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SOCIAL AND SOLIDARITY
ECONOMY CONSORTIUM

Enhancing studies and practice of the social and solidarity economy

A reference handbook

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Chapter 3: Ways of working of organisations in the social and solidarity economy



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Ways of Working of Organisations in the Social and Solidarity Economy

1. INTRODUCTION

The main characteristic of social and solidarity economy (SSE) organisations is that they operate based on identifying values and principles (see Chapter 1). It is important to be aware that establishing values and principles does not guarantee a different way of working; acting based on these principles is what marks the difference. Coherent action on the organisation's accepted values and principles cannot come about overnight. The challenge is to reach an equilibrium between the economic and the social, without the organisation losing its identity.

Due to the distinguishing features of social and solidarity economy organisations described in the previous chapter, their ways of working are unlike that of other organisations. This different ways of working and acting are dependent, however, upon certain external factors (e.g. favourable legislation) and other internal factors (e.g. awareness of the values and principles of social and solidarity economy organisations).

The choice of the model of economic management is not an easy task for social organisations. These mod-

els can condition and limit the scope of the practical implementation of the values which were formed the basis of the organisation in the beginning. The generation of management models that enable the coherent integration of the values of the SSE in practice is a serious challenge. These should also inform the policy frameworks which are inclusive and participatory.

KEY QUESTIONS FOR THIS CHAPTER

- What external and internal factors influence the ways of working of organisations in the social and solidarity economy?
- How do social organisations' ways of acting differ from other sectors in terms of: funding, internationalisation and marketing?
- How do the ways of working these organisations connect to the values and principles of the social and solidarity economy and what are the challenges?

Glossary

Ethical banks: the group of financial organisations which have ethical policies regarding the origin of their money, its destination and their mission to serve the common good (Federation of ethical and Alternative Banks (Federation of Ethical and Alternative Banks – FEBEA, n.d.).

Microcredit: small loans given to people with limited financial means.

Social Investment Fund: an investment fund that seeks to invest in social institutions that need funding to grow and to be self-sustainable operationally.

Crowdfunding: collaboration of people who create a network for securing funding or other resources.

Multi-localisation strategy: an internationalisation strategy that ensures new activity can be engaged in abroad without the closure of any pre-existing activities.

Management model: a work tool through which an organisation designs its internal way of working in terms of rules, decision making, distribution of roles and responsibilities.

Systemic management: is an approach that involves developing a greater awareness, sensitivity and understanding of how the parts and dynamics that constitute a whole (physical and social phenomena), are interrelated and interdependent, acting in a unified way.

Management model: a framework which reflects the logic through which an organisation conceives its inner workings in terms of key policies, processes of decision, distribution of tasks and responsibilities.

Procedures: modes, forms and strategies that are chosen for the attainment of objectives, through activities and within the limitations of resources

2. LITERATURE REVIEW

2.1 EUROPEAN PERSPECTIVES

The values and principles identified by social and solidarity economy organisations can vary from one to another and, consequently, the ways of working also vary. It would be difficult to summarise all the aspects of how these organisations work differently so, in this chapter, a few of the more important aspects have been selected: funding, internationalisation, marketing and management models.

It is not only internally that the specific ways of working of these organisations are determined, however. External factors also exist that are key to making this way of working a reality. To take two examples, the introduction of legislation for SSE organisations so they are able to develop and internationalise under the same legal framework and the emergence of alternative financial markets in which the organisations are able to seek more adequate funding. Without the development of these factors it would be impossible for such organisations to establish a different way of working.

External factors that impact on the ways of working of social and solidarity economy organisations

The following will be considered within the social and solidarity economy:

- a. Legislation
- b. Policies and programmes

a. Legislation

Institutional frameworks are a key factor for the size and visibility of the social economy (Chaves and Monzón, 2012). If well-developed, they give the sector recognition in three different areas (Chaves and Monzón, 2001):

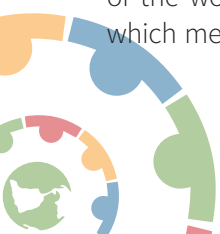
- Explicit recognition by public authorities of the different characteristics of these organisations and the need for them to be treated differently;
- Recognition of the capacity and freedom these organisations have for acting in any area of social or economic activity;
- Recognition of their role as negotiators in the process of making and implementing public policy.

Legislation on the SSE differs greatly across regions of the world and between countries in each region, which means the development of the field has varied

considerably from country to country. Within a single country, each part of the SSE could have developed differently due to more or less legislative development for that specific sector. For example, in the Basque Country, a 1978 law on cooperatives has stimulated greater development of the cooperative than any other legal status.

In recent years, many countries have chosen to establish normative frameworks for the development of social and solidarity economy organisations, among them Brazil, South Korea, Spain and Greece. Organisations in these countries have gained recognition in the institutional framework which, it is hoped, translates into greater development of the sector. It remains a challenge, however, to obtain a favourable legal context that would guarantee the creation and growth of organisations. The International Cooperative Alliance, for example, in its “Blueprint for a cooperative decade”, identified guaranteeing legal frameworks that support the growth of cooperatives as one of its strategic challenges.

The existence of regulatory frameworks in various countries not only contributes to the expansion of the social and solidarity economy in each country, but



also opens up the possibility for the internationalisation of such organisations from other countries, under the same legal structure as the parent organisations.

b. Policies and programmes for driving the social and solidarity economy

The existence of public policy and programmes that boost the social and solidarity economy is another key factor in its development. A long-term strategy, turned into concrete policies and programmes in the medium and short term, guarantees the development of the sector.

As before, important differences between regions and countries can be observed (Chaves and Monzón, 2000) but, in general, policies fall under four categories:

- Sectoral policies* are directed at a specific sector. For example, employment policies that refer to different parts of the social economy.
- Specific policies* are directed exclusively at the social economy sector.
- General policies* are directed at all types of organisation, including those that are part of the social economy.
- Exclusive policies* are directed at the private sector and exclude social economy organisations. For example, in Spain, energy policy excludes cooperatives from being energy distributors.

At the same time, it is important that policies directed at developing other areas of the economy exist, such as how the financial system operates. Developing an alternative financial system, creating and legislating for innovative financial products, could be advantageous to social economy organisations seeking funding.

Internal factors that impact on the ways of working of social and solidarity economy organisations

This section will consider:

- Financing
- Internationalisation and multi-localisation
- Marketing
- Governance and participation

External factors are key to the satisfactory development of the social and solidarity economy but it is internal factors that really help to differentiate the ways of working of organisations in social and solidarity economy from other sectors.

a. Financing

While seeking funding can be challenging for any organisation, it is an even greater challenge for those within the social and solidarity economy. The lack of understanding and legitimacy faced by these organisations makes securing necessary project funding very complicated. Moreover, not all funding sources available to organisations today are in line with the principles and values of the SSE, which further complicates funding for those organisations looking for their daily activities to be consistent with their values.

Social enterprises are very far removed from the plans of traditional financial bodies which means their capacity for social and economic action is reduced (Sajardo and Ribeiro, 2014). In addition to this, one of the sector's traditional funders, the mutual savings bank, have become smaller in number the following the restructuring of the financial sector in some European countries.

SSE organisations have depended greatly on public funding: it made up 70% of their budget in 2011 (PwC Foundation, 2014). The crisis has forced a reduction of funding for social aims, however, and necessitated access to other funding sources in the private sector.

While it is very diverse in terms of the size of its organisations, the economic reach of its activities and its business models, all forms of the social and solidarity economy share a difficulty in accessing funding. The solution must be different in every case, however, since the problem is also different. For example, an association that employs a group of farmers and sells fruit could solve its funding problem by introducing microcredit loans, while a multi-localised cooperative with its original headquarters in a developed country has to seek access to large investment funds to be able to carry out its expansion.



In this section, we will consider *alternative* funding sources that respond to different needs, that these organisations can access more easily and that comply with the ethical framework of these organisations. Although funding sources adapted to the specific needs of social and solidarity economy organisations are available, that is not to say that these organisations cannot access traditional funding sources open to all.

Below are some examples of private funding sources suitable for social and solidarity economy organisations:

Ethical banking: For Cotón and Castro (2011), ethical banking involves financial bodies that allow for social and environmental benefits as well as the economic benefits of conventional financial institutions. Usually, they are based on principles such as cooperation, sustainability and responsibility. Ethical banking projects tend to be based on transparent management and participation that stimulate the SSE, care for the environment, fair trade and social support. One of the central tenets of ethical banking is that investments are made following strict ethical criteria and banking credit is only given to organisations or individuals strictly meeting these criteria in terms of sustainability and social and environmental benefit.

Triodos Bank, founded in the Netherlands in 1980, is one of Europe's main ethical banks. It has a values-based banking model and uses the money of its clients and investors to loan to real economy businesses and projects in social, cultural and environmental sectors.

The following are the some other ethical banks in Europe:

Oikocredit, originally called the Ecumenical Cooperative Society for Development, was founded in the Netherlands in 1975 by the World Council of Churches. Now, it is an international ethical finance cooperative, using business and personal savings from developed countries to finance developing social business projects.

Fiare is one of the most developed projects in Spain. In 2003, 52 Basque social organisations from different fields (social inclusion, cooperative development, fair trade, agro-ecology, values education, cooperativism, etc.) founded the Fiare foundation with the aim of starting an ethical banking process (Santos, 2012). Ultimately, Fiare Banca Ética was created by uniting two

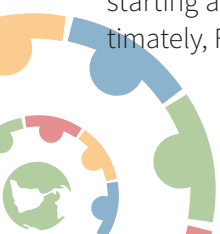
projects: the Italian cooperative bank, Banca Popolare Etica, and Fiare. The organisation has been working in Spain since 2005 and finances projects within the social and solidarity economy.

The European Federation of Ethical and Alternative Banks has members from more than 10 European countries. In its charter it proposes proactive criteria to identify ethical banks (rather than defining them by, for example, their lack of involvement in the arms trade). The criteria are based on the origin of money, its destination, its mission to serve the common good, and transparency in its own internal management.

Microcredits: Microcredit comes under the framework of microfinance, the objective of which is to universalise basic financial services (credit, savings accounts and forecasting, in/out payments, etc.), targeting people and groups that suffer financial and social exclusion (Cuesta, 2007). Although various experiences similar to microcredit existed previously, Muhammad Yunus, the Nobel Peace Laureate in 2006, and the Grameen Bank are considered the pioneers of modern microfinance. The goal of the bank is to award loans to disadvantaged people with the aim of helping them out of poverty (Gutierrez, 2005). The objective may not always be to reduce poverty but, from a more general perspective, they are taking care of those that have been overlooked. The end of the 20th century saw huge growth of microcredit in developing countries but since then it has expanded to more developed countries as a means of financial inclusion (Cuesta, 2007). For social and solidarity economy organisations, especially those belonging to the non-trading sub-sector, microcredit is an attractive funding source because many work with similar sections of the population (those overlooked by the economy generally), they are pursuing similar objectives (reduction of poverty and social inequality) and they are working under somewhat atypical principles and values.

Social investment funds

Vivergi, Europe's largest social investment fund was created in Spain. It is a risk capital fund for social impact, with the objective of accelerating the success of social enterprises tackling social and environmental challenges. It has funds of 50 million euros and is managed by Ambar Capital with the collaboration of ICO and Gala Capital, and alongside private investors. It is registered with the National Commission of Values Market (CNMV)



Creating a financial institution

Complicated as it may be, there are examples in the social and solidarity economy of organisations choosing to create their own financial institution to access the necessary funding for their development. The best-known case is the Caja Laboral Popular (now Laboral Kutxa) which was founded in 1959 as part of the Mondragon cooperative experience. Its objective, as well as cooperativising savings, was to be an intermediary in acquiring resources and managing and employing these resources to better the community, through the cooperative model (Altuna et al., 2008). The creation of the Caja Laboral Popular is recognised today as one of the success factors of the Mondragon model.

Crowdfunding is a socially-driven collective funding mechanism. It consists of gathering resources to fund a specific project through the collaboration of a network of people (Sajardo, et al., 2014) be it in the form of a donation or some kind of reward and/or voting rights, with the aim of supporting specific initiatives. One of the first crowdfunding campaigns came in the music industry in 1997, when the British rock group Marillion financed their tour of the United States with small donations from their fans, collecting a total of \$60,000. It was when a credit shortage, one of the consequences of the economic and financial crisis that began in 2007, further complicated access to credit that crowdfunding began to take off.

According to the Spanish Crowdfunding Association (2014), there are four types of crowdfunding:

- **Donation:** Donors offer money for solidarity projects without expecting anything in return.
- **Reward:** A contribution is made to a creative project in exchange for a reward in kind.
- **Investment:** The investor contributes a sum of money and may act or participate in the business as remuneration.
- **Loan:** A contribution is made in the form of a loan with some sort of interest agreed in advance as remuneration.

However, the types of crowdfunding that fit SSE organisations' values and daily activities are those based on donations and rewards. To launch a crowdfunding campaign of this kind, there are three options (Mata, 2014):

1. Create your own platform.

2. Use an existing platform that does not specialise in social economy projects.
3. Use a platform that specialises in projects of a social nature.

Some European countries, including Germany, France, Italy, the Netherlands, Greece and the UK have regulated crowdfunding (Comisión Nacional del Mercado de Valores, n.d).

