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momentum project

Stories of Scale

Nine Cases of Growth
in Social Enterprises

Brittany Koteles, Guillermo Casanovas and Alfred Vernis





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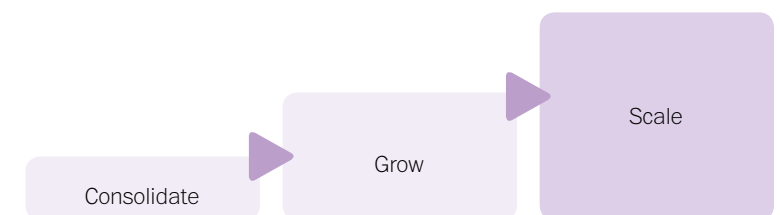
Momentum Project

“Every morning, Pere opens the blinds of Moltacte, one of the outlets the social enterprise has in the town of Manresa. Pere has a severe mental disorder and being able to work in Moltacte has changed his life for the better.”

Pere’s story and that of many others in Spain and Latin America inspired the Momentum Project, which we present in this book. Our account will not focus on the project itself but rather on the first companies supported by Momentum in 2011. These firms are the stars of our story. The idea is a simple one: to foster the growth of existing social ventures so that they can consolidate their position in the market, generating business revenue that will allow them to create more social value. The story began when the social entrepreneurs we came across in Spain and Latin America sought our help. The market is a complex, ever-changing beast and for those who have created social businesses, it is often hard to grasp its moods and twists.



The worsening economic crisis has made things tougher for a growing number of them. BBVA, PWC and ESADE grasped the needs of social entrepreneurs and decided to join forces and use their respective key skills and know-how to help maintain the momentum of social initiatives.

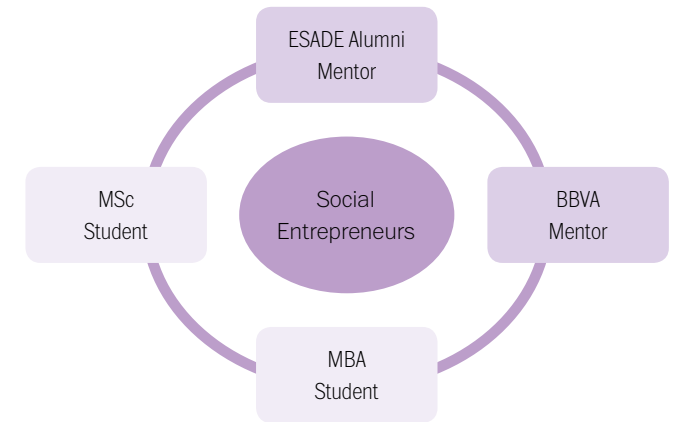


As a global bank (BBVA) and a leading business school (ESADE) went about setting up the program, the case for the Momentum Project grew stronger. When PWC joined the team, we realised we had a project with great potential and a perfect timing and staging.

From the outset, one of the strengths of the Momentum Project was that it provided a forum for pooling knowledge and learning among the various players. Instead of a one-way program for imparting knowledge, we opted for pooling learning and experience among entrepreneurs, teachers, students, managers and so on. This vision has manifested itself in two more specific aims, namely: (1) to help various social ventures grow; (2) to foster the development of a social entrepreneurship ‘ecosystem’.

