

NEW TRENDS IN THE CREATION AND MANAGEMENT OF SOCIAL ENTERPRISES

CASE STUDIES

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SaóPrat: reconstructing the future

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Introduction

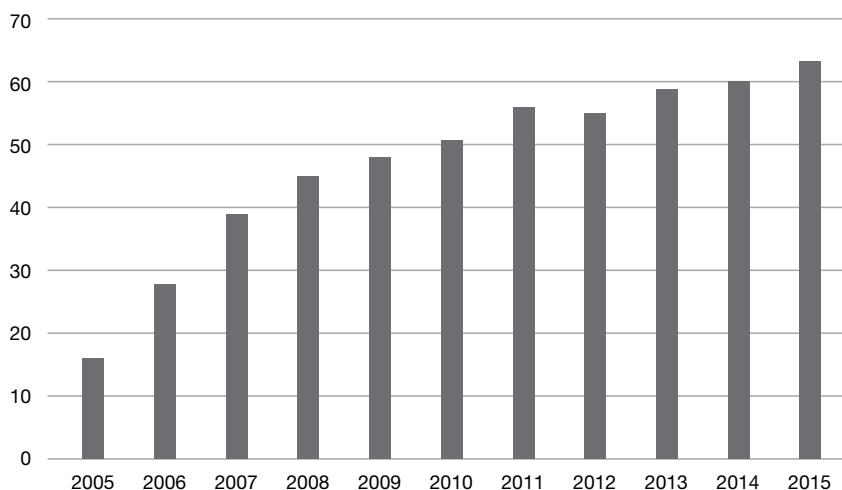
In 2004, three religious associations – Teresianas, Maristas, and Concepcionistas- came together to figure out some kind of a solution for children and young people in vulnerable situations in the neighborhoods of Sant Cosme and Sant Jordi-Ribera Baixa, in Prat de Llobregat. The main aim of the meeting was to propose actions that would help young people to regain their motivation and learn to develop their skills and abilities. That was how the association SaóPrat came into being, a non-profit socio-educational entity created to provide support for children and young people in vulnerable situations and at risk of social exclusion. Different work integration projects were set in motion, but the governing board, headed by its director Cata González, knew much more could be done. It was essential they take a step further and get young people into the job market. They needed the opportunity to put into practice their newly-acquired skills. Three years after creating the association, the governing board decided to set up the work integration enterprise SaóPrat SL, with the main aim to generate job opportunities in the construction sector, specifically, building renovations activities.

In Spain, work integration enterprises serve as a tool for fighting poverty and social exclusion. These business projects seek a balance between the business goal of economic profit and the social impact arising from the beneficiaries' integration into the job market. These companies must follow certain requirements, such as, for example, maintaining a minimum percentage of workers in the process of integration -between 30 and 60%- or applying at least 80% of the results from each financial year to the improvement or expansion of productive and work integration structures (Spanish Enterprise Confederation of the Social Economy, 2017).

In Spain, there is a total of 201 work integration enterprises, 30% of which are in Catalonia (Confederación Empresarial Española de la Economía Social, 2017). In general, and as can be observed in Figure 1, the number of work integration enterprises registered in Catalonia has steadily grown, from 16 to 57, over the last 10 years. Of these 57 work integration enterprises, almost 40% are located in

Barcelonès, by far the most populated region in Catalonia with 2,232,000 inhabitants. In Baix Llobregat, the region that SaóPrat is based in and which has a population of 809,000 people, there are another three work integration enterprises in the area:

- Recibaix: Waste management and environmental services
- Solidaça: Waste management and second-hand retail.
- Cuina Justa: Catering services
- Brins d'Oportunitats: Cleaning services and removal services



Source: FEICAT, 2017

Figure 1. Number of registered work integration enterprises (2016)

Table 1 shows the activity sectors of work integration enterprises in Catalonia. The activity with the greatest number of companies is that related to green spaces -with 16 companies-. This activity supposes a 30% of the work integration enterprises and includes tasks like looking after parks and gardens, ecological agriculture or forest management services. The next activity with most integration enterprises is that of retail with a total of 15. Following, constructions and renovations activities are represented by 14 enterprises. In this group is one of the two areas of SaóPrat. Other representative activities within work integration enterprises are the

waste management – 14 companies – and cleaning – 12 companies-. The other area of SaóPrat is multimedia design, which, as can be seen in Table 1, makes it the only integration enterprise dedicated to this activity.