Below are some examples of crowdfunding platforms for social and solidarity economy organisations in Europe (Mata, 2014; The REconomy Project, 2015; Crowdsourcing Week, 2015):

- **Miportación.org (“My Contribution”)** covers the needs of people in disadvantaged socioeconomic situations with small contributions of food, money, materials and volunteer time.
- **Trustpency** is the first Spanish ‘storytelling’ platform for NGOs, allowing donors to follow the evolution of their social projects.
- **Buzzbnk** which was the UK’s first crowdfunding platform specifically for social enterprises and charities with the ability to do loans-based crowdfunding as well as rewards-based. It is mainly owned by charities and foundations.
- **Shared Interest** is a UK-based co-op that lends to fair trade organisations.
- **Goteo** unlike other platforms, emphasises the open character of the projects and the collective social benefit. It is one of the platforms that was selected in the European ranking of crowdsourcing platforms.

b. Internationalisation and multi-localisation

In the current globalised economic context, many organisations have identified internationalising their activities as a source of competitive advantage (Bastida, 2007; McKenna and Richardson, 2007). SSE organisations are not exempt from this trend, although it is true that internationalisation is a challenge that these organisations in general still struggle to overcome.

Internationalisation is not a simple process (Collings and Scullion, 2012): it requires a level of funds that many organisations lack. The management of the organisation is complex and the transfer of an organisational culture founded on the principles and values of the SSE are immensely complicated (Monzón, 2012). In some countries,



creating certain organisations, often cooperatives, is not even permitted.

In a globalised economy, however, SSE organisations must carefully consider their field of action: in many cases, the organisation works in a single community and keeping within this natural field of work is a better option than internationalisation. In other cases, such as some large-scale cooperative groups, internationalisation could be a great source of competitiveness that helps the organisation survive. In fact, in such situations internationalisation stops being an option and becomes a necessity (Errasti, Elgoibar, Heras and Begiristain, 2002), which presents a new challenge: that of going international with a different form of business (Radrigán and Barría, 2007).

Faced with the challenge of creating a model for internationalisation based on the cooperative paradigm, there are perhaps two different strategies, the first based in international inter-cooperation and the second in creating subsidiary organisations abroad (Errasti, et al., 2002). The first option, involving stable collaboration agreements between cooperatives from different countries, is limited by the restrictions on the cooperative sector around the world and the considerable variation in the cooperative paradigm between different countries and regions. The second option, is also limited, this time by the fact that the cooperative model cannot always be translated into other contexts. In reality, however, the latter has been the strategy more widely applied by cooperative organisations (e.g. the Mondragon Group), despite accepting that it presents some contradictions from the point of view of the pure cooperativist paradigm (Sarasua, 2008).

The Mondragon Group multi-localisation strategy: a proposal for the internationalisation of cooperatives

Internationalisation is rarely an impulsive move. It normally follows careful reflection and is set out as a gradual process in which various plans are adopted that increase the complexity and commitment.

This was the case with the Mondragon Group. In the early days of the Basque cooperative movement, organisations essentially targeted the regional and national markets but, little by little, due to (a) Spain's incorporation into the European single market, (b) the globalisation process of the economy in general and

(c) following trends within the sectors the cooperatives belonging to the Mondragon Group (mainly the industrial sector organisations) chose to take big steps with its internationalisation strategy. Today, Mondragon has more than 120 production plants abroad.

The Mondragon cooperatives chose to design an internationalisation model adapted to their own identity (though not without contradictions (Sarasua, 2010)) and based on a multi-localisation strategy with the aim of avoiding the delocalisation of production that damages employment in the original organisations (Luzarraga, 2012). Studies carried out by the Mondragon Group show that these internationalised cooperatives have achieved better results than those which have not taken that step (Luzarraga, 2012). Arizkuren and Arnaez (2014) divide the Mondragon Group's internationalisation process into three different phases: phase one between 1956 and 1970, phase two covering 1971-1990 and phase three that starts in 1991 and ends in 2011.

The first phase was mainly focused on dealing with the regional and national markets and it was not until 1966 that the first international activity was recorded (Arizkuren and Arnaez, 2014). The first steps in the process involved modest exports to European countries (France, Germany, Italy). Spanish organisations made the most of the price advantage they had and set out to become familiar with more demanding markets than the national one. At the same time, steps were being taken to get hold of new technologies with the aim of being able to offer products of a higher quality.

The second phase saw an increase in exports and the introduction of commercial delegations, first in Europe and then to Asia. It was in this period that the first foreign production affiliates were introduced. The very first was an electronics cooperative in Thailand. Prices in the sector were more and more demanding and if the cooperative wanted to continue its activities, the only option was to transfer part of its production to a cheaper country, just as its competitors and even its clients were doing. The second was established in Mexico, instigated by the increasingly unfavourable exchange rate between local currency and the US dollar.

The third phase was the most intense in terms of internationalisation. As Arizkuren and Arnaez (2014) describe, the process was accelerated and the number of subsidiaries had reached 93 by the end of the period. Meanwhile, the corporation took on a proactive attitude and introduced nine corporate delegations in



strategic parts of the world. Finally, they began building several industrial parks in China and India.

The whole internationalisation strategy is easily understood from a purely market perspective but from a cooperative point of view there are a number of contradictions. In reality, the multi-localisation strategy does not always allow organisations belonging to the Mondragon Group to form under legal cooperative status and this can create a clash with a purely cooperative vision. For cooperatives competing in the market alongside capitalist organisations, however, internationalisation has been the only way to guarantee survival. Integrating organisations based abroad into the cooperative model is one of the most complicated and unresolved challenges of the Mondragon experience, as it does not depend entirely on the will and good work of the cooperatives.

c. Marketing

Marketing in cooperatives

Whyatt and Reboud (2014) developed an approach called *Marketing our Co-operative Advantage* (MOCA), which identifies advantages and strategies for co-operative marketing.

They argue that a clear understanding of the key features of the co-operative advantage can inform marketing strategy. Some of these advantages are identified as:

- They are seen in a positive light through their social benefits, e.g. empowerment and community support.
- They are regarded as trustworthy and unlikely to be engaged in exploitative behaviour.
- They are able to offer social capital as an advantage (citing Spear, 2000).

To adopt the MOCA approach, these authors argue that it is important that everyone in the cooperative organisation, from front-line to back office, understands what makes the organisation distinctive: that they understand the ‘cooperative advantage’ and how this is manifested in their products or services. This needs to be understood and seen as authentic by customers, in that the values espoused are genuine and clearly visible within the organisation.

Co-operative Food, a UK food retailer, is one of the best examples of commitment to fair trade (citing Nicholls 2002), and this has been a key element of its MOCA approach (p.264). Expertise in effectively sourcing fair

trade ingredients and the importance placed on relationships with fair trade suppliers has unified the economic and social dimensions of the co-operative agenda. The success of this strategy is underpinned by the focus on a values-driven business model and its competences in ethical relationship marketing in the case of Co-operative Food (p.266, citing Doherty, 2009).

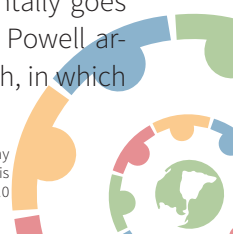
In times of crisis and public outrage, the trust and reputation built up over time by cooperatives can attract new customers. This was the case in the breakdown of trust between customers and ‘big banks’ following the exposé of illegal behaviour by banks, such as the Libor scandal in 2012. This drove significant increases in enquiries to mutuals, credit union and the UK’s Co-operative Bank (p.265). Caja Laboral Popular, now Laboral Kutxa, also chose to publicise its cooperative advantage during the financial crisis, running a marketing campaign in 2012 around the idea that “there is another way” of banking (Caja Laboral, 2012).

The basis for MOCA is a culture that embraces the values of trust, openness, keeping promises, and collaboration (citing Gebhardt, et al., 2006). These values need to become habits that are embedded in the organisation. Many retailers understand the value of ‘community’ and seek to build this as part of a brand image and competitive advantage (citing Miller, 1999). In the case of book retailers and banks they do this by installing sofas and coffee bars in their shops. Cooperatives have a head start in their understanding of this ‘community’ domain, as the appropriate cultures and related behaviours are much more habitual in a cooperative organisation (p.265).

The marketing of social enterprises

Research conducted in the UK by Powell (2015) focused on the marketing of day-care centres which provide work-based training and skills development for adults with learning, mental and physical disabilities and are operated as social enterprises.

The findings indicate that the managers of the enterprises understood, defined and had, in some cases, received training in marketing which was based on a products sales perspective taken from the manufacturing sector. This is an approach which focuses upon selling and single transactions, with marketing often seen as an external function and associated with being manipulative. This approach fundamentally goes against the social aims of the enterprises. Powell argues that using a service-oriented approach, in which



the business creates value for the client is more appropriate. This approach advocates building long-lasting relationships with key stakeholders of the service (citing Osborne *et al.*, 2013), focusing upon giving promises and value propositions (citing Grönroos and Raval, 2011). Within a service-oriented approach to marketing, everyone who works for the company is involved in providing a service (citing Gronroos, 1980) and assumes a part-time role in marketing.

The importance of building relationships is again reinforced by Technologie-Netzwerk Berlin (2009, p.60). Commercial enterprises tend to work in an anonymous market and therefore need to spend money on advertising. Social enterprises may gain more from focusing on relationship building with interested parties. According to Cholette and Kleinrichert, *et al.* (2014, p.61), this might mean organising or attending events in which consumers can be educated about the product through stories about its development and the social or environmental issues it seeks to address. They point out that even if the enterprise does not pursue significant direct-to-consumer sales, they can still raise awareness and build brand loyalty through speaking directly to consumers. They further suggest that offering a superior quality and clearly differentiated product is important. This difference might focus on the fact that it is local, or organic, or may provide an unambiguous promise to give profits to a recognised cause. Direct contact with the consumer also appears to be an important success factor.

d. Governance and participation

Given the nature of SSE organisations, governance is different from that of other organisations. The frame of action defined by the organisation's principles and values must give rise to governance based on solidarity and democracy (Juliá, 2004). SSE organisations, therefore, must not only create efficient management policies like any other organisation, they must do so under principles of responsibility and transparency (Muñoz and Briones, 2011).

In recent years, the literature has moved towards a study of the governance of SSE organisations, especially worker cooperatives, as they are collective organisations with democratic management seeking to promote solidarity, participation and responsibility (Marcuello and Saz, 2008).

As Chaves (2004) proposes, governance in worker cooperatives has two sides: policy and management. The policy side is where member workers can make decisions that will later be effected by the management side. Policy making is determined in the institutions where workers are the main players and decisions are made democratically: General Assembly, the board, the social council and internal audits (Muñoz and Briones, 2011). Policy decisions are carried through by the cooperative's management structure.

Workers also participate in the management side of the organisation. Participation is at three levels (Eurofound, n.d.):¹ at the job level, in the participation at a departmental level and in the strategic decisions of the organisation. The right and the opportunity the workers have to participate at both a management and policy level is really what sets the ways of working of social and solidarity economy organisations apart.

Human resource management

Human resource management views people in two ways, according to Doherty, *et al.* (2009, p.91-97). Citing Storey (2007): the *hard* strategic approach which views personnel as a cost to be minimised; and a *soft* approach which views employees as assets who contribute to the organisation. The authors believe that social enterprises may, in reality, use a combination of both. Soft models also regard individual and societal well-being as the outcomes of a coherent human resource management strategy. In this way, the management of human resources would link directly to the societal aspirations of many social enterprises. Citing research on housing associations in the UK, the authors warn against putting the delivery of the objectives of the enterprise before considerations of social capital, and as such behaving rather like private landlords.

The commercial and funding position of social enterprises may lead to job insecurity. Organisations face a challenge in preventing this damaging the relationship between the organisation and individuals. A strategy that reflects the value put on its workers, paid staff and volunteers alike, is flexibility at work – often meeting both organisational requirements and the need for a work-life balance of the individual (Doherty, *et al.* 2009, p.98).

1 <http://www.eurofound.europa.eu/observatories/eurwork/comparative-information/employers-organisations-in-europe>



Management models in social and solidarity economy organisations

Management models are tools through which an organisation designs its internal way of working in terms of rules, decision making, distribution of roles and responsibilities; in other words, the model that defines the ways of working of the organisation. Management models are usually expressed in graphic form so they are easier to interpret. Although the management model of every organisation is different, it is usual for social economy organisations to base theirs on people-centred principles and values.

Management models within the social and solidarity economy require a systemic and holistic approach, due to the complexity of working for a positive impact within the social, economic and environmental fields.

The following section provides two examples of management models in social and solidarity economy organisations.

a. The Mondragon Group's Cooperative Management model

Figure 3.1 The Mondragon Group's Cooperative Management Model



See the practical case in this chapter about the model used by the Mondragon Group to learn about how the model was created and a description of its elements.

b. Integral economics

Authors Lessen and Schieffer (2010) pave the way for a sustainable approach to economics, building on the richness of diverse economic approaches from all over the globe. They argue that neither individual enterprises nor wider society will be transformed for the better without a new economic perspective.

Their contribution to the social and solidarity economy is the integration of knowledge and understanding into a systemic and comprehensive economic frame-

work. They assert that in order to be sustainable, every social system needs to find a dynamic balance between its four mutually reinforcing and interdependent *worlds* and its *centre*. In other words, a living social system which consists of a:

- Centre: the realm of religion and humanity
- South: the realm of nature and community
- East: the realm of culture and spirituality
- North: the realm of science and technology

- West: the realm of finance and enterprise

They emphasise that a sustainable integrated society would have found a dynamic balance between its *Southern* environmental or animate sphere encompassing nature and community; its *Eastern* civic sector encompassing culture and spirituality; its *Northern* public sphere, encompassing governance,

science and technology; and Western, private sphere, encompassing finance and enterprise; and finally, its moral centre, encompassing religion and humanity.