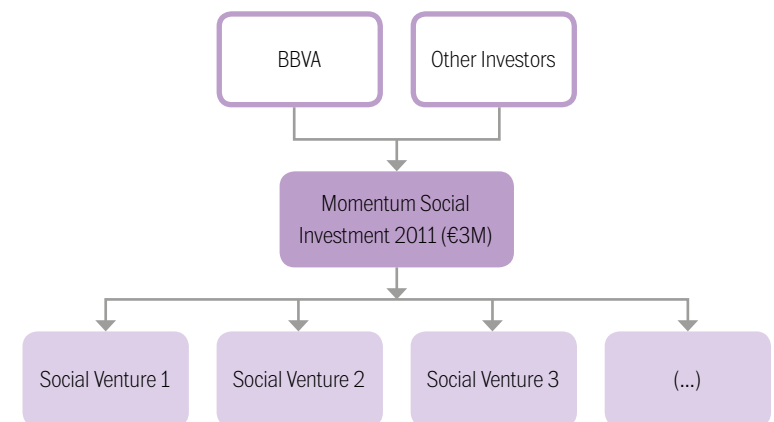
There are three aspects to the first aim: training, help and funding. From the outset, Momentum Project sought to round off and update social entrepreneurs’ management skills and training. This has been ESADE’s *leitmotiv* for over half a century and now we wish to extend it to entities that combine social and business objectives — something that fits like a glove with the School’s founding principles. However, as we said earlier, we realised the program also had to facilitate learning by faculty and students. The training was thus a ‘two-way street’: social entrepreneurs were taught in ESADE classrooms and our education community learnt from innovative companies working at the economy’s cutting edge.

Second, the Momentum Project was designed to help social entrepreneurs and their companies. The chance of helping social entrepreneurs (who often have to grapple with tricky markets) seemed worth grasping. It was something BBVA and ESADE were well-placed to do given their cumulative expertise in this field. Here, BBVA managers already had considerable experience of tendering advice to Small and Medium-Sized Enterprises (SMEs). This expertise together with that of ESADE alumni who had worked in similar sectors made a winning combination. At the same time, we gave ESADE MBA students with international experience and recent graduates of the School’s Masters programs the task of drawing up a growth plan for each company. These soundly-based six-man teams contributed talent, experience, vision and motivation.



As one might imagine, this format did much to realise the pooled learning objective underpinning the Momentum Project. ESADE students, alumni, faculty and BBVA mentors all pitched in and built up a direct grasp of the challenges and knowledge of the workings of the social economy. BBVA managers emphasized that, for them, Momentum is an “action learning” program, very well-suited for promoting social intrapreneurship and values-driven leadership in their firm.

All that was needed now was funding. As with traditional companies, one of the main challenges to social companies growth plans is finding the wherewithal to bring them to fruition — especially in the present crisis. BBVA took the lead in finding a suitable funding approach for the companies in the Momentum Project. In keeping with the program’s holistic vision, various BBVA departments (CSR, Risk Analysis, Communication, Private Equity) worked together closely in finding ways of lending to social entrepreneurs on soft terms. In the process, the departments learnt a great deal about social entrepreneurship and became leaders in social investment in both Spain and Latin America. “Momentum Social Investment” thus became a pioneering instrument for funding social enterprises. PWC also played a key role in the project, carrying out ‘due diligence’ of the social ventures on which money was spent, thus reassuring investors and others of the soundness of both the projects and the program as a whole.



The social entrepreneurship field is gathering steam worldwide. The number of entities tackling social problems through innovative, business initiatives is growing by the day. Some work in their own communities, others deal with global problems, some resort to cutting-edge technology while yet others take a grassroots approach to tackling day-to-day problems. This growth explains why programs for supporting social entrepreneurs and boosting their impact have bloomed over the last few years. That said, the Momentum Project is special. Apart from being a pioneering initiative in Spain, it is one of the few programs in the world that combines top-flight training and mentoring on the one hand and specialised funding on the other. This has turned it into a leader in Spain and has facilitated its expansion to Latin America. Furthermore, the program has not only boosted partners' learning but has also made great strides towards the Project's other main aim, namely: creating a support ecosystem for social entrepreneurship in Spain and Latin America.

Why is such an ecosystem important? As we shall see, some of the social companies that have taken part in Momentum have spent close on thirty years struggling with market demands and conditions. However, public recognition of all the good done by social enterprises (and of the social entrepreneurs behind them) is a much more recent phenomenon. This implies that the ecosystem supporting such initiatives (financial backers, the media, training programs, public policies and so forth) is less highly developed than is the case for traditional companies. This is a further hurdle for social companies trying to jump-start new projects.