SECTOR	# ENTERPRISES	% ENTERPRISES
Green spaces	16	27,5%
Retail	15	25,8%
Construction and renovations	14	24,1%
Waste management	13	22,4%
Cleaning	12	20,6%
Catering	9	15,5%
Counseling and training	9	15,5%
Removal services	9	15,5%
Assembly	9	15,5%
Restoration	6	10,3%
Laundry services	4	6,8%
Concierge and security guards	3	5,1%
Clothing and textiles	3	5,1%
Logistics	2	3,4%
Graphic arts	2	3,4%
Machinery maintenance	1	1,7%
Design and multimedia	1	1,7%

Source: Own elaboration based on FEICAT (2018) and Government of Catalonia (2018)

Table 1. Activity sector of work integration enterprises in Catalonia (2018)

The company SaóPrat, 10 years after it was founded, is still on this list. Each year, at least 25 young people pass through the enterprise, 70% of which begin training programmes and one in every four enters the job market. The data shows the impact that this project is having on the regions of Barcelonès and Baix Llobregat. To reach this point, the governing board has taken key strategic decisions and implemented organizational changes that have led the project to reinvent itself over the years. Becoming a more economically sustainable enterprise is the challenge they are facing now, and they won't stop until it is accomplished. We will now analyze the project's origins, its service portfolio and the main challenges face currently.

SaóPrat: The Origins and Evolution of a Business Project

Since its foundation in 2004, the SaóPrat association had set in motion different work integration and training projects for young people in vulnerable situations and at risk of exclusion. Among the different training areas they offered was building renovation and construction. However, the members of the association in charge of the training and guidance began to feel a sense of frustration. Once the young people had acquired the technical knowledge needed to carry out the activity, it was hard for them to get work contracts, and they ran the risk of feeling that so much hard work was for nothing. Cata González, the president of the association remembers:

“It was really hard to see how the young people, afterward, couldn’t find work. Their motivation fell through the floor. It was as if everything they had worked for was in vain”.

The association members were aware that the guidance and training had a positive impact and that they were doing a good job, but they needed to take another step. The young people needed to put the skills they were acquiring into practice, and to do this it was essential they be able to enter the job market and work.

This was the primary motivation for the SaóPrat Association, three years after its foundation, to create SaóPrat SL, a building renovation company that would allow young people to have their first work experience. But why this sector? 2007 was the year before the economic crisis hit Spain and, until then, the construction sector had grown relentlessly. Furthermore, the kind of training needed for this activity allowed young people to enter the job and assist the journeymen as of the first month and a half of training. The training was still organized by the SaóPrat Association, which coordinated with the company regarding the knowledge and skills required by the market. In a few months, the young people were able to act as assistants to the company’s journeymen.

Despite the crisis, during the next four years, the company continued to receive clients and the work integration figures were very positive.

However, the management began to detect a major problem: there were no girls that wanted to participate. Work in construction had marked masculine stereotypes and that made it hard for girls to be incorporated into the training and subsequently find work. In fact, during those years, only two girls had worked in the company. So, in the search for a profession that was inclusive of both genders, the idea arose of introducing graphic design as an activity. This work had a series of positive aspects which aligned with the goals of the project. Firstly, the training of a graphic designer and their contact with technology was consistent with young people's curiosity and desire to learn. In general terms, it was an activity that promoted going back to education. The social value of this activity was also beneficial from the point of view of the young people's self-esteem. In this regard, Cata González remembers:

"It was amazing when they told me that if they could create a website, they could do other things. Suddenly they felt that they could go back to studying".