The following table (Table 3.1) details the model, which based its development on the continuous interconnection of three integral domains: the vision of the world, enterprise and economics:

TABLE 3.1 TOWARDS A MODEL OF THE INTEGRAL ECONOMY			
Integral framework: Four Worlds & Center	Integral Worldview	Integral Enterprise	Integral Economics
	Four research paths plus a Centre	Four Transformed Functions plus Transformed Center	Four Economic Paths plus central Core
Center: Moral Philosophy Religion and Humanity	The path from inspiration to transformative action	Strategic renewal	Moral economic core
South: Humanism Nature & Community	Relational path	Community building	Self-Sufficient Economy
East: Holism Culture & Spirituality	Path of Renewal	Conscious evolution	Developmental Economy
North: Rationalism Science and Technology	Path of Reason	Knowledge creation	Social Economy
West: Pragmatism Finance & Enterprise	Path of realisation	Sustainable development	Living Economy

Source: Lesson and Scheiffer (2010)

All stages of the process are integrated under a process called the “GENE - IUS” comprehensive economic model (**G**rounding, **E**mergence, **N**avigation, **E**ffecting, combining the moral **I**nspiration with **U**niversal truth: giving the acronym GENE-UIS). Lessem and Schieffer argue that all these steps are necessary for a complete cycle of transformation. The model responds to four cyclical processes, complemented by one at the start and another at the end. All these processes take their inspiration from the moral economy linked to religion and humanity; encouraging the following processes:

- Grounding: the economic orientation which develops out of the nature and culture of the community and the possibilities of its geographical location
- Emerging: based on the fusion between the local and the global, self and other, for new relations to

emerge; an evolution where the economy and society are mutually invigorating

- Navigation: the fusion of the two previous processes: grounding and emerging which promote a new economic framework. This leads to the fourth process:
- Effecting: applying the framework. The micro-economic takes root and to form a new economic paradigm.

This is a continuous loop fed by moral inspiration and universal truth. This framework of integral economics is a continuum that is shown in the following table (Table 3.2):

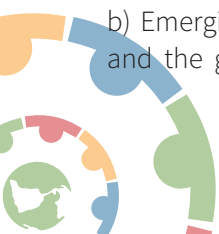


TABLE 3.2 THE INTEGRAL ECONOMY

	South	East	North	West
GENE-IUS	Self-sufficient community-based economy	Developmental culture-based economy	Social knowledge-based economy	Living life-based economy
E	Social business	Developmental enterprise	Cooperative enterprise	Sustainable enterprise
	Profits to Profiting Society	Survival to Co-evolution	Enterprise to Democracy	Growth to Sustainability
N	Subsistence economics	Associative economics	Open economics	Well-being economics
	Efficiency to Sufficiency	Competition to Association	Open Markets to Learning Society	Wealth to Well-being
E	Grassroots economics	Conscious economics	Network economy	Real economics
	Universe to Pluriverse	Energy to Consciousness	Hierarchy to Network	Domination to Partnership
G	Economic commons	Co-evolutionary economics	Common good economics	New economics
	Individual to Community	Development to Economic Mosaic	Economy to Society	Economics to Ecology
IUS	NATURE AND COMMUNITY	CULTURE AND SPIRITUALITY	SCIENCE AND TECHNOLOGY	FINANCE AND ENTERPRISE
	Moral Economic Core Religion and Humanity			

Source: Lesson and Scheiffer (2010)

The model of integrated economy in practice: the following chart represents the application of this comprehensive model to key management functions of a mental health organisation that caters for developmentally challenged people in India.

The model served to create the foundations towards an integral organisation, to which it was necessary to first understand why it existed through dialogue and reflection on the moral values that governed the economic management of its social enterprise model. The

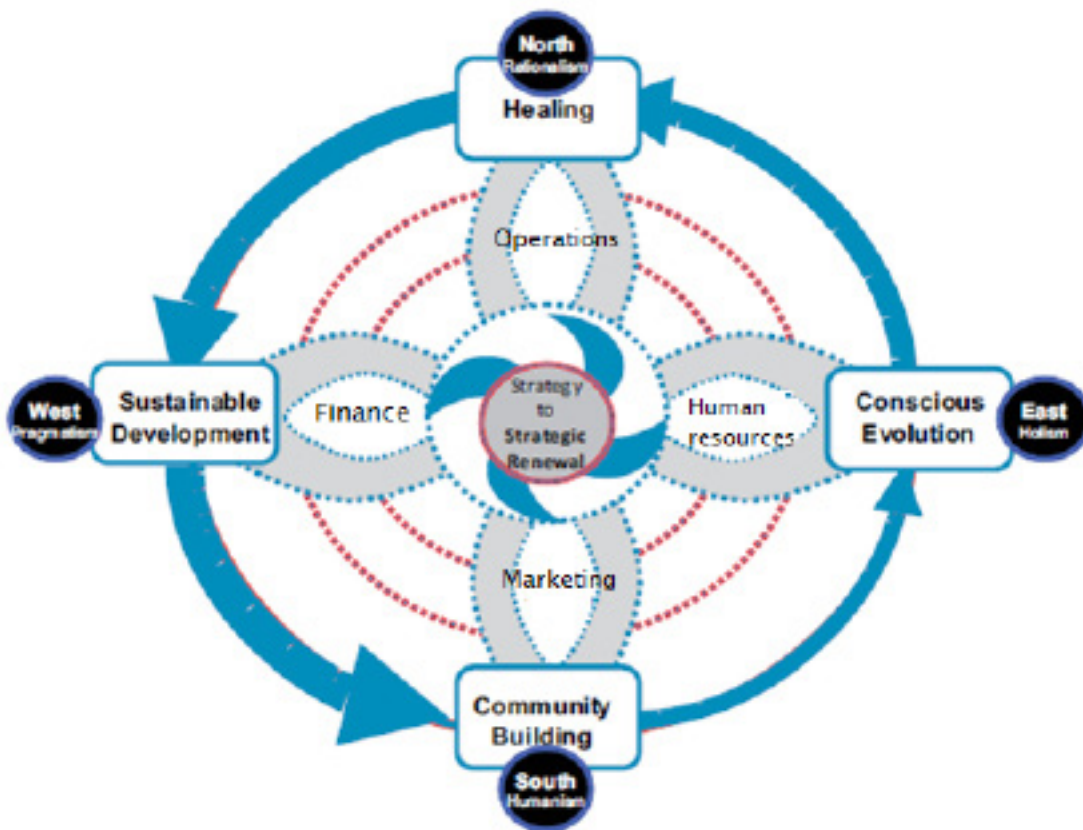
same name chosen responded to moral and cultural values of the country. AUM (almost always translated into Om) in the Hindu tradition is an original sound which brought the universe into existence. “A” means acceleration or productivity, so the various abilities of the beneficiaries of the organisation are optimized in such way that they feel valued by the creative ability to develop. The “U” means unity, understood as the creation process that starts from conceiving the idea. Its practical application in the organisation means that the same team work on a project from start to finish. “M” represents management, innovative methods and



Various workshops were programmed with managers and staff along with user/beneficiaries, to the extent of their possibilities, to define the key functions that required attention. Referring to the cardinal points of the model of Integral Economy, people identified four

elements that wished to reconfigure and organise differently to achieve a greater impact within the organization, as well as outside of your community: production/creation, marketing, human capital and finance (Figure 3.2).

FIGURE 3.2 INTEGRAL MODEL OF OM CREATIONS



Source: Khanna (n.d.)

a) North (rationalism): identified healing as the service they offer to the community; but at the same time, there was a recognition of the importance of considering the service offering in two directions. It was considered important not only to offer a good service for the user, but also the person who offered the service with quality and care respective, worked at the same time good living within the team and organisation.

b) South (humanism): the marketing was defined as community development, especially in relation to sensitisation and public awareness about the level and quality guarantee of products created and manufactured by people with developmental difficulties.

c) East (holism): human capital management was

linked to the spiritual development of the entity, with an emphasis on the importance of being a learning community both for all staff.

d) West (pragmatism): as important as management, methods and finances was the issue about who should participate in decisions around these tasks. This responding to the value of inclusiveness and co-responsibility of the members of OM Creations.



2.2 LATIN AMERICAN PERSPECTIVES

The rationale behind traditional microeconomic theory and that which underpins social and solidarity enterprise are very different. The former takes humans to be *homo economicus*, a rational, egoistic individual always preferring to act more or less according to their desires; the latter, in contrast, sees humans as cooperative beings, operating on the basis of “communicative action”², creating effective bonds that build a consensus.

The characteristics of communicative action, as opposed to strategic action, are imposed by a language that is shared between subjects, allowing them to move away from egocentric reasoning. Instead of explaining situations in terms of the individual interests and profit calculations of the interacting subjects, involved actors attempt to cooperatively align their actions in a shared world in which common interpretations are put first (Elgue, 2004, p.1).

Elgue maintains that in communicative activity, the strength of linguistic understanding becomes more appropriate to coordinating action. By considering *speakers and listeners*, agreements can be reached and the possibility of one imposing on the other is reduced. The coming together of understandings between communicators is maintained in culture, through which a cultural heritage of knowledge and values emerges.

This is what happens in peasant communities, for example, where important agreements are always reached in group assemblies, respecting established ethical codes, rules of the game many of which are “*still determined by the elder generation*”. In these communities, the individual and their property are respected, as is their right to self-determination, but at the same time, the community lives together and practises values of reciprocity, mutual aid and seeking the common good³. It is important to clarify that not

everything is perfect in peasant communities; these groups also face conflicts of interest and power.

The values of reciprocity and mutual aid are so ingrained in the collective imagination of those migrating from rural areas to the city⁴ that they continue to practise them among their peers (other migrants from the same village) and their precarious situation only galvanises them and strengthens them. This constant face-off with survival is a likely explanation for the *entrepreneurial spirit* in Peru that has emerged in the worst periods of economic crisis.

It could be said that the majority of the social and solidarity economy in Latin America arose from situations of poverty in disadvantaged areas, taking root and spreading through collective action by socially united groups, ready to tackle their problems and ensure their survival as a collective, putting the satisfaction of their needs before the generation of profit.

But not all solidarity enterprises are about self-sufficiency. Many cross into the field of business initiatives based on cooperation. A new economic rationale is emerging, where cooperation and efficiency combine and the spirit of solidarity meets the spirit of business. “Cooperation works as a vector of economic reason, producing tangible effects and real advantages compared to those produced by individual action” (Gaiger, 1999, p.199). Business efficiency in the social and solidarity economy, as well as the necessary conditions of technical qualifications, productivity and market strategy, incorporates cooperation and solidarity, promoting working together and for the benefit of producers. Solidarity at this level goes beyond community solidarity, which is not equipped for economic involvement in today’s society.

The traditional elements of production were land, work and capital. Now we also talk about the business elements, and capital no longer only refers to monetary or fiscal capital but also human and social capital, resources that tend to accumulate with respect to how much they are used. When we talk about the so-

2 Communicative action refers to the social action of language. It is an interaction in which subjects capable of language and action enter into an interpersonal relationship using verbal and non-verbal means. For more information, see Jürgen Habermas’ *Theory of communicative action*.

3 For example, in the communities in the Peruvian Andes, many of them very connected to the market through agricultural production, each person controls their own life but everyone works together to sustain resources, such as water, that will help them all do this. Maintenance of irrigation channels is an obligatory communal activity; whoever helps earns access to it, on a pre-established rota. Anyone who does not is sanctioned, losing their place on the rota. Complying with these established rules follows a system of cooperation, but also of incentives and sanctions.

4 It has been observed that the people or families that migrate are either those with sufficient resources for change, for example students whose peasant parents support them to go to secondary school or university in the city, or they are the very poorest, whose options have been exhausted where they are from so they almost have nothing to lose in seeking new ones.



cial and solidarity economy, the trigger is what Razeto (1997) calls the *C Factor*; it allows actions to take place that would be impossible relying solely on the traditional aspects of production.

The ways of working of the social and solidarity economy are based more than any other factor on cooperation and solidarity. Under this logic, by definition, individual interest in profit gives way to seeking the common good. The social and solidarity economy in Latin America operates in every sector, from agriculture to finance. Indeed, these two sectors are where the social and solidarity economy is most rooted.

The other part of the social and solidarity economy in Latin America comes from those who have not suffered poverty, were born into families that gave them access to social and economic opportunities, but who have decided to follow a path of solidarity and develop peer relationships with the less fortunate. This type of behaviour leads us to ask: are we in fact moving towards a new ethics, taking shape through the unique and individual means adopted by young people trying to build a better world?

There are two elements that cannot fail to be mentioned when referring to the ways of working of the market and marketing of SSE. The market is the means of demonstrating the value of what has been created through the exchange; marketing is understood to be the capacity of the organisation to create mutually beneficial links where the purchaser identifies with the mission of the social enterprise.

If we were to re-read what is understood by the market and marketing in SSE according to the work of Manfred Max-Neef (1986, pp.27-41), we could say that the latter are directed at the 'satisfiers' and not to the goods in themselves. The goods are the objects and artefacts which influence – increasing or diminishing – the impact of the satisfier, so changing the level of satisfaction of a need, either in a positive or a negative way. The satisfiers are forms of being, having and doing – of an individual or collective nature – which lead to the satisfying or meeting of human needs. A satisfier is the way that a need is expressed; goods are the means by which the individual experiences the satisfiers to meet their needs.

