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1.- Introduction

Innovation and knowledge have become fundamental elements to be competitive and to guarantee the adaptation of undertakings in a globalised world. Its importance is such that Europe has situated innovation promotion policies at the core of the so-called “Lisbon Strategy” with the aim of turning the European Union into “the most competitive and dynamic knowledge-based economy in the world, capable of growing economically in a sustainable way with more and better employment and greater social cohesion”

Generally, the term “innovation” is linked to the activities undertaken by companies in the sphere of scientific and technological research with the aim of introducing new products and services in the market. As users, we witness the launch of new information and communication technologies every day, allowing us to access new services that were unimaginable a few years ago.

Europe is said to have a deficit with regard to innovation, compared to United States or Japan. If we take a look at the factors that allow us to compare and measure the differences between the EU and its trade competitors, how the concept of innovation is tackled comes to light. These factors focus on analysing the situation of certain factors such as the expenditure made by companies and public authorities in Research and Development (R+D), the volume of hi-tech technologies exports compared to total exports or the number of registered patents, amongst others¹.

However, innovation is a complex concept that covers many other details. Taking the European Commission reflections on innovation as reference, innovation involves successful production, assimilation and management of novelty, not only in the economic, but also in the social, spheres. This implies that alongside necessary “technological innovation” there is an “organisational innovation” that encompasses from new business models to “new ways of organising work in areas such as workforce management (such as positive action to involve all employees in order to make work organisation a collective resource for innovation), distribution, finance, manufacturing, etc.”².

1.- These factors may be consulted in the “European Innovation Scoreboard 2007. Comparative Analysis of Innovation Performance”. http://www.proinno-europe.eu/admin/uploaded_documents/European_Innovation_Scoreboard_2007.pdf

2.- COMMUNICATION OF THE COMMISSION TO THE COUNCIL, EUROPEAN PARLIAMENT, EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS. *Innovation Policy: updating the Union’s approach in the context of the Lisbon Strategy*. Brussels, 11.3.2003. COM (2003) 112 final.

The main subject of the CIRIEC-INTERNACIONAL International Congress comes at an important time. The European Commission has proposed 2009 to be the “European Year of Creativity and Innovation”³, launching an analysis process from which Social Economy will not be absent. Social Economy contributes to the improvement of technological, organisational or social innovation in the EU, providing a meaning to the European Parliament decision that acknowledges Social Economy as a cornerstone of the European social model⁴.

2.- Social Economy and Innovation from the Enterprise

At CEPES, we understand the Social Economy undertaking as a way of enterprising that, in balance with competition and competitiveness criteria, integrates the following values:

- prominence of persons over capital,
- share of profits/results with a collective criteria,
- organisation with a democratic spirit
- with special solidarity towards the environment, and
- generator of social cohesion

These values translate into Social Economy generating innovative business management and government models that are to a large extent different than the traditional business model. Whilst in the latter the objective is to obtain a profit, the Social Economy enterprise arises always from a group of persons who start a collective project with the aim of reaching a shared objective, which is usually related to obtaining employment or access to a basic social service, an objective a person could not obtain individually⁵. These are undertakings where the person is located at the core of the decision-making process, with capital being the instrument to achieve this shared objective and to generate collective wealth in this way.

4.- COMMISSION OF THE EUROPEAN COMMUNITIES Proposal for a DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL concerning the European year of creativity and innovation 2009. Brussels, 28.3.2008 COM(2008) 159 final.

5.- Decision of the European Parliament on a European social model for the future (2005/2248(INI)).

6.- The EESC states that: “The Social Economy is a type of enterprise which often appeals to groups that traditionally would not dare to set up an enterprise. Collective enterprise enables them to pool resources and share risks. The security thus provided is more conducive to risk-taking” (Opinion of the EESC on “The Social Economy and the Single Market”. 2000/C 117/11. Official Journal of the European Communities. 26.04.2000).

This functioning philosophy translates into management and rendering of services in Social Economy enterprises being based on transparency and the participation of the interested parties, thus favouring innovation and customer-orientation⁶ as well as a combination between economic viability and social responsibility⁷. For this reason, Social Economy is considered to be a “school of economic democracy”.