That is why Momentum Project has made great efforts to forge networks and links to underpin this ecosystem. BBVA, PWC and ESADE have steadily upped their commitment to the Project and many other institutions have now come on board. This trend is shown by media reports on social entrepreneurs, regional government workshops and support for local networks, specialised graduate programs on social entrepreneurship, financial entities' support for social ventures, trade fairs and gatherings catering to the sector, international networks strengthening their presence in Spain and so on. Finally, the launch of Momentum Project in Latin America (beginning with Mexico and Peru) also shows the commitment to fostering social entrepreneurship in this region.

Our experience may both guide and inspire others wishing to support social entrepreneurship. That said, we do not wish to focus in this book on the workings and achievements of the Momentum Project but rather on the social entrepreneurs and their business ventures. For those of you who are new to this field, we shall guide you through stories of individuals and of specific projects with which you may become involved as consumers, clients or workers. For those who know more about the sector, this volume will shed light on the growth of these companies and the challenges facing them.

Social ventures' difficulties, successes, reservations, learning, strategies and questions seldom have a straightforward answer. However, this book gives valuable insights on such matters, revealing the nature and value of social entrepreneurs, as well as reflecting on the role we can all play in the ecosystem within which they operate.

Guillermo Casanovas and Alfred Vernis

1

DAU

MISSION: To promote the autonomy and social inclusion of people with mental disabilities by generating and maintaining stable jobs of high quality.

VISION: To be a leading sustainable company in the conditioning of pharmaceutical products.

The Challenge

In Catalonia alone, there are 44,200 working-age individuals with a severe mental illness (SMI). SMIs often rob their victims of autonomy, self-esteem, and sense of purpose, making it difficult to fit the rigid social definition of “normal”. Employment can offer SMI victims much more than a first taste of financial and personal autonomy: a job often marks the beginning of true empowerment. For an adult who may have been dependent on others his entire life, a job gives an entirely new sense of dignity.



Studies are confirming the powerful impact that employment has on the quality of life for individuals with SMIs. Unfortunately, in Spain, the majority of this constituency is unemployed. To help generate suitable job opportunities for this population, the Spanish government gives special subsidies to businesses that qualify as special employment centers (SECs). These centers provide labor opportunities to a large number of people at risk of social exclusion. To qualify as an official SEC, at least 70% of an organization’s workforce must be composed of disabled individuals with a reduced production capacity of at least 33%. Over the years that SECs have existed, strong evidence has continued to support the hypothesis that jobs drastically reduce the severity of challenges produced by SMI. Compared to individuals who do not hold a job, hospitalizations and relapses have drastically decreased in SEC employees [Figure 1.1].

However, there are simply not enough jobs for the people who arguably need them the most. In Catalonia, only 22% of people with an SMI have found employment at a SEC. In Barcelona alone, 2,500 of these adults are without a job. The existing training, placement, and employment opportunities are simply insufficient for the current demand from this constituency.

Figure 1.1. Before and After Job-Insertion Intervention.

| | Before | After |
|---------------------------------------|---------------|--------------|
| Number of hospitalizations (annually) | 0.65 | 0.26 |
| Average stay (days) | 27.24 | 3.99 |
| Relapse incidence | 39% | 18% |

Source: Pere Mata Foundation

DAU's Story

Who is DAU?

To us, the products we use to make ourselves presentable to the world may seem normal or even mundane. After all, what's so exciting about a tube of toothpaste? At DAU, it's the source of jobs for 38 people with SMIs, and a growing business whose sales reached €1.2 million in 2011.

DAU is the first SEC in Spain to obtain legal authorization as a pharmaceutical manufacturing laboratory. It offers conditioning and packaging services to third-party companies in the pharmaceutical, cosmetic, and dietary sectors.