Max-Neef points out that when the production methods and the consumption of the goods elevate the goods to the status of ends in themselves, then the presumed satisfaction of a need takes away the possi-

bility of experiencing it to the full, leaving the way clear for an alienated society which sets out on a senseless route based on production. Living is at the service of the goods or artefacts and not the goods or artefacts at the service of living.

Basic human needs are essential attributes linked to evolution, the satisfiers with the structures and economic goods are objects which are linked to the circumstances. The satisfiers define the dominant way in which a culture or society sets out its needs. As a result, the "cultural shift is, amongst other things, a consequence of abandoning traditional satisfiers and replacing them with other new ones".

The interrelationship between needs, satisfiers and economic goods is constant and dynamic. Between them, there is a historical dialectic. If, on the one hand, economic goods have the ability to affect the impact of the satisfiers, the latter, on the other hand, will be influential in the generation and creation of the former. Through this reciprocal causal process, they become part of and definition of a culture and become determinants of patterns of development (Max Neef, 1986).

Laws that institutionalise the social economy and cooperativism in the region

The social and solidarity economy was practised by Latin American peoples long before any legislation existed. Its history dates to the pre-Columbian era, and is first noted in collective working methods in various cultures, often known as "minka" and "ayni". Its institutionalisation in law, however, only began in the region in the last decade of the 20th century (except Honduras, where there has been legislation since 1985).

Cooperativism, on the other hand, appears in legislation earlier; there are examples from the first half of the 20th century like, for example, in Venezuela (Cooperatives Law, 1910), Chile (Cooperatives Law, 1924), Argentina (Law 11.388 on the Legal Rulings of Cooperative Societies, 1926) and Peru (Supreme Decree 236 in 1944). The majority of countries passed their first laws on the subject in the 1950s and '60s.

The process of institutionalisation of the social and solidarity economy and cooperativism has been a heterogeneous one, with each government giving it a different emphasis according to its own goals and objectives. There is, however, a strong tendency in



the whole region towards state-introduced practices of solidarity and partnership. On the principle of subsidiarity⁵, the basis for participative democracy, states have delegated certain functions to the people, promoting self-management and participation processes among poor populations and furthering competition and enterprise in these areas. This coincides with the opening up of the market and neoliberal policies

5 The principle of subsidiarity recognises the autonomy every collective has for establishing its objectives and deciding the processes through which to achieve them. It also implies dialogue and participation from all members (individual and collective) of society to define, pursue and evaluate the country's global objectives.

through which the participation of the state in the economy is reduced. It is important to note also that the region suffered a deep economic crisis in the 1980s, partly generated by populist policies and large-scale, unproductive bureaucracy.

Social policy moved towards supporting and promoting self-management and collective action among the poor to tackle situations which, faced individually, were impossible and which the state lacked the sufficient resources to resolve. It is a policy subscribed to by NGOs, international cooperation movements and both the Catholic and Evangelical Churches.

2.3 AFRICAN PERSPECTIVES

In the African continent the concept of the social and solidarity economy (SSE) has very flexible boundaries as it sets out to combine a vision that has been inherited internationally with already existing local practices. For this, according to Borgaza and Galera (2014), rather than establish a legal boundary, it is important to look at two key elements in the organisations and informal groups that are being analysed: the fact that they arise as a response to a recognised need within the community and the fact that they have a collective nature or identity.

According to *The African Vision of the Social and Solidarity Economy*, a document produced during the inter-African meeting in Bamako, Mali in 2005, and which was published via the National Support Network for the Promotion of the Social and Solidarity Economy (RENAPLESS according to its Spanish acronym), the SSE offers a response to the globalisation of the markets

and the perpetuation of a situation in which the countries of the South are exploited and expropriated (p1). The SSE would enable the development of the countries of Africa based on endogenous values and essentially:

- In the production, manufacture and marketing of local products based on protecting the local food production;
- According to a logic of economic integration that starts from the bottom: bring about change and transformation first at the local level;
- Rejecting the policies imposed by the World Trade Organization (WTO) and the rejection of attempts to impose GM products, supporting at the same time, the protection of the local agricultural production;
- Creating opportunities for cooperation and associations South–South (RENAPLESS, 2005, p1).

External factors that influence the ways of working of the SSE

SSE organisations are influenced by a variety of external factors, especially geographical and historical, which account for their diversity. Borzaga and Galera illustrate in their analysis that it is clear that the models of SSE “cannot be adapted to different environments” (2014, p19) as, in the diversity of Africa, they take on many different forms. They note, however, some recommendations and pointers that they consider essential:

- The need to create a legal framework which, on the one hand, is sufficiently clear to define and deal with each organisation according to its nature but, on the other hand, sufficiently flexible to allow for organisations to appear which respond to local needs

but without imposing their emergence in specific sectors, using this sector for political ends;

- Strengthening the role of external players, including the State and public agencies, not only as financiers but also to support the increase of social economy organisations which already have an important role in development programmes;
- The importance of having competent managers and competent structures of governance, adapted to social economy organisations which, as we have seen, are governed by specific values and principles. In this sense, it is recommended that development policies commit to research and training pro-



grammes on matters of management and models of governance (Borgaza and Galera, 2014, p8).

For these authors, the African continent has the special characteristic of maintaining, in informal groups, a very social culture and to harness the strength of this characteristic presents a challenge to the social economy. It is important to ensure that the mutual support systems are more effective and widespread so as to achieve a greater reach and sustainability but always valuing its endogenous nature. The success of this challenge, they claim, will be to establish associations between different players whether formal or informal, public or private.

However, as was referred to earlier, attention must be paid to bringing in models that might not be compatible with the culture and local traditions. Often these might be incompatible with possibilities of success. RIPESS (2015, p.9) underlines the need for “public policies which support and make possible SSE and not policies which drive it.” They argue that it is possible to build SSE (research, public policy, etc.) based on the practices of those working in the field and concepts such as autonomous development, self-help and subsidiarity.

Policies and programmes for the promotion of SSE

Some examples of how policies and programmes can be positive for the development of the sector will now be discussed. In Santo Tomé y Príncipe (an archipelago situated in the Gulf of Guinea), for example, a programme of solidarity economy development based in the agricultural sector has been running for the last 15 years. It is based on the distribution of land and the development of initiatives that make them financially viable so that they can provide income to the families.

Internal factors that influence the ways of working of the SSE organisations

This section will consider:

- a. Finance
- b. Internationalisation
- c. Marketing
- d. Governance and participation

The support programmes in this sector and in the fishing sector, generated benefits which had a multiplying effect on the communities and the country. The cooperative model was normally the one chosen to put into place these private, family or community initiatives. Behind these programmes there are often private European companies in the area of fair trade or others which support the certification and marketing of the products (Ferreira Luis, 2015).

The SSE plays a fundamental role in the development of Mali. The Malian Government has adopted different methods to stimulate the development of SSE, especially through strengthening its institutional framework. One of the measures adopted was the setting up of the National Directorate of Social and Solidarity Economy Protection (DNPSES) within the Ministry of Social Development, Solidarity and the Third Age. The Malian national policy for SSE is directed principally at improving the institutional, legislative and regulatory framework to develop social entrepreneurship, strengthening the coordination and the monitoring and evaluation mechanisms of social businesses and to promote access to the goods and services produced by those involved in the social economy. In October, 2014, the National Policy on Support for the SSE was adopted (RIPESS, 2015). For its part, those involved in the civil society set up the National Network for the Support of the SSE (RENAPESS) in 2003 (Harvey, 2011).

The question to be asked is if, in fact, these processes of institutionalisation are allowing and facilitating the development of the SSE, respecting the traditional social cultures or if they are bringing in imported models, ill-suited to local realities ending up, breaking up the pre-existing informal links by formalising the structures and not creating something lasting and sustainable through being too foreign and depending on external players.

Besides the external factors, there are internal factors in the social and solidarity economy which influence the decisions taken and determine the way they operate.

Finance

The topic of finance is fundamental in the social and solidarity economy sector, especially because most of the initiatives arise due to the needs of the people and



are not included in the market economy. The topic of finance can be analysed at three levels: at the level of the community experience, at the level of the social economy organisations and that of the international programmes.

Since in the African continent a large proportion of the SSE initiatives arise from the spontaneous actions of the communities, it is important to mention the strategies for financing informal groups in which it is the members of the community themselves that are seeking solutions to their lack of money. At this level, financing depends on the creativity of the group to seek solutions through self-help mechanisms and through their networks of local, national and even international contacts who operate locally. Savings groups and revolving credit (which are dealt with in more detail in Chapter 6) are examples of solutions found by groups facing financial difficulties in their everyday lives.

With regard to SSE organisations, the main goal of this sort of organisation is the production and distribution of goods and services within reach of the needs of the people who they aim to serve in areas which are not provided for by private businesses or by the State.

According to Borgaza and Galera (2014), the main ways of solving these problems are to attract voluntary labour, organise fundraising campaigns and adopt differential pricing policies (different prices depending on the purchasing power of the client). These organisations, due to financial necessities, are often faced with difficult ethical decisions: i) being true to their mission or adapting to the interests of potential donors (e.g. support old people when the funding is intended for children); ii) accepting or refusing support from organisations or companies whose values and principles are not aligned with those of the social and solidarity economy and which can give rise to doubts as to their ethical status, such as accepting donations from multinationals who operate in the oil industry knowing the consequences that this activity can have for the people and the environment.

At the third level, that of international programmes and projects, it is important to point out that African countries, since the era of decolonisation, have had a high dependency on foreign aid. For Borgaza and Galera (2014), the international development programmes financed by international financial institutions such as the IMF and the World Bank have been based on two premises, the creation of competitive markets

(according to the Western capitalist model) and the consolidation of the democratic system, through the formation of an educated civil society. This means that national public policy of most African countries has been subject to the conditions laid down by international financiers.

The development NGOs have played a fundamental role in the introduction of these programmes since large scale international aid programmes have been instituted through them and through their access to finance and their involvement with local communities.

Internationalisation

A discussion of internationalisation in the SSE sector, especially in Africa, can pose some problems. Many of the initiatives in this sector are family, community or locally based. It could seem that this topic does not have a great deal of sense and that it would be more pertinent to focus our attention on the creation of networks. Only if we think about the most institutionalised sector (development NGOs, for example), where the models are almost all imported from other geographical areas, does the theme of internationalisation take on a greater relevance.

The setting up of networks, associations and advocacy organisations is considered fundamental to the area of SSE. In 2010 the African Network of SSE was set up, made up of networks of francophone African countries. It was set up as a space for dialogue, exchange and dissemination of information about SSE in Africa. It also undertakes an advocacy role with national and international governments and organisations. This network forms part of the Intercontinental Network of SSE (RIPESS) which organises world forums on SSE every four years, with the objective of providing learning opportunities, the exchange of information and collaboration. RIPESS defines some strategies for the future of the sector and argue that: "It is necessary to strengthen the local, national, continental and international networks of SSE. These networks are important to support the practices of those on the ground with tools for research, the development of public policies and marketing. We need an active leadership to bring together the initiatives that are taking place in different countries around the values of SSE" (RIPESS, 2015, p.9).



Abreu Santos (2015), a researcher from the Cape Verde islands, underlines the importance of the creation of networks so that the SSE movement can have the power to exert an influence at a local and international level and so that it might guarantee access for social enterprises and SSE organisations in the global chain of goods and services. These networks, Abreu Santos continues, have played an important role in the innovation and creation of associations between developing countries, including states and private businesses with a direct impact on the lives of the most vulnerable people, amongst whom figure women and children, facilitating access to resources, food, information, knowledge, education and the markets.

These organisations participating in networks can also become stronger by disseminating their own ways of working more easily based on the incorporation of economic, social, cultural and environmental factors in a coherent whole which can influence and affect the mainstream models.

The need to grow which has been identified as essential by many authors, including Borgaza and Galera (2014) can be met by a very effective formula of setting up networks of members. This allows organisations to remain small and enjoy the advantages of this, but be able to access the benefits that only large organisations can enjoy by virtue of their scale.

It is necessary, however, to take into account the African culture in these processes, not ignoring the close personal contact which comes about with face-to-face contact.

Marketing

One of the challenges of the SSE is to increase its visibility. Being unknown by a large proportion of the population, at least as an organised sector with both theoretical and practical support, this sector needs an awareness programme that will allow for greater knowledge of and commitment to it.

SSE organisations, by being dependent on finance external to the institution, have to pay great attention to international marketing so as to project to potential donors a credible confident image which can only be done by being transparent in its dealings and by creating relationships with established associations.

Borgaza and Galera (2014) talk of the importance of having networks of social economy organisations, especially in the area of cooperatives, which allow for a pooling of resources to put together a common marketing strategy within the same network which projects an image of credibility and which provides a seal of approval of the work of the network.