The concept of the Social Economy enterprise is therefore an innovation with regard to the dominant definition of enterprise, limited to a production unit with the objective of maximising profit. Social Economy reinforces the conception of enterprise as another way of citizenry based on a socially and environmentally responsible commitment with the surroundings in which it carries out its activities.

There is a coincidence between the values of Social Economy and those that are forcing the configuration of a new business scheme based on social responsibility. As the European Commission states, cooperatives, mutual societies or associations spontaneously take on social and civil responsibilities as a consequence of their ability to integrate the interests of their members and addressees⁸.

These commitments are part of a Social Economy that is capable of creating work opportunities in territories that are not attractive to traditional investors. Being enterprises that arise in the territory to solve the problems of its population, Social Economy encourages people to remain in their surroundings, avoiding business delocalisation. In the case of Spain, the role played by agricultural cooperatives in giving support to small agricultural producers may be highlighted, in turn guaranteeing the sustainable development of the rural environment and avoiding its depopulation.

Social Economy also guarantees that complementary services are offered. Mutual societies manage social provision for collectives that would otherwise have a lower level of social protection. Social Economy, through social initiative cooperatives or integration companies, offers answers to new social needs regarding the social and labour integration of persons with difficult employability. It favours the integration of persons with disabilities in economic activity through special employment centres or by means of specialised organisations such as the Spanish National Association of the Blind (ONCE) and FUNDOSA business group. These are some of the innovative answers to new social needs which neither the private nor public sector respond to, in such a way that without Social Economy enterprises, large social groups would continue to suffer situations of instability and total marginalisation.

Social Economy provides general-interest services such as housing, health or education, facing territorial shortfalls through education, housing or medical care cooperatives that offer an indispensable alternative for population sectors that, otherwise, would not be able to access them. It also offers

6. - *Green Paper – Entrepreneurship in Europe*. Brussels, 21/1/2003. Document based on COM(2003) 27 final.

7. - *Commission of the European Communities*. “Communication from the Commission concerning Corporate Social Responsibility: A Business contribution to Sustainable Development”. Brussels, 2.7.2002. COM(2002) 347 final.

8. - *GREEN PAPER Promoting a European framework for corporate social responsibility*. Brussels, 18.7.2001. COM(2001) 366 final.

infrastructures and supplies, as in the case of consumption cooperatives that offer distribution structures in places and areas where they did not previously exist.

It supports small self-employed workers who are linked to the generation of cooperative groups, as in the case of hauliers or small retailers (Grupo Unide) in order to guarantee their presence in an increasingly competitive market. Social Economy has specific business groups that are a significant reflection of fair distribution of the wealth generated, as in the case of Mondragón Corporación in the Basque Country, ASCES in Valencia or Grupo CLADE in Catalonia, which are a proof that Social Economy, within its values, is able to take on business and market leadership.

One of the most significant contributions of Social Economy is its capacity to promote social capital⁹, generating trust networks between persons, and also its capacity to generate employment and encourage enterprising abilities. Cooperatives in general, and associated labour cooperatives and employee-owned companies in particular, are proof of the existence of collective enterprisers, showing that a plurality of enterprising forms exist with a different, as well as innovative, approach to the concept of enterprise.

3.- Social Economy as an innovative business actor

As we have seen, Social Economy enterprises are a part of a set of enterprises that search for and offer solutions in the market with new products and services. Social Economy enterprises “are essential for business pluralism and economic diversity [...] proving that this sector is also based on a business mentality”.

Social Economy is not a marginal reality; on the contrary, its presence in society is unquestionable¹⁰. Considering the case of Spain alone, the Spanish Social Economy Enterprise Confederation (CEPES) represents the interests of more than 51,700 companies with a turnover of 101,555 million euros and 2,500,000 guaranteed jobs in 2007. More than 11,350,000 persons are associated to Social Economy institutions. These figures translate into Social Economy being responsible for 10% of national GDP and approximately 25% of Spanish population having some kind of relationship with these organisations.