Now the company is determined to become a leader in the primary conditioning of solid oral pharmaceutical products. "We are doing something that's *never* been done before," says Anna Cohí, DAU's director. "In Spain, the idea of people with mental illnesses producing medical products is unheard of."

The Backstory

In 1992, long before the idea of a laboratory was born, the DAU Association of Parents of the Mentally Ill was formed. Originally launched as a private nonprofit foundation, DAU's mission has always been to give meaningful employment to people with SMIs. Although DAU has evolved from its beginnings as a small foundation into a bustling business, it has always retained the bold spirit of a mother who, 20 years ago, refused to let her mentally disabled son go without a job.

DAU's Director, Anna Cohí, joined DAU in its early years as a volunteer. While also running her own therapy center for people with schizophrenia, Anna's extra hours at DAU began to grow more and more important to

her. Meanwhile, in 1998, DAU made a necessary shift from its small-scale workshops toward a professional business strategy to focus on conditioning services.

After spending one year juggling her practice and managing DAU's restructuring, the moment came when Anna could no longer do both things. "I had to decide between my career as a clinical psychologist and becoming a businesswoman in charge of a social enterprise." It wasn't an easy decision, but Anna knew that she needed to see the DAU project through. "I worked hard and I loved my job, but I wanted something more," she remembers.

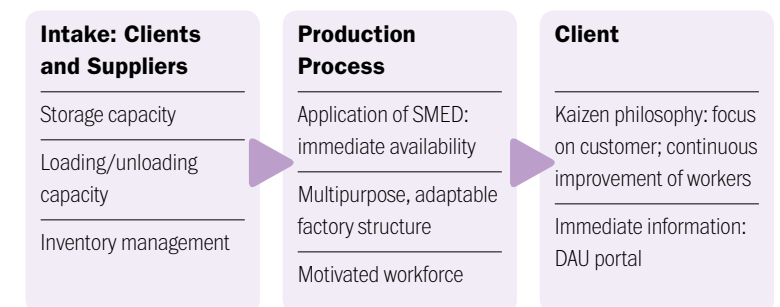
Marcos Resano joined DAU in 1998. At the beginning, he remembers telling the team, "We *need* to stop trying to compete with other SECs. Our competition needs to be in the normal market." To help DAU evolve into a profitable business, Marcos oversaw the implementation of production indicators, more efficient operations, information systems, and other key milestones for DAU on the path to professionalization.

How it Works

It's not often that we give a second thought to unwrapping a new perfume bottle or reaching for a paracetamol. Containers such as these are simple representatives of a daily routine. However, a visit to DAU might make you think differently. At DAU, countless standard-looking bottles are transformed into individual masterpieces in a matter of minutes. As the bottles zip down an assembly line, the hands of DAU's disabled employees place them in perfectly pressed boxes, line them with delicate cellophane, and finish the job with a perfectly-centered seal. They monitor everything from heavy machinery to the finest details, proving that people with mental illnesses can do better than a good job – they can do a perfect one.

Clients in the pharmaceutical, cosmetic, and dietary sectors entrust their products to DAU at the very end of their supply chain. The company offers high-quality conditioning services for some of the biggest brands in these industries. The clients ship their products to DAU's plant, located in the industrial zone of Barcelona. There, DAU's staff – 77% of whom have an SMI – are in charge of the process that turns an item into a product [Figure 1.2].

Figure 1.2. DAU's value chain (with key company characteristics).



The lab has offered secondary conditioning since its inception and is now making an entry into the primary conditioning market. **Secondary conditioning** is packaging that does not come into physical contact with an actual product; **primary conditioning** touches the product directly (for example, a toothpaste tube is primary conditioning, but the box it comes in is secondary). In primary conditioning, especially concerning medication or other pharmaceutical products, possible errors pose