In the RIPESS (2015, p.9) document, the audience and the strategies that were considered vital for a greater level of awareness of SSE were identified. In terms of target groups, the general public, potential supporters and those participating in SSE initiatives who may not identify with, or we might add, not know about this economic model. In relation to the strategies, two were considered fundamental: education and communication. Education was understood in terms of increasing the number of workshops, forums, training, courses, seminars, etc. not restricted to the academic sphere but reaching out to the communities which are central elements in this sector. In this strategy, the importance of popular education was emphasised which shares with SSE “the values of social transformation, democracy and equality” (RIPESS, 2015, p.9). With respect to communication, the document highlights the importance of using a variety of means of publicising the sector: publishing books and articles, sharing videos, communicating via social media and social networks, etc. In essence, communication which is not only a means of promoting organisations but also has a learning function. In this context, *Socioeco* (<http://www.socioeco.org>), is provided as an example. It is a virtual library which brings together different resources and which is constantly updated.

Governance and participative management

A central theme in the SSE model which is quite apparent in Africa is the importance of work and exchange which does not have a monetary value (RIPESS, 2015). Work, whether it is paid or not, should be respected as much for the goods and services that it provides as for the satisfaction that it gives to the worker. SSE includes in its concept of work all those activities that are undervalued in the concept of business ‘productivity’, a reductionist perspective that only sees the individual as a unit of labour.

Themes of inclusion are another element that the SSE takes into account. Valuing women, children, old peo-



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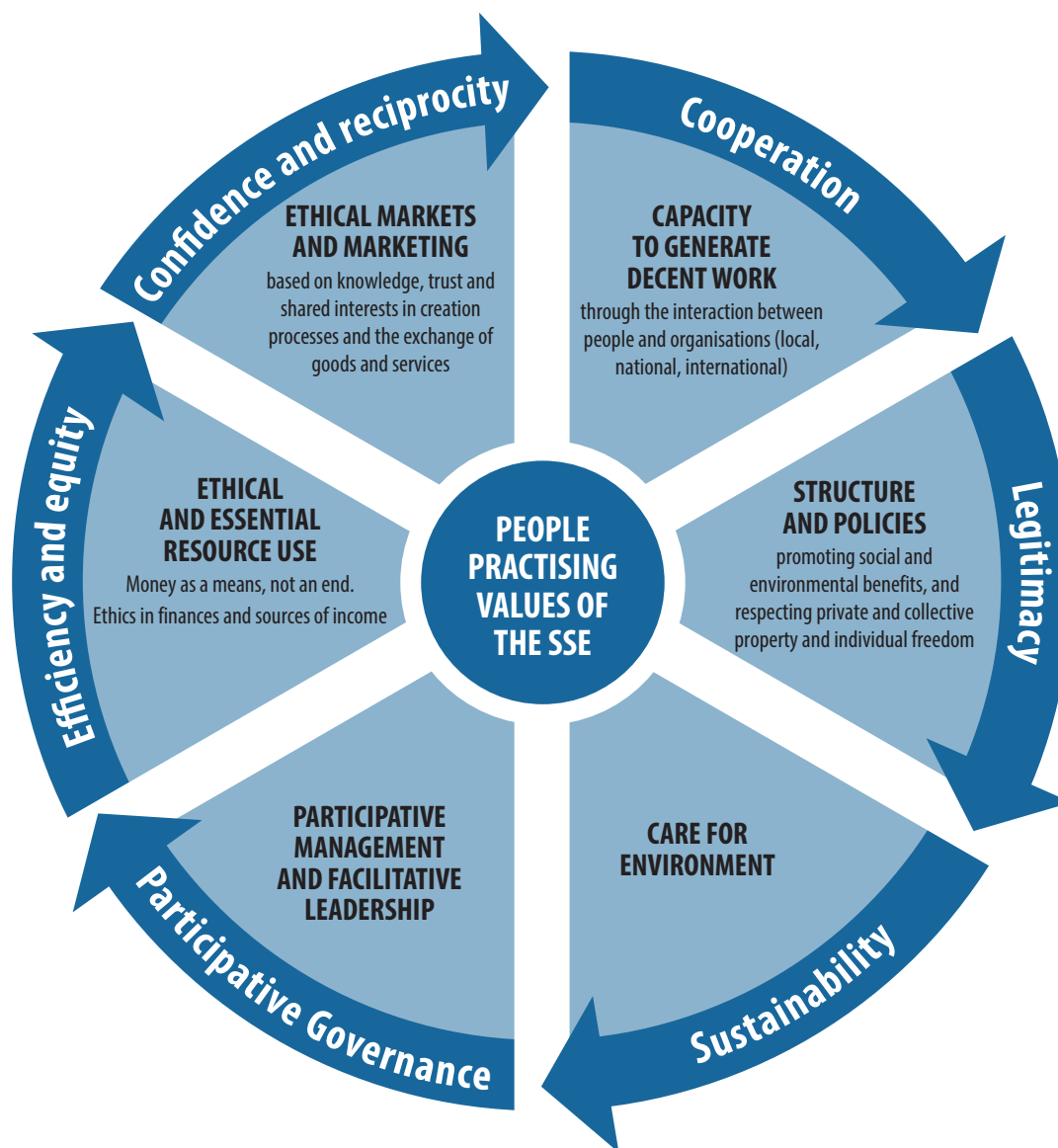
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3. DIALOGICAL SECTION

Based on interviews carried out in Africa, Europe and Latin America, the guiding principles of social and solidarity organisations' ways of working are shown in Figure 3.3

FIGURE 3.3 GUIDING PRINCIPLES OF WAYS OF WORKING IN THE SOCIAL AND SOLIDARITY ECONOMY



Ethical markets and marketing, based on knowledge, trust and shared interests in creation processes and the exchange of goods and services.

The market, understood as a system that matches supply with demand in monetary and non-monetary exchanges, in the social and solidarity economy is a means of visibly valuing what has been created, whether that is knowledge, experience, products or

services aimed at improving the lives of both buyers and sellers. There is also a culture created within the market, a living space that reflects the idiosyncrasies of a town, region or country.

The diversification and variety of products the market welcomes could become a mechanism for food security, requiring business policies to protect this diversity by increasing domestic production levels of na-



tive foods in their respective geographical areas. This would also help to dignify rural work.

There is recognition of the importance of local production and the policies to support it, to improve quality and competition. For example, at a rural level, intra- and inter-species biodiversity managed by peasant farmers as a survival strategy to ensure their food security, is also a biodiversity-conservation mechanism which the market must value and recognise.

Marketing within the social and solidarity economy is defined by the organisation's or community's capacity to create long-term and mutually beneficial links, thereby turning a process into a service. The aim is not to sell but to fully understand the goods and services people require; selling is the result but not the objective. Customers, buyers of the product or service, do not see themselves as removed or remote from the context, but rather as someone who understands and wants to identify with the social and/or environmental mission of the organisation and/or social enterprise.

The nature of marketing messages is made complicated by combining social objectives with economic or environmental ones. These messages seek the customer's identification with the organisation's mission. A link greater than the simple concept of "customer" is important; becoming a sort of *accomplice* can create change that benefits everyone.

Effective marketing for social and solidarity economy organisations is about differentiating their product or service from the conventional market, creating a concrete and specific niche. In that way, certification that guarantees production parameters (ethical commercialisation, organic production etc.), by the likes of Fair Trade and the Soil Association, is essential. This way, the products emerge onto the market with unique advantages.

The values present here are *reciprocity* and *trust*. Reciprocity in the sense of a market exchange with mutual benefit for buyers and sellers, regardless of whether or not those exchanges are monetary. A crucial aspect of the social economy is ethics, respect of the customer's wishes and the truthfulness of the information provided.

Were we to offer a re-understanding of marketing in the social and solidarity economy, we would say it is oriented towards satisfying needs and not the goods themselves. Goods are the objects that increase or diminish the effectiveness of a satisfier, disrupting how a need is brought up-to-date, either positively or negatively.

A satisfier is a way of being, having and doing, individually or collectively, that leads to the updating and fulfilment of human needs. Satisfiers are the means of expressing a need; goods are the means by which a subject employs those satisfiers to live out his needs.

The interrelation of needs, satisfiers and economic goods is permanent and dynamic. While on the one hand economic goods have the capacity to alter how effective a satisfier is, satisfiers themselves can determine the creation of needs. Through this reciprocal causation, they become at once both part of and the definition of a culture, and help determine development styles.

Capacity to generate decent work

... through interaction between people or organisations (local, national or international).

One of the most important principles for SSE organisations is the creation of decent work within the community. Goods and services are a means of fulfilling that principle and the organisation's potential profitability is another means of guaranteeing its sustainability.

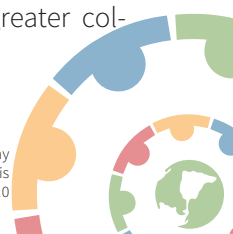
Social and solidarity organisations are open to interacting with the public and private sectors; they are not exclusive in constructing possible contributions to people's well-being.

Interaction between people and organisations at different levels is achievable through *cooperation*.

Structure and policies promoting social and environmental benefits, and respecting private and collective property and individual freedom

The ways of working of social and solidarity economy organisations in the current century are unique, neither employing charitable strategies nor having shareholders. They must be solvent and self-sustainable, reinvesting surplus in their social mission. In this globalised world, from which we cannot remove ourselves, SSE are taking on the challenge of facing poverty and lack of work (the principle cause of poverty) in a creative and proactive way, calling on the self-management skills, talent and entrepreneurial spirit of those involved.

In these organisations, property is collective and profits generated are reinvested in seeking greater col-



lective social benefits for the area in which they are based.

Each member's right to freedom is respected, in every sense, as both a human and a subject, as long as this right does not violate the rights of others. It goes from being an ideological choice to being the right to choose an appropriate typology.

Legitimacy in an organisation is what allows it to continue, in the sense that each member identifies with the organisation and feels part of it. At the same time, there is wilful and conscious acceptance of the organisation's structure and respect for its norms.

Care for environment

All activity impacts on the environment. These impacts have traditionally been considered by businesses to be externalities and, therefore, not included in costs. But due to the consequences of environmental damage such as climate change and the restrictions the environment is beginning to impose on production, action is being taken at a national and international level.

Unlike traditional business, social and solidarity economy organisations, by definition, take care that their activities do not harm the environment. They are based on the principle of *sustainability*. This means resource use at a pace that does not exceed the capacity of ecosystems to replenish, and a level of waste that is compatible with the ecosystem's capacity to bear it.

Participative management and facilitative leadership

All members have joint responsibility in decision making. Decisions are prioritised in line with people's work contributions and service to the organisation.

Management is participative, supporting further use of consensus and horizontality and in turn strengthening the involvement of members. The result is greater commitment which leads to the organisation providing a higher quality product or service. The principle is *participative governance*. Facilitative leadership refers to a new leadership concept with the role of creating and facilitating processes of interaction, communication and creation of contexts, with consideration and respect of difference and of different personal and cultural existences. Leadership and participative management seek quality individual and collective management, which promotes a consensus culture,

where working as a team takes precedent, as well as joint responsibility for work, equality of opportunities and equity. This paradigm assumes and values the wisdom and active decisions of a team, on the basis of the capacity for dialogue, and practical, sustainable, consensus.

Ethical and essential resource use - Money as a means, not an end

In social and solidarity organisations, money is essential insofar as it serves as a means of exchange for facilitating transactions - hence a means, not an end.

The ethical use of resources is linked, in part, to the efficiency involved in not wasting them, but also to equity. The latter is understood to be resource use in the present that does not affect the rights of future generations, ever-more aligned rights and a reduction of the gulf between rich and poor. The principles are *efficiency* and *equity*.

An ethical example could be fair trade or paying fairly for bought goods and services.



4. PRACTICAL CASES

4.1 THE CORPORATE MANAGEMENT MODEL OF THE MONDRAGON GROUP

Rational objectives

- To understand in more detail the Corporate Management Model of the Mondragon Group.
- To recognise the basic operational philosophy of the Management Model.
- To consider management models as dynamic tools.

Experiential objectives

- To value governance and management models as key factors in the Mondragon Group's operations.
- To recognise the importance of organisational and management models for making an organisation's vision, mission and objectives cohesive.

Context

As described in Chapter 2, an intense discussion began within the Mondragon Group, then known as the Mondragon Cooperative Corporation, around the meaning of the Mondragon Experience. The Mondragon Group was undergoing significant international expansion at the time. This debate, entitled the Macro Reflection Process on the Meaning of the Experience (MRPME) resulted in the devising of the Mondragon Group's first bespoke management model, at the centre of which were the 10 cooperative principles specific to the Mondragon Experience (in some ways an adaptation of the Rochdale principles of cooperativism (see Chapter 2).

Content

The Corporate Management Model

This Cooperative Management Model (CMM⁶) aims to give Mondragon Group cooperatives some direction in how to develop their daily business management in an efficient and coherent way within the corporate culture of the Mondragon Group.

⁶ Find details of the CMM here: <http://www.mondragon-corporation.com/wp-content/themes/mondragon/docs/Corporate-Management-Model.pdf>. The present introduction to the CMM of the Mondragon Group is largely based on this document.



The Cooperative Management Model (CMM) is directed towards the people that form the cooperatives making up the Mondragon Group and is designed to be applicable to different organisational levels and legal formats: Divisions, Mutuels, Cooperatives, Business Units, etc.

Cooperative leaders must implement it and the cooperatives' boards make the contents their own, approve the adjustments, and guarantee its implementation. The CMM, after being adapted, must be actively accepted by the members of the cooperative.

The Mondragon Group's mission (approved by the group's 7th Conference on 26th May 1999) states as one of its distinguishing features the application of a customised CMM.