9.- *Opinion of the Committee of the Regions on “Partnerships between local and regional authorities and social economy organisations: contribution to employment, local development and social cohesion”*. Official Journal of the European Communities C192/53 del 18.8.2002.

10.- *The Spanish Constitution itself acknowledges cooperative enterprises and the participation of workers in the undertaking*. Article 129.2. “The public authorities will efficiently encourage the different forms of participation in the undertaking and will promote, through suitable legislations, cooperative societies”.

CEPES is the institutional representative of Social Economy as the organisation that brings together the different economic activities under the Social Economy concept in Spain. It comprises 26 organisations¹¹. All of these organisations are national or regional confederations and specific business groups, representing the interests of Cooperatives¹², Employee-owned Companies¹³, Mutual Societies¹⁴, Integration Companies¹⁵ and Special Employment Centres¹⁶ with more than 200 support structures at regional level.

The CEPES project to bring together the different forms of Social Economy at national level is a pioneering experience in Europe which has the following objectives:

- Promote and defend Social Economy and the movements and sectors that comprise it
- Promote and defend the integration and coordination of Social Economy
- Favour the country's economic development as a means to achieve an increasingly fair social situation
- Express and defend the common interests of the member institutions before society and the Administration and before European and international institutions
- Defend and declare the common interests of Social Economy before all instances, in the economic, social, cultural or political planes of the State and European Community

11.- The members of CEPES are:

- 14 NATIONAL ORGANISATIONS: AFEM: FEAPS Association towards Employment; CCAE: Spanish Confederation of Agricultural Cooperatives; CERMI: Spanish Committee of Representatives of the Disabled; CNEPS: Spanish Confederation of Mutual Societies; COCETA: Spanish Confederation of Associated Labour Cooperatives; CONCOVI: Spanish Confederation of Housing Cooperatives; CONFESAL: Employers' Confederation of Employee-owned Companies; FEDEI: Spanish Federation of Integration Company Organisations; HISPACOOOP: Spanish Confederation of Consumers and Users Cooperatives; ONCE: Spanish National Organisation of the Blind; UCOTRANS: Transport Cooperatives Union; UECOE: Spanish Union of Education Cooperatives; UNACOMAR: National Union of Sea Cooperatives and National Federation of Fishermen's Guilds.

- 5 REGIONAL ORGANISATIONS: CCC: Cooperatives Confederation of Catalonia; KONFECCOOP: Cooperatives Confederation of the Basque Country; CEPES-ANDALUCIA: Confederation of Social Economy Institutions of Andalusia; FECOMA: Cooperatives Federation of Madrid; CEPES EXTREMADURA: Confederation of Social Economy Institutions and self-employed workers of Extremadura.

- 7 SPECIFIC SOCIAL ECONOMY BUSINESS GROUPS: Mondragón Corporación; GRUPO ASCES: Association for the Cooperation of Social Economy; GRUPO CLADE; FUNDOSA GRUPO; GRUPO ATLANTIS; Fundación Espriu; UNIDE: Spanish Retailers Union.

12.- A form of business organisation with democratic structure and functioning (one person, one vote). Their activity is carried out following cooperative principles and is regulated at regional, national and international level: voluntary and open membership of its partners, democratic management, economic participation of its members, education, training and information and interest to the community. There were 25,714 cooperatives registered in 2007, employing 317,542 persons.

13.- Enterprises that have a high proven potential to generate employment. In this type of enterprise, social capital mainly belongs to the workers. The fact that workers are shareholders favours self-motivation when tackling projects. The minimum number of partners required to establish them is 3 and establishment procedures are similar to any other trading company. There were 19,737 registered in 2007, employing 124,784 persons.

14.- They are not-for-profit societies made of persons, with a democratic structure and management, carrying out an insurance activity of a voluntary nature, complementary to the public Social Security provision system. In 2007 there were 410 mutual societies across Spain.

15.- Defined as "Learning structures, of a trade nature, with the aim of favouring the employment of disadvantaged collectives by means of developing a productive activity for which an integration process is designed, establishing a conventional labour relationship in the process". It must have a proportion of integration employees in its staff, varying between 30% and 60% depending on each Autonomous Community. 80% of profit is reinvested in the enterprise. There were 180 enterprises with 1,340 workers in the process of integration in 2007.