After various meetings weighing up the pros and cons, in 2011, the company created a new graphic design area under the brand name Inmenta.

Strategy

The company motto is to offer "Quality Renovations and Design with a Social Impact". The company took into account a series of values that helped with its operation and in the design of its strategies:

- A focus on people: all people have value. They believe in people and their potential.
- Education: social intervention is undertaken with an emphasis on education.
- Flexibility: a necessary element for providing a creative response with a sense of humor to the new needs that keep arising.
- Simplicity and humility: a clear aim of treating people in an honest and direct manner.

- Working in teams and online: searching for synergies and joining with others, always working in a coordinated manner.

About their price strategy, both brands are competitive in their sector, offering average prices market. Clearly, their strategy is not completely based on price. Their customers value the quality and trust offered for SaóPrat. That explains the highest level of customer retention.

In this sense, Jordi Ibañez, head of the renovations area, asserts that:

“The company’s clients mainly value the good quality work we do, the closeness with the client and the trust we generate. One of our strong points is the loyalty of our clients.”

Regarding the social impact generated by the company, the fact is that the majority of customers do not know about their social nature. Accordingly, M^a Carmen Olaya, manager, affirm that:

“There are customers that really do not care about”

This way, its model combines part-time work contracts with the participation of young people in training courses offered by the SaóPrat Association. The company then also offers support to young people in actively seeking work in companies that are not work integration enterprises. For this association, the underlying aim is for young people to rekindle their desire to study and, thereby, find a job.

The Service Portfolio

Currently, the SaóPrat enterprise bases its activity on two main business areas: integral building renovations and design and communication services. Below are the details of each of these branches.

SaóPrat Renovations

This branch offers all kinds of services in the area of the integral renovation and maintenance of buildings.



Specifically, the renovations area offers the following services:

- a) *Maintenance of buildings and schools.* This service includes the repairs of damages and urgent works in office buildings. The main target audience of this service is property developers and schools.
- b) *Services for communities of property owners.* Work is done repairing facades, light wells, rooftops, and entranceways.
- c) *Integral housing renovation.* This service is for renovation works tailored to the needs of each client.
- d) *Public tenders.* The company enters public tenders for the renovation of town halls or municipal buildings. It has, on occasion, accompanied companies from the sector that are looking for social enterprises to fulfill the social clauses in certain tenders.

Diseño Inmanta (design area)

The aim of this area is to analyze the needs of each client and help them to identify their goals, with the aim of drawing up an effective graphic proposal for each company.



The services that the design and communication area offers are as follows:

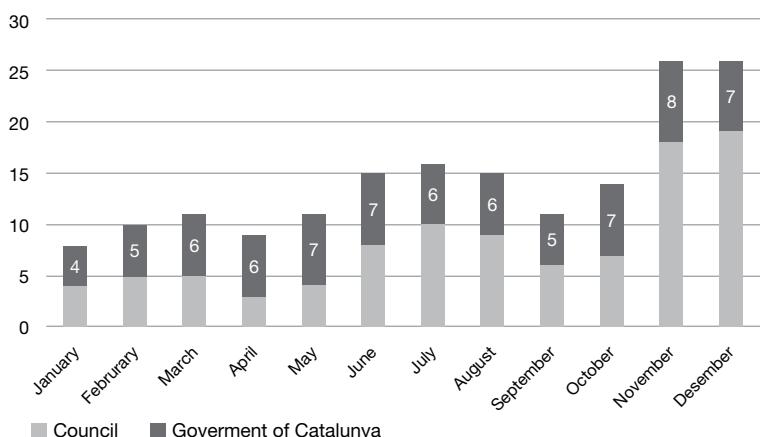
- a) *Graphic design.* Corporate image, advertising, and editorial design. Creation and/or renewal of logos and marketing material.
- b) *Web.* Wordpress, HTML, newsletters and interactive catalogs.
- c) *Corporate, promotional and event-based videos.* Producing annual reports for schools and universities.