General framework

- In 1996, the first Corporate Management Model was an attempt to translate the dynamics of management excellence favoured at the time into a cooperative context. The Total Quality Management model and in particular the European Foundation for Quality Management (EFQM) were key reference points. They were accompanied by the development of a number of corporate tools with specific methodologies: measurement of customer satisfaction, measurement of people satisfaction, processes, unfolding of objectives, etc.
- In 2002, this first CMM was updated and the corporate tools were substituted for the launch of a pro-

cess of the identification, validation and spread of good practice in applying concrete aspects of the model in cooperatives.

- In 2003, aspects of the model that applied exclusively to cooperative environments were removed.

The 2007 CMM is the result of a high level of participation and of contributions from the cooperatives in the development phase. While the EFQM model focused on quality, the Mondragon Group's first CMM focused on its 10 cooperative principles, providing its own evaluation tool.

- The Basic Cooperative Principles (BCPs) are the starting point, since the combination of them is what defines the corporate culture particular to the Mondragon Group.
- With a shared reference point at a corporate level, the Mondragon Group can foster more unity of management styles without aiming to homogenise them. This unity will facilitate communication between people from different cooperatives and build the capacity for identifying and developing existing similarities.

With the CMM, the Mondragon Group and its cooperatives are clear that:

- It is not a committee-approved ruling, nor a detailed tool that will dictate concrete actions. Each cooperative must interpret and translate it to their environment and bring their own focus to it.
- While the implementation of the CMM will help increase cooperatives' competitiveness, it is not a guarantee of achieving continued success as this depends on multiple factors that are difficult to predict in a general way.
- Every four years, the Mondragon Group releases a socio-entrepreneurial policy, with criteria for defining the strategic position of each cooperative in line with the whole of the Mondragon Group. The CMM is

less time-bound and offers some direction in how to keep this reference point in mind when carrying out strategic plans.

- The CMM does not question the BCPs, but rather takes them as a starting point and develops ways of implementing them in daily management.

General operational philosophy of the CMM: deep connections

The graphic representation⁷ of the CMM is a constantly turning circle, which aims to show the interrelation of the different concepts coming together and the dynamism required for its implementation and continuous adaptation. At the centre of the graphic, and as a starting point, are the *Basic Cooperative Principles*, which give performance guidelines to the *People working in Cooperation* to implement the cooperative values. It is these people who build the *Joint Project* and provide *Participative Organisation* to implement it.

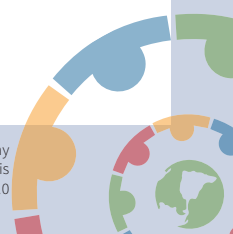
But this project takes place in the context of the market place, with customers, suppliers, partners, etc., and in the same environment in which its competitors operate. While its very cooperativism provides the Mondragon Group with clear advantages in the application of the most advanced current management concepts, it is necessary to put them into practice in order to be an *Excellent Company*.

The results obtained are the main point of monitoring the effectiveness of the CMM. There is no such thing as an excellent company with poor results. Therefore an adequate 'control panel' is essential, to select the relevant indicators for testing that the Mondragon Group and its cooperatives are obtaining good *Socio-Entrepreneurial Results*.

⁷ See the CMM graphic in the document cited above: <http://www.mondragon-corporation.com/wp-content/themes/mondragon/docs/Corporate-Management-Model.pdf>.

Questions for discussion and action based on the introduction to Mondragon's Corporate Management Model

- What sort of leaders should drive the implementation of this CMM? What characteristics should they have?
- When do you think the application of the CMM will have been a success? Explain your answer.
- What is the role in the CMM's implementation of obtaining profitable economic results? What is more important: Fulfilling the 10 cooperative principles? Or ensuring the profitability of the cooperative business? Or are the two inseparable?
- Can the CMM be considered innovative?
- What would you include in the organisational and management model of your organisation?
- Propose a model for your organisation with an explanation of your philosophy and operating principles and send it to: socialeconomy@yorks.ac.uk



4.2 PRODUCTION CHAIN - LA CABAÑA COOPERATIVE FARM, CUBA

Rational objectives

- Understand the integral chain of production, processing, conservation, distribution, commercialisation and sales of a agro-ecological fruit small-holding.
- Identify the elements of a system and agro-ecological management which make family agriculture sustainable.
- Understand facts relevant to an innovative local project taken on by the university of Pinar del Rio

Experiential objectives

- Value the resilience of the people who live from, sustain and dynamise family agriculture in Cuba.
- Recognise the role of the university in the strategy of working within innovative local projects.

Context

Cuba is one of Latin America's leading countries in adapting and spreading environmentally-friendly agro-ecological techniques. At the root of any one person's involvement in these sustainable and productive agricultural improvements, at the national or the farm level, is the economic crisis the country suffered in the 1990s. The responses began to appear in various forms in 1999 and continue today. They are characterised by minimising the use of agrochemicals as a system for the genetic improvement of plants that cannot meet the demands of farmers, instead taking on Participative Plant Breeding as a flexible method for developing local seed-production systems in groups, unlike the conventional method where all decisions are made by scientists. The objective of the Local Innovation Project of which the area in this case study is a part, is to strengthen the development of local agricultural communities.

Despite the efforts made by the government and various organisations to spread agro-ecological techniques and produce healthier, chemical-free products that meet the Cuban population's needs in terms of both quality and quantity, there are still not enough producers taking on these techniques in their daily operations in Cuba. Demonstrating how a closed cycle

of fruit production from planting seeds to when the final product ends up in a person's hands in the form of natural juice, and gradually incorporating agro-ecological knowledge and methods into the work of peasant farmers, is the current objective at La Cabaña farm in Cuba's Pinar del Río province.

Description of the area

The community of La Cabaña is found 1km from the city of Pinar del Río with access from the road to Hoyo del Guama. It is home to 656 inhabitants (128 children, 290 women and 238 men) in a total of 268 houses. The peasant community sows and harvests various crops, notably *Zea mays* (maize), *Phaseolus vulgaris* (common beans), *Ipomoea batatas* (sweet potato) and fruit trees, mainly *Psidium guajava spp* (guava).

The agro-ecological farm of the same name, La Cabaña, is part of the Credit and Services Cooperative, José María Pérez. Its diverse fruit production makes maximum use of an area of 9 hectares, 1.5 miles from Pinar del Río, developing sustainable, organic family agriculture, with agro-ecological management systems. Agroecology is a circular system beginning with the seedbed and producing organic propagation material to assist future plant development. Organic material generated on the farm itself are used to make the most of all production residues. The systematic harvest of various fruits at all times of the year, and processing them in the mini-factory developed with the farm's own resources, ends up in selling juice products in the Juice Bar at Abel Santamaria Provincial Hospital in Pinar del Río, 24 hours a day.

Content

Producing natural, healthy and nutritious juices with agro-ecological methods

The beginning

Work on the farm began in 2003 with a Participation-Action set-up. Initially, guava was grown and diver-

sification followed with fruits such as *Mangifera indica* (mango), *Platanus sp* (banana), *Ananas comosus* (pineapple), *Pouteria sapota* (mamey sapote), *Tamarindus indica* (tamarind), and the training of 10 producers in planting with agro-ecological methods, creating semi-protected plots for growing guava and other fruits for planting and controlled plant breeding using agro-ecological techniques and tips. Gravity-feed approaches to watering are used to save energy and manual labour is used in the cultivation.

Training of peasant farmers

Training was also carried out through workshops, and technical and field visits, giving opportunities for learning and the exchange of theoretical and practical knowledge within and outside the community. Peasant farmers began to arrive from elsewhere having seen what these families were doing with the seeds, their interest piqued by the development of these techniques. It was not the diversification (albeit slight) of the production of different types of fruit that was the key to this success but the use and management of agro-ecological techniques. Interest was based in the quantity of varieties of seed of a single fruit: 126 in total, introduced along with the National Institute of Agricultural Sciences in Havana (INCA). The use of bio-fertilisers was one of the ways used to improve soil fertility and plant nutrition, increasing the population of microorganisms in the plants, seeds and soil. Azotobacter-based bio-preparations were used extensively, broadening the range of crops that would benefit.

It is important that a variety of agro-ecological techniques be developed further and spread, and that both professional and subsistence farmers are trained in these techniques.

Product development, commercialisation and social impact

In terms of product development and commercialisation, the capacity for generating greater volumes than could be produced on the farm itself was created by integrating the production of neighbouring fruit farms; this was made viable by the demand for a 24-hour sales service in the hospital Juice Bar.

There are various ways in which support for the system has made it more sustainable and helped to strengthen it and make it viable. The farm holds 'Three Crown' agro-ecological certification from the National System of Urban and Suburban Agriculture and is aiming for a fourth 'crown', the maximum granted by the system. More important than this recognition, the mini-factory has produced and processed 1375 tonnes of agro-ecological products, sold during more than 236,000 consecutive hours of uninterrupted service in the Juice Bar, increasing the family income but also the social benefit both in the community and in the Abel Santamaria hospital.

Other important results of the work are the generation of renewable energy in the form of biogas through the extraction and processing of fruit pulp, free handouts of cold water to the population and of 300 juices per day to the hospital, voluntary donations to support unprotected children, the creation of 11 jobs, with the active participation of women, a stable product supply with 21 juice varieties daily, and the knowledge acquired around the production and health benefits of agro-ecological products.

Some concluding thoughts:

- It is possible to produce healthy and nutritious products while employing methods that do not adversely affect the environment, building producers' knowledge through agro-ecological adaptation.
- High social impact is generated through a closed cycle from the sowing of the seeds to the processing, preserving and sale of the fruit to the local population.



Photo: The juice bar at the hospital

Questions for discussion and proposals for action

- What factors could be considered strategic and important for an innovative local project to be effective?
- Use the chart in the Dialogic Section to analyse this case study and identify factors which facilitate and inhibit for the replication of this experience in your country.
- How would you evaluate the evidence about the social impact of the project?
- What similar examples exist within your community? Prepare a case study in collaboration with others and send it to: socialeconomy@yorks.ac.uk
- What other questions would you ask the author of this practical case? Send them to: socialeconomy@yorks.ac.uk

Case study created by MSc. Yoan Suarez Toledo. Universidad de Pinar del Río in collaboration with the York St John -Erasmus Social and Solidarity Economy Consortium.



4.3 FAIRPHONE, THE NETHERLANDS

Rational objectives

- To identify the social and economic impact of decisions made in the production of goods.
- To analyse decisions and ‘trade-offs’ made by a company aiming to produce ‘fair’ phones.

Experiential objectives

- To be aware of the supply chain throughout the production process and the social and economic impact of this.
- To consider the impact of having a cooperative of this type within the community.

Context



Fairphone started out as a campaign in 2010 aimed to raise awareness about the minerals used in consumer electronics and how these materials were fuelling wars in the Democratic Republic of Congo. The group was made up of the Waag Society, a foundation that aims to foster experimenta-

tion with new technologies, art and culture, the NGO Action Aid and Schrijf-Schrijf, a company specialising in written communication.

In 2013, Fairphone became a social enterprise. By creating a smart phone, it started using commercial strategies to maximise its social impact at every stage of the value chain, from sourcing and production to distribution and recycling.

Fairphone’s aim is to make a positive impact across the value chain in mining, design, manufacturing and life cycle, while expanding the market for products that put ethical values first.

It has 34 staff members, is based in Amsterdam, The Netherlands and has an office in London. It sold all of its first 60,000 Fairphones, with released in 2015. It is 100% independently financed, receiving no donations or venture capital “to preserve our social values”.

Content

Fairphone has made the transition from campaigning group and non-profit organisation to a commercially trading social enterprise in order to come up with solutions to the environmental and social problems caused by the supply chain in consumer electronics. As Tessa Wernink, Fairphone’s Chief Communications Officer explains, “we want to create mutual gain – ‘net positive value’ – for all the people involved” in the production process. In creating the smart phone they have to work with the day-to-day challenges of sustaining the company economically whilst finding solutions to the social and environmental challenges of the industry, “as a company rather than as an outside player. Sometimes there are trade-offs, but it makes it more real to try to figure out how the industry works”.

Mobile phones were chosen as the product to focus on because they use a global supply chain. Fairphone aims to create a positive social impact in all areas of its work. These include:

Mining – Fairphone aims to source materials that support local economies, not armed militias. They source their minerals from conflict free areas of the Democratic Republic of Congo.

Design – the focus of the product is on longevity and ‘repairability’ to extend the phone’s usable life and to give buyers more control over the product.

Manufacturing – Fairphone argues that factory workers deserve safe conditions, fair wages and worker representation. The company works with manufacturers that want to invest in employee wellbeing.

Life cycle – the company addresses the full lifespan of mobile phones, including use, reuse and safe recycling.

Social entrepreneurship – Fairphone is working to create a new economy with a focus on social values. An important aspect of their work is to share the Fairphone story to help customers make informed decisions about what they buy.

Fairphone explains on its website that its phones are still far from being ‘fair’ in all these aspects: it is on a step-by-step journey to tackle the many social and environmental issues within the supply chain. On

its website and through social media it explains its achievements and is open about areas in which progress has been slower. This openness and transparency is part of a commitment by the company to open up the complexity behind value chains. It also supports its goal of stimulating discussions about fairness in the production of consumer goods. Tessa explains that one of the values of the company is “positivity – a lot of problems have to be positively approached, step-by-step. We don’t reflect on what we’re doing well to make others look bad”.