16.- Enterprises that combine economic feasibility and their participation in the market with their social commitment to collectives with less opportunities in the labour market. Their staff comprises, for the most part, persons with disabilities (at least 70% of all employees). They carry out a productive and competitive capacity that allows them to introduce their products in the market. In 2007, there were 1,700 undertakings employing 88,478 persons with disabilities.

- Study all types of problems that arise in general and in common in Social Economy Associations, agreeing the solutions required and establishing the resulting joint lines of action
- Establish and facilitate common-interest or specific services required by Social Economy Organisations
- Promote the advancement of business management methods and techniques, especially by means of research and the dissemination of its results, and organising and running suitable means for training and information
- Establish, maintain and encourage relationships with Spanish, European and international institutions

Social Economy is therefore an economic and social agent with a strong social presence, contributing through its representative organisations its values and models towards the construction of public policies. Social Economy has its own experiences and perspectives that should be taken into account in the definition of policies to promote business innovation.

4.- Final Comments

Europe is committed to creativity and innovation, aware that the competitiveness of its economy is based on the added value and quality of its products before its competitors. This position of strength necessarily entails promoting the involvement of citizens and, especially, enterprises, including those in Social Economy, in continuous processes to access knowledge¹⁷ as well as research and development¹⁸.

The Social Economy enterprise is proof of the need to tackle the concept of innovation in its broadest sense, as defined by the European Commission. Social Economy shows how creativity is necessary to “invent” solutions for new social needs on the basis of business governance models that are characterised by the participation of citizens and professionals in the decision-making processes that affect them¹⁹. As stated at the start of this paper, Social Economy can not be absent from the configuration of this policy since innovation is an important and indispensable tool to guarantee that SMEs,

17.- For instance, the Innovation Social Economy Foundation, INNOVES, with the objective of promoting innovations amongst Social Economy enterprises in Andalusia, articulating, implementing and promoting innovation, research and inter-cooperation projects. <http://observatorio.innoves.es/>

18.- For instance, Grupo Mondragón, Mondragon Unibertsitatea and the Ikerlan Technology Centre have created the GARAIA Innovation Pole as a project to support innovation activities. <http://www.pologaraia.es/>

19.- “Social Action Voluntary Institutions in Spain”. General Report. Fundación Foessa and Cáritas Española. Coordinator: Gregorio Rodríguez Cabrero. 2003.

which are the majority of Social Economy enterprises, adapt to market needs. And also, because the innovation model that must be promoted and reinforced by Public Institutions should serve to support Social Economy enterprises.

As stated by the European Economic and Social Committee, “Socially responsible entrepreneurship supports sustainable development, democracy and citizen participation, involvement of workers in enterprises, combating social exclusion and revitalising local communities. Additionally, they promote an entrepreneurship culture for women, young people, immigrants and ethnic minorities²⁰”. The appearance of the Corporate Social Responsibility (CSR) concept is setting the path for a new enterprising model, more receptive of events in society and which includes the consequences of its actions in its decisions. CSR reinforces the personality of Social Economy, since in the debate and search of new forms of enterprising it appears as “another form of enterprising”, based on values that are different from the traditional business world values²¹ but competing in the same market.

Perhaps the values of Social Economy enterprises are their greatest contribution to innovation in a global world, where Economy increasingly occupies more spaces in politics and the “market” becomes the new behavioural guide. However, for Social Economy to be efficient, visible and to act in such a way that the values defended are influential on society, it must work in a coordinated way through organisations that allow the transfer of the values it represents. In the case of innovation policies, it will also be necessary to be aware and vigilant so that our innovating enterprising model is taken into consideration.

20.- *Opinion of the European Economic and Social Committee on «Entrepreneurship mindsets and the Lisbon Agenda ».* OJ C 44, DE 16.2.2008.

21.- *Manu Ahedo Santisteban, “The Cooperative enterprise in Denmark and Spain. The history of social economy and its contribution to industrial democracy”.* In *Basque Magazine on Social Economy (2004)*, Num. 0. Publishing Services of the Basque Country University.