The SaóPrat Team

The SaóPrat SL team comprises full-time professionals and part-time staff on work integration programmes. Its management team is composed of three people: María del Carmen Olaya is the project's general coordinator; Jordi Ibáñez is in charge of the renovations area and Pilar Ángel is in charge of the design area. The renovations area also has seven journeymen and the design area has four.

Within the company, activities are the service of providing support for young people. Firstly, the production support officer is in charge of running tutorials and monitoring their daily work activities, analyzing their training needs and assessing how they are putting their cross-disciplinary skills into practice. Then, the work integration support officer ensures the fulfillment of the project's overall educational vision and ultimate goal. This specialist helps to detect whether or not the young people need a particular kind of training and will help them to prepare themselves for seeking employment.

The rest of the team comprises young people on work integration programmes, who are working part-time. For their daily activities, they often work in conjunction with a journeyman, which helps them to create habits and acquire technical and cross-disciplinary skills.



Source: Internal strategic analysis document, SaóPrat SL, 2017

Figure 2. Evolution of SaóPrat work integration contracts, 2016

The young people are aged between 16 and 23. Because of the characteristics of the company, the percentage of staff on work integration programmes cannot be less than 50%, but SaóPrat SL easily fulfills this requirement, as in the last year 74% of employees fell into this category. Each year a minimum of 25 young people pass through the company, 70% of which go on to sign up for training courses and one in four of which enters the job market.

The trend of the new educational models is to offer an integral training, where the students put into practice their competencies and improve them through the real work experience. In this light, Saó Renovations and Inmenta Design are a good example. Even if the inexperience can be a constraint to be competitive, the fact is that the coordinated work between the SaóPrat Association's educational program and the *in situ* training allows the integration of young people in both branches, achieving the highest level of customer satisfaction.

Redefining the Strategy: The Main Challenges of SaóPrat

In 2016 Cata González, the head of the project realized that the enterprise needed a change. Socially, the project was fulfilling its goals and reaching an increasing number of young people. However, it was not economically viable and continued to depend on subsidies. It was at this point that the management decided to incorporate someone that would undertake an analysis of the situation and redesign strategies for the future. María Carmen Olaya had 23 years of experience in the financial sector and after years of collaborating with the association decided to become a full-time member of the team. In this regard, María Carmen Olaya says:

"We're not a non-profit company and each time we do a job we always need to make a profit, or at least nearly always. The company has to be strong financially speaking, otherwise, we cannot have a social impact. Our aim is to improve our operating profit".

With this in mind, María Carmen got down to work. She surveyed the clients and providers, conducted in-depth interviews with key

partners, carried out sessions with management teams and specialists, as well as brainstorming sessions with the young people. Everything was set in motion so that SaóPrat SL could implement the changes it needed to be economically profitable. The aim of this reflection was to improve the company's social impact and make efficient use of the available resources.

In just one year, these changes have already begun to give fruit. The weekly meetings the management team holds have meant the changes have already been put into action and that no one is in any doubt that SaóPrat will become an economically viable project. But this is just the beginning, there is still a long road ahead.

Main Challenges

Some of the challenges that SaóPrat is currently facing are as follows:

- a) Distinguishing itself within a highly competitive sector.

Building renovations

The activity sector where the company carries out its work in both areas is highly complicated. Accordingly, there is a high level of competition in the construction and renovations sector in Catalonia. In 2017, there were more than 31.000 companies registered. Despite not all of them are direct competence, this data reflects the companies gathering.

Furthermore, in 2017, the informal economy in Spain represents the 17% of the GDP. One of the main sector, where is concentrated this activity, is in construction. During the last years, it has been a slight change in the weight of the informal economy, but the culture of tax avoidance in this type of activity is still prevalent. This implies a strong unfair competence for SaóPrat, overall in terms of competitive prices. To maintain a differentiated service and high quality is the main strategy to remain competitive.