Fairphone’s supply chain

Sourcing raw materials

Tungsten is an essential ingredient in smartphones. Along with tin, tantalum and gold, tungsten from the Democratic Republic of Congo and surrounding Great Lakes region is classified as a conflict mineral under the Dodd-Frank Act, as the profits from mines are known to finance rebel groups. This designation has caused many companies to avoid sourcing tungsten from this difficult region, turning instead to locations like China. As a consequence, the amount of tungsten sourced from the African Great Lakes region has dropped to close to zero.

The reduced demand for tungsten from the Great Lakes region has had a negative impact on mines there, including those that are professionally run and validated to be conflict-free. Instead of going elsewhere, Fairphone is supporting ethical sourcing from the Great Lakes region to stimulate the local economy and establish a transparent tungsten supply chain. It is working with regional and international partners to reopen the tungsten trade in the Great Lakes region, starting with mines in Rwanda.

Manufacturing

Fairphone aims to create long term relationships with other companies in which business increases a mutual benefit. As a minimum, Fairphone ensures that the phone production partners are aligned with the Ethical Trading Initiative Code of Conduct. It has partnered with TAOS, a Chinese organisation dedicated to achieving social responsibility and sustainable social compliance in the manufacturing sector, who carried out an audit of factories. This led to improvements being made in the factory before production started, including better

fire safety measures and free lunch for employees. TAOS conducts periodic, unannounced follow-up visits to Fairphone’s factories with the aim of gaining a deeper understanding of underlying social and environmental issues and to work to make improvements. One of the issues prevalent throughout the electronics industry in China is excessive overtime and a high percentage of the workforce employed via agencies. Fairphone does not have an immediate answer to these issues, but is committed to working with TAOS, the factory management and employees over the long term to identify actions that can yield sustainable results. Fairphone has been cooperating with a production partner in China in building the Worker Welfare Fund. For each Fairphone produced, \$2.50 is invested in the Fund by Fairphone and \$2.50 by the production partner. The money is spent on projects that benefit workers, such as safety and quality enhancements in the working environment, providing training and skills development, improving wage levels and organising leisure activities. A committee of worker representatives is elected by the workforce to design and implement projects to spend the funds available.

Safe recycling of e-waste

Phones are one of the world’s most widely used consumer devices. Their disposal generates tons of electronic waste each year, much of which ends up in developing countries where unsafe recycling practices have devastating effects on the local environment and the health of the population.

Fairphone aims to address the issue of e-waste before the Fairphones themselves need to be recycled. It has partnered with Closing the Loop, a Dutch non-profit organisation to help provide solutions for e-waste in countries which do not have a formal electronics recycling sector. To start this, an e-waste awareness campaign has been launched in Ghana, collecting discarded phones there and shipping them to Europe for safe recycling. This initiative has been funded by sales of the first Fairphone. The long-term goal is to directly reuse the metals obtained from scrap phones in future generations of the Fairphone. As Tessa explains, Fairphone “looks at the true impact from sourcing all the way through to end of life and make a circular economy ... also that profits are recycled into something that creates value”.

Questions for discussion and action

- What are some of the advantages and disadvantages of making the transition from a campaigning group to a social enterprise operating in the commercial world?
- Is Fairphone right to keep working in areas that are considered to be problematic from an ethical perspective, such as Chinese factories and the Great Lakes region of Africa?
- What ethical issues and choices are there in the goods and services you purchase?



4.4 MARAPA – SÃO TOMÉ AND PRÍNCIPE

Rational objectives

- To identify the organisation's distinctive values.
- To analyse the role the organisation plays within the local economy.
- To understand the particularities of the organisation's way of working.
- To consider the impact of this organisation in its community.

Experiential objective

- To be aware of the potential for practising alternative values to the current economic model and the impact this has on the workings of an organisation.

Context

www.marapa.org



Marapa is a non-governmental organisation (NGO) in the Democratic Republic of São Tomé and Príncipe, a tiny archipelago in the Gulf of Guinea made up of volcanic islands. Due to its isolation and its geological origins, it enjoys great marine and land biodiversity, notably certain species native to the islands.

Traditional fishing is a sector of great socio-economic importance in the country, as one of the main activities but also in creating opportunities for other transformative and commercial activities. That it provides 75% of the inhabitants' protein consumption is also key.

São Tomé and Príncipe suffers a lack of means and political weight at an international level to make its existing ecosystem protection processes viable. As well as the overexploitation of these fragile ecosystems - extraction of coastal resources, use of unsustainable fishing methods and a lack of regulation - there is a shortage of research on and detailed knowledge of their richness.

In this context, Marapa's activities are meeting genuine needs: the protection of the country's marine and coastal ecosystems, joint management of fishing resources and support for people in the fishing sector, as well as the sustainable development of traditional fishing, and education and awareness-raising among civil society.

Content

The Marapa team is made up of 19 paid workers and 16 members. Manuel Jorge Carvalho do Ríó, President of the Board of Directors stated, in 2013, that "the majority of our members are working in the management of fisheries and they pay a fee to be a member."

Marapa's actions cover various sectors, for example:

- fishing management and associated community equipment/infrastructure e.g. conservation equipment, ice-making machines, etc. "We support a co-operative that deals with high quality fish products, Copa Fresco, operating in São Tomé and Príncipe" (Manuel do Ríó);
- environmental education and health;
- ecotourism, focused especially on turtles and marine mammals such as whales and dolphins;
- the management of waste and water resources - "our work calls for the conservation of water and awareness of using it well and saving it" (Manuel do Ríó).

Marapa supports the traditional fishing sector in São Tomé and Príncipe throughout the value chain, from production to sale, via processing. Its involvement focuses heavily on sustainability and social responsibility and is inclusive of all stakeholders, "helping to organise fishermen and palaiés (intermediaries between fishermen and consumers) and contributing to the improvement of their working conditions. There is also a lobbying aspect, alongside the relevant politicians, fighting for the sustainable development of natural resource management."

Marapa works with adults or children, depending on the area and objectives involved. Education and awareness work is oriented towards children, because

of the potential for a multiplier effect: “Adults have their fixed view and are not informed; children (after having had their awareness raised) go home, see how older generation are doing things and criticise, correct and direct the actions of their parents” (Manuel do Río). Marapa’s work with adults is focused on more technical support.



Modus operandi

Manuel do Río emphasises that all decision-making processes are participative:

Our whole system is collective... It is second nature at Marapa. Fortnightly, on a Monday, everyone gets together and we talk about what each person is doing, about any problems faced. The board takes part as well. If there are different points of view within a meeting, these questions are cleared up. This collective work is of great added value to the organisation because everyone always knows what each other is doing.

Participation is a defining characteristic of the organisation but there are other essential ingredients for its success: flexibility (“we can discuss and approve things in assemblies because the constitution is flexible”) and passion (“Marapa works with trainers who feel a love for the sea and its resources”).

Economic sustainability and social business

Marapa’s economic sustainability is mainly ensured by the projects it runs and the fees it receives from members but the organisation also accepts donations and has taken out bank loans. With a sustainable future in mind, “subsidiaries in São Tomé” are being planned; “several in Marapas - a Naval Construction Marapa, for example”, that would have different constitutions from that of the current organisation, with the aim of “generating economic means for sustaining the organisation”. The organisation’s vision is based on autonomy

The organisation is managed by an executive committee of “three, all male”. At least once a year, the general assembly comes together and the administrative committee presents the budget and accounts to members. This committee, Manuel do Río says, “has the power to give opinions, manage and even, sometimes, decide on certain issues, as long as it is related to the development of normal activity. ... Decisions related to identity, the form of the organisation and rules, however, must go to assembly. ... Marapa’s mission must be addressed in the general assembly.”

The organisation places clear importance on professional training and the knowledge its staff need in order to act with quality and distinction. “Our mission is one of service. We must always have people with knowledge and particular skills for directing projects.” As well as technical expertise on the sea and coast, the staff profile includes a “good understanding of the area and the population.” For Manuel do Río, these are the characteristics that set Marapa apart and are to its advantage.

In its mission of “serving a healthy environment”, the networks and partnerships Marapa works in are essential, offering interaction with both public organisations (the fishing authorities, the environment ministry, the nature conservation ministry) and private businesses when it is necessary, or useful.

An interesting feature of the organisation is that its directors regularly change roles. Decisions are made in the assembly and are aimed especially at involving the youngest members to reduce risks in the future. “We are trying to prepare the very young members”, the future advisers and directors, Manuel do Río says.

and growth, as Manuel do Río explains: “We have a commitment ... to making the business grow, to enable, gradually, more autonomy.”

Diversifying funding sources, so as not to depend on a single funder or member, is another concern for Manuel do Río: “We cannot restrict it to one member, we must rely on several because each has their own philosophy, their own time or opportunity.” Manuel do Río is confident that some of the organisation’s spe-

cial features - addressing local needs, the visibility and image of achieving good things alongside the population and a passion for always doing more and better - will be the basis for its continued growth. Manuel do R o cites a recent example: “We have a big problem in this country. There is no trading organisation that represents fishing. We are thinking about creating a Sea Store that will, for example, make engines, offer high quality bait... We know it will be difficult because fish-

ermen will be able to buy more cheaply in bulk but we are going to explain that cheaper is not always better ... The aim of this business would be to reinvest in social work as well as the fishermen.”

Social business rationale, where profit is reinvested in the community, is already apparent in Marapa’s loaning of boats to fishermen who do not have the means to have their own.

Questions for discussion and proposals for action

- What 3 things struck you most in this case study? Why?
- Consider the most important aspects in the ways of working of a social and solidarity economy organisation and on the advantages that these offer.
- What are the key points in the functioning of an organisation? Identify one in this case study and analyse it.

Further resources

- <http://www.emb-saotomeprincipe.pt/>
- unstp.org



4.5 MICROFINANCE: SUJALI SELF-HELP GROUP, NAIROBI , KENYA

Rational objectives

- To identify the factors that make the scheme work.
- To consider how this scheme might be perpetuated and extended.

Experiential objective

- To be aware of the affective dimension in providing motivation and social cohesion.

Background

What is microfinance?

Microfinance is a general term to describe a banking service that is provided to low-income groups or individuals who otherwise would not be able to qualify for a bank loan or take advantage of a range of banking services such as insurance, savings accounts or money transfers. The core product is microcredit, a small loan to purchase productive assets allowing repayment over a short period of time without the guarantee of collateral.

Context

Sujali Self-Help Group was started in June 2013 as a result of a chance conversation about an already established group of 11 women who raised money by means of a 'merry-go-round'. Each month one of the group received the combined group contribution. During the conversation, an 'angel investor' offered a small sum of money (£500 – approx. 600 euros) to a university colleague, Mary Kiguru, as a way forward for the women entrepreneurs to improve their businesses and, by extension, their lives. Mary knew the women well - one of whom was her mother! As of June 2015, the capital is approaching £3000 and there are 8 active women lenders.

For more detailed information about the scheme and the women, go to blog.yorks.ac.uk/socialeconomy/category/microcredits/

Content

The women live in the same geographical area of the city and most knew each other well at the outset. Four women initially borrowed about £150 (about 180

euros). The money was paid back promptly in full in 5 months at a low rate of interest. The women were anxious to pay off the sums on time in order to secure larger loans. More money was put into the scheme to allow for larger loans and with a view to increase the number of lenders. Initially, the four women were reluctant to increase the size of the group, preferring to gain experience and then allow new members to join who they could then mentor. The women decided to borrow £250 each on the second occasion and wanted the loan period to be extended to 7 months. This was agreed. The third loan allowed them to draw out up to £400 each. In addition, the group decided to have a savings scheme (starting with £3.50 a month rising to £7.00 per month) and to offer overdrafts to group members. The average savings at the time of writing (June 2015) amount to about £50 per person.

The group meets monthly and, at that time, the money is handed over and the group discuss their experiences. The angel investor meets the women several times a year and is keen to know how the group is faring and to visit their businesses but does not interfere with the working of the group (apart from naming the cows – Daisy and Buttercup!) and devolves all financial responsibility to Mary Kiguru. The group is well disciplined. They have introduced a fine system for any latecomers to the monthly meeting, and fines for late payment and non-attendance at those meetings. The group have also got an electronic money transfer system (M-pesa) account which allows for easy transfer of monies. The group have set their own interest rate (10%). This is set higher than would have been liked by the investor (who would have preferred to have an almost zero level of interest to discourage any tendency to regard the transactions as being like those that would take place in the commercial sector). The group, interestingly, wanted a higher interest rate to increase the capital and to be more independent in case of the investor withdrawing the funds (which is not at all planned). The group also want to be registered so as to avoid certain tax obligations and to be eligible to qualify for certain grants.

The challenges to the group are, first of all, not to over-diversify and not to over-commit. They are impatient to change their lives but do not have a clear sense of risk management. The scheme does not, however,

guard against health risks, property damage, theft or natural disasters or weather-related problems. Micro-insurance would be a way of dealing with this. They also have difficulty at times seeing which money is coming from which income stream and must ensure that their personal finances do not get mixed up with their enterprises. They recognise the fact that some of them do not have the bookkeeping and other skills that they need in order to manage their money. The women have been helped by Mary but, more recently, by a team of 5 Business Studies students who bring a range of skillsets to bear on the issues relating to the women. They have entered their project in a competition with an organisation, Enactus that brings together Universities, students and communities to provide social, economic and environmental benefits to the latter. The Kenyan university, Kenya Methodist University (KeMU), where Mary works has provided the students with a budget and has made available university transport to enable the students to visit regularly and advise the women. So far, they have focused on several of the women and their advice has ranged from bookkeeping, income management, hygiene and shop and cafe layout. The women are being very receptive to the advice and the students are deriving great satisfaction out of engaging with them and tackling real world problems.

