Yes
#37	Community leader	Artist	M	52'	No
#38	FlamingoBank	Executive, solidarity economy	M	120'	Yes

#39	Federal government	Executive, territorial development	M	69'	Yes
#40	PHILBAN	Program manager	F	84'	Yes
#41	CD government	Executive, solidarity economy	M	85'	Yes
#42	PHILBAN	Executive	F	57'	Yes
#43	BANHOUSE	Development agent	M	87'	Yes
#44	BANHOUSE	Credit agent	F	90'	Yes
#45	BANHOUSE	Correspondent banking agent	F	69'	Yes
#46	PHILBAN	Director	F	99'	Yes
#47	KiwiBank	Local executive	M	40'	Yes
#48	BANHOUSE	Development agent	M	63'	Yes
#49	Brazilian Central Bank	Former executive, microcredit	M	37'	Yes
#50	Federal government	Executive, solidarity finance	M	159'	Yes
#51	Brazilian Central Bank	General attorney	F	69'	Yes
#52	KiwiBank	National executive	F	79'	Yes
#53	External expert	Executive secretary of a social movement forum	F	41'	Yes
#54	BANINDIGENOUS	Project coordinator	M	72'	Yes
#55	Community leader	Community leader	M	62'	No
#56	BANINDIGENOUS	Executive	M	147'	Yes
#57	SOCBAN	Local coordinator	F	39'	Yes
#58	SOCBAN	Regional coordinator	M	36'	Yes
#59	BANINDIGENOUS	Director	F	52'	Yes

#60	UNICOM	Executive, administative coordination	F	54'	Yes
#61	Brazilian Central Bank	Executive, financial inclusion	F	45'	No
#62	SOCBAN	Executive, administative coordination	M	65'	No
#63	External expert	University professor	F	85'	No

Appendix 2 : Observed events – in addition to daily observations and visits to communities.

Events	Date
Policy exchange between AB and CD state governments	2014.10.23-24
UNICOM support to BANSEA	2014.10.30-31
State meeting of solidarity finance organizations in AB	2014.10.4-5
Meeting of CDBs national committee	2014.11.11
Meeting of solidarity finance organizations national committees	2014.11.12-13
Ceara CDBs meeting	2014.11.18
Cultural festival organized by BANCULTURE	2014.12.4-5
Meeting between BANCULTURE and UNIWORK	2014.12.09
South-East CDBs meeting	2015.01.19
Training for South-East CDBs on how to use a new software	2015.01.20-23

Appendix 3 : Archival data – in addition to internal documents consulted.

Title	Publisher
Banco Palmas 15 anos – Resistindo e Inovando	COMBAN & UNIWORK
Banco Comunitários de Desenvolvimento (BCD's) como expressão de finanças solidárias : por uma outra abordagem da inclusão financeira	COMBAN & UNICOM
Avaliação de Impacto e de Imagem : Banco Palmas 10 Anos	COMBAN
O Poder do Circulante Local	COMBAN
Bairros Pobres Ricas Soluções – Banco Palmas Ponto a Ponto	COMBAN
Bancos Comunitários de Desenvolvimento – Uma Rede sob Controle da Comunidade	COMBAN
Banco Palmas – 100 Perguntas mais Frequëntes	COMBAN
ELAS Uma Prática de Economia Solidária para Emancipação Socioprodutiva, Financeira e Bancária das Mulheres do Bolsa Família	COMBAN
ABC Oficina da Socioeconomia Solidária	COMBAN
Projeto Empreendedorismo para Sustentabilidade Ambiental	COMBAN
Bairro Escola de Trabalho	COMBAN
Memória das Nossas Lutas vol. 1	COMBAN
Memória das Nossas Lutas vol. 2	COMBAN
Educação Financeira para as Mulheres do Bolsa Família	COMBAN
Pesquisa : Saberes, Fazeres e Perfil dos Moradores do Território do Bem	PHILBAN
Bancos Comunitários de Desenvolvimento	UNIWORK
Banco Comunitários de Desenvolvimento : Sistemas Econômicos territoriais e gestão comunitária	UNIWORK
Economia Solidária	SOCBAN
Moedas Sociais	SOCBAN
Finanças Solidárias com Base em Bancos Comunitários	SOCBAN
Mapeamento de Produção e Consumo	SOCBAN
Solidarity Finance and Public Policy: The Brazilian experience of community development banks	UNRISD