Design and multimedia

Over the past few years, Barcelona is considered one of Europe's top design cities, attracting creative talent all around the world. The city also offers a wide educational program

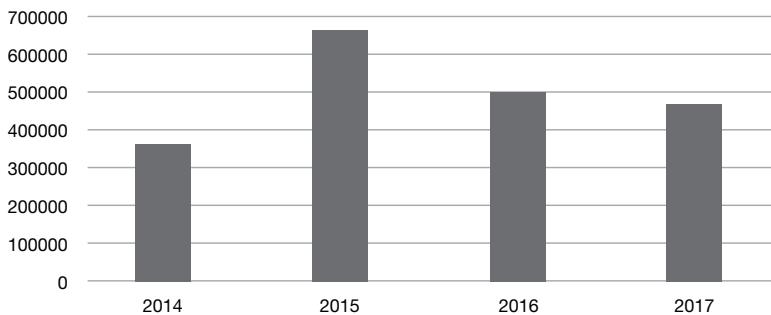
specialized in design and multimedia. On the other side, it hosts a recognized internationally centers. Moreover, there is a large number of companies and freelance offering the same services increasing the competence with very tight margins.

Faced with this, SaóPrat SL has to consider what true value added it can offer its clients, and thereby stand out from the competition, finding their niche and consolidating a proposal value sustainable.

b) Financial reliability

One of the biggest challenges in social enterprises is the financial reliability. From the beginning, SaóPrat has experienced a continuous process to find the balance between the incomes of their services and their cost structures, focusing on the achievement of their social mission. From a social impact perspective, the project has exceeded the expectations of its supporters year after year. From a financial side, the company has faced with the challenge to improve its efficiency in the presence of an invoicing decline over the two last years.

In the last year, the net sales decreased by approx. 35,000 euros -Figure 3-, in consequence, the aim of the new board of directors has been to analyze the company efficiency in order to be profitable. The performed analysis identified that in several services, the cost of materials was very high. Moreover, when it was necessary to outsource any services, the cost-benefit analysis was not taken into account. This result in particular services were not reliable with a negative margin.



Source: Internal Strategic Reflection Document, SaóPrat SL, 2017

Figure 3. Evolution of SaóPrat turnover (2014-2017)

The performed analysis by the new direction board allows identifying the importance that the company might respond to circumstances, such as, a lower invoicing level during a year. They needed to adapt and adjust their costs. The director affirms that:

“We are accustomed to accepting all the customers but shall this continue? Is it really worthy?”

Demonstrating that a social enterprise can to be profitable and financially reliable is the greatest challenge for this organization.

c) Access to new customers.

On March 9th, 2018, a new Public Sector Contracts Act came into force, which attempts to go further in the transparency and quality criteria. This new law intent promoting access to SMEs to the public tenders and it reserves a percentage to work insertion enterprises and special employment centers. The inclusion of certain social clauses seeks to promote the social integration of people with disabilities or at risk of social exclusion. This gives a boost to the cooperative sector and social economy, contributing to the creation of a public procurement accessible for social enterprises.

In SaóPrat, the majority of customers are attracted by word of mouth. Regarding ReformaSaó, new customers arrive through architects, interior designers or property

administrators. Inmenta's customers are predominantly of the public sector or companies related and partners.

Currently, the company is considering how to display their added value to position and consolidate themselves in the market. They have loyal customers that help them to attract more customers however they are working on developing several actions to expand their market.

The new Public Sector Contracts Acts also is an opportunity to access public tenders and to collaborate with companies that are looking for social clauses accountability.

Even so, it is necessary that the company takes different actions to attract new clients, as well as to retain those that actually are working with them.

Questions

Students should contemplate the following questions:

- a) What are the main strengths and weaknesses of this project?
Which opportunities and threats exist in the context?
- b) What actions could the company implement to increase its profit margin?
- c) What strategies can the company consider to attract new customers?
How can the company take advantage of the synergies between both areas?

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