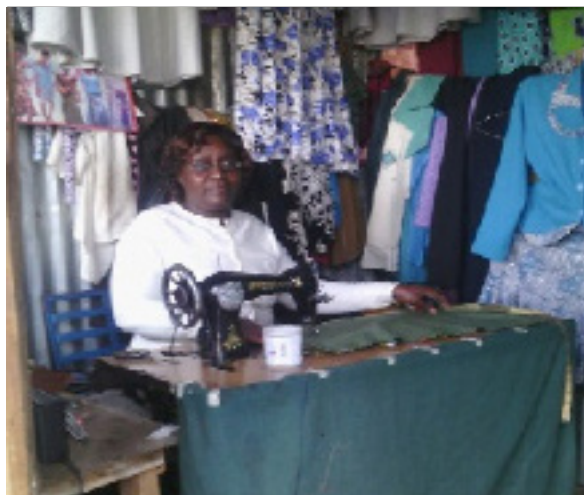


Photo: Eunice - seamstress and member of the Sujala women's Group

The group has increased in size slowly and new members have to be part of the group for one month before they can borrow any money. During that time, they can be informally vetted to ensure that they will not default or overreach themselves by borrowing from elsewhere or allowing one loan to pay for another. Each time the

loan amount increases with one person asking for two loans of almost £700. One of these loans was part payment for a matatu (a minibus that is a popular mode of public transport) which she owns with her husband. Other loans of £400 or more are becoming common as well as overdrafts to top up the loans or loans borrowed by others in the community.

The women have diverse enterprises including hair-dressing, retail, dressmaking, rearing poultry, café and shop owning, market gardening, baking cakes and cookery lessons. The impact has been quite dramatic for some members. All have benefitted but several notable cases will serve as examples. One woman, Alice, has increased her chicken rearing at least six-fold and is having difficulty meeting high demand for her eggs, has purchased goats and now also has a minibus. Another, Jacinta, has a shop with a café, has bought a cow that recently calved and serves the local community from early morning till late at night, employing her husband full-time. A third, Rispa, is keen to leave behind commuting and a job with an insurance firm in the city to become a market gardener. She has put up greenhouses and is producing high yields in a short space of time. Undeterred by a blight that ruined her entire tomato crop last year, she has replanted with alternative produce.

The evidence suggests that the microfinance initiative is making a significant difference to the lives of the women and their families. The women refer to greater confidence, a pride in their achievements and enhanced income that impacts on their families. The women appear to have enjoyed the coverage on the university social and solidarity economy blog which celebrates their achievements. They are clearly capable and industrious women who have been given an opportunity to transform their circumstances. They can also help each other either by buying each other's produce or by offering advice. The recurrent loans allow the women to demonstrate their commitment and business competence and show that they are trustworthy. Social control is exercised by the group and non-compliance dealt with through fines. Microfinance initiatives have an extremely high repayment ratio and this scheme has a 100% ratio at present. Women are recognised as being much more reliable than men in terms of repaying loans and spending the money on their families.

At present, there are no plans to scale up the scheme and the focus is on helping the group to prosper and

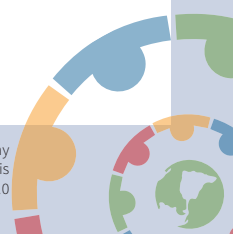
learn from their experiences. Ideally, one vision might be to involve the Kenyan university directly and encourage staff and students to invest in the scheme and learn from this and other such schemes that are being recognised as an increasingly important part of

business education. It is recognised that this is very small-scale in scope and impact but, arguably, it has made a difference that justifies the effort and investment.

Questions for dialogue and action

- What reasons might there be for the success of the scheme to date?
- How might the microfinance scheme move forward in the short and medium term?
- How might it be improved?
- What are the issues associated with scaling up the investment and increasing the numbers?
- How might the scheme be supporting social capital?
- Initiate a micro-finance scheme among students towards a social project within the university.

Case study written by: Mike Calvert, York St John University and Mary Kiguru, Kenya Methodist University, Nairobi in collaboration with the York St John -Erasmus Social and Solidarity Economy Consortium





5. PEDAGOGICAL ACTIVITY

CHAPTER 3: CREATING A SOCIAL ENTERPRISE PLAN BASED ON THE SOCIAL LEAN CANVAS	
Title	Creating a social enterprise plan based on the Social Lean Canvas
Subject	Social enterprise business planning
Size of group	Individual or in groups of 3 - 4
Time	1 month
Learning objectives	<ul style="list-style-type: none"> Understand the 14 elements that make up the operative model of a social enterprise. Become familiar with how the 14 elements relate to each other. Analyse the importance and impact that each of these has in the short, medium and long terms.
Competences	<ul style="list-style-type: none"> Be able to identify the elements that differentiated the Social Lean Canvas from planning tools used by other economic sectors. Recognise the importance of the interrelation of the elements to create a sustainable and balanced plan.
Key words	Social lean canvas, impact, differentiated advantage, key indicators
Materials needed	The diagram of the social lean canvas model to complete it, from https://socialleancanvas.com/
Instructions	<p>1st step</p> <ul style="list-style-type: none"> Choose the idea of the social enterprise to complete the Social Lean Canvas Develop each one of the 14 elements which make up the canvas <p>Objective:</p> <ul style="list-style-type: none"> Clearly define in terms of social and/or environmental impact what your idea is intended to achieve. This needs to be set before starting the rest of the canvas as set of principles to guide the development of the operating model of the enterprise <p>Clients segment</p> <ul style="list-style-type: none"> Who do you need to mobilise to make the model work? Consider clients, users, investors, volunteers, etc. <p>Pioneering clients:</p> <ul style="list-style-type: none"> Who are the first people you need to contact? <p>Problem:</p> <ul style="list-style-type: none"> Who defines the problem? Take into account that there are specific problems which clients can address (in the clients segment) which are not general problems to be placed in the Objectives section. <p>Existing alternatives:</p> <ul style="list-style-type: none"> How are these problems currently solved? <p>Value proposal:</p> <ul style="list-style-type: none"> What single or multiple value proposition eliminates the problems facing different segments of customers? <p>High level concept:</p> <ul style="list-style-type: none"> What differentiates your solution from others and how is this innovative? <p>Solution:</p> <ul style="list-style-type: none"> What solution will bring the value proposition to different segments of clients? <p>Channels:</p> <ul style="list-style-type: none"> How will you reach clients in a way which can later be scaled up? <p>Financial sustainability:</p> <ul style="list-style-type: none"> Traditional income model: continuous income, such as payment by clients for goods and services, donations, etc. Financing model: people or organisations who provide the initial capital (e.g. members being owners by providing capital, as in a cooperative structure) <p>Cost structure:</p> <ul style="list-style-type: none"> How much will it cost to take the solution to clients? <p>Key indicators:</p> <ul style="list-style-type: none"> Which indicators will demonstrate the success of the enterprise? <p>Differential advantage:</p> <ul style="list-style-type: none"> What will make this enterprise a success?



Instructions	<p>Impact:</p> <ul style="list-style-type: none"> What social or environmental impact will result and who will benefit? Include the indicators selected. <p>Plenary:</p> <ul style="list-style-type: none"> Share your Social Lean Canvas and explain how you defined each point. Identify the positive and negative factors that impact on the development of the model developed and what plans you have to reinforce or adjust them. <p>2nd step</p> <ul style="list-style-type: none"> Present your Social Lean Canvas to at least 3 social entrepreneurs who work in the sector that your idea relates to, in order to get their feedback. This could be done in phases, depending on how the model is progressing. <p>3rd step:</p> <ul style="list-style-type: none"> Create an audiovisual presentation about your idea based on the Social Lean Canvas. Present this to social investors. The video should be no longer than 3 minutes.
References	Social Lean Canvas Español - www.socialleancanvas.com
Notes	<p>Get in contact with the York St John Social and Solidarity Economy Consortium if you develop a new model, so it can be shared in our network. socialeconomy@yorksj.ac.uk</p> <p>Ponte en contacto con el Consorcio YSJ-Erasmus Economía Social en caso elabores un nuevo modelo para difundirlo dentro de la red.</p>
Contact person	Guillermo Montero, Sevilla, Spain– Proinca Consulting



6. COMPETENCES

STAGE 1	AREA OF COMPETENCE	Additional explanation of competence and descriptors: PRACTICAL KNOWLEDGE FOR THE DEVELOPMENT OF A SYSTEMIC MANAGEMENT MODEL FOR A SOCIAL ENTERPRISE	SELF-EVALUATION EXERCISES
Development of systemic management skills	Systemic management of the social enterprise	<p>To know and understand management of SSE organisations from a systemic, integrated and ethical perspective</p> <p>Social aim</p> <ul style="list-style-type: none"> ▪ I identify the social change necessary related to the people who are affected based on their needs and rights. ▪ I explore in depth the root and complexity of the problem and the change to work alongside the people affected. ▪ I describe my aim based on an ethical and social agreement to bring about the social change that is required. <p>Total systemic perspective of the social change</p> <ul style="list-style-type: none"> ▪ I decide along with others how we perceive the change that we want to bring about. ▪ I identify the changes with others based on specific actions for different levels and contexts. ▪ I determine with others the performance indicators that will guide our actions. <p>Sustainable enterprise practices</p> <ul style="list-style-type: none"> ▪ I link the solutions for the change to the 10 principles of the Global Contract programme. ▪ I measure the activities that have been planned using the internationally recognised tool: ▪ http://www.globalcompactselfassessment.org/es/ ▪ I evaluate the social and environmental risks of the solution, be it in terms of product and/or service, production chain, waste, etc. <p>Different clients and/or beneficiaries</p> <p>Interest groups:</p> <ul style="list-style-type: none"> ▪ I identify the expectations of the interest groups and incorporate them into what the enterprise offers. ▪ I am interested in getting to know well the people with whom I will be working or collaborating. ▪ I plan with those involved in the interest groups how they want to be engaged in the enterprise. <p>Clients:</p> <ul style="list-style-type: none"> ▪ I know what they expect from the product, service or concept which I am offering. ▪ I decide on the nature of the relationship with the client. ▪ I explain convincingly the value that the product and/or service that I am offering will give. ▪ I present in different visual and tangible ways the benefits of the products, services and concepts that I am offering. ▪ I point out to my client or interest group how their lives will be different or change having received the services or bought the products that we are offering. 	<ul style="list-style-type: none"> ▪ I create a systemic plan for the setting up of a social enterprise using each one of elements of the left hand column. ▪ I start a forum or group to carry on developing the plan alongside the interest groups or client. ▪ I visit the video section of Chapter 3 on the web and search for Babele: it is a virtual collaborative space for the design of social enterprises. ▪ I revise the sustainability of the activities on my plan measuring them against the tool at the following URL: http://www.globalcompactselfassessment.org/es ▪ I compare a commercial business and a social business and point out ways in which they differ and what these differences mean in the day-to-day running of the business. ▪ I compare my idea of an enterprise with another that is operating inside or outside the community.



STAGE 1	AREA OF COMPETENCE	Competence further explanation & descriptors: ORGANIZATION AND USE OF LOGICAL, INTUITIVE, CRITICAL AND CREATIVE NARRATIVE THROUGH SOCIAL NETWORKS	EVIDENCE FOR SELF-ASSESSMENT
Development of systemic management skills	Systemic management of the social enterprise	<p>The market and marketing</p> <ul style="list-style-type: none"> ▪ I identify other social entrepreneurs to complement the services, products or concepts that I am offering. ▪ I explore the badging of products, services and concepts that I am offering so as to be able to access the market. ▪ I consider the best reasonable price to guarantee short and medium term viability. <p>Ethical standards</p> <ul style="list-style-type: none"> ▪ I keep informed about the standards for health, safety, work, environment that have to be met. ▪ I check that the resources that I am using meet ethical standards of production. ▪ I am aware of the importance of sustainability in the supply chain. <p>Raising investment and crowdfunding</p> <ul style="list-style-type: none"> ▪ I put together strong robust arguments to secure funds and sign up potential investors. ▪ I know the background of the person or organisation who wants to invest in the social enterprise and behave accordingly. ▪ I link up with other social enterprises to secure better wholesale prices. <p>Model of investment and income</p> <ul style="list-style-type: none"> ▪ I know the advantages and disadvantages of different types of investment. ▪ I am aware of the risks that the investment entails. ▪ I diversify my income streams putting together my services, products and concepts with others. <p>Legal aspects</p> <ul style="list-style-type: none"> ▪ I look into the different fiscal and tax regulations that I have to meet. ▪ I know what types of licence I need to hold. ▪ I know what sort of patent or intellectual property rights I need for the services, products and ideas in accordance with the values of my organisation. <p>Teamwork</p> <ul style="list-style-type: none"> ▪ I trust the team with which I launch the idea as a project or enterprise. ▪ I know the strengths and weaknesses of my team and speak about it openly in such a way as to make up for any deficiencies that might need addressing. ▪ I identify the skills and training that the team will need in order to create, develop and innovate with the service, product or project. <p>Cost structure and reinvestment</p> <ul style="list-style-type: none"> ▪ I have worked out the original level of investment and costs required to launch the enterprise. ▪ I identify the fixed and variable costs of the activity as it develops. ▪ I work out the price per unit of the product or service and the profit margin. ▪ I reach agreement with the team as to where the surplus will be reinvested. 	As above in previous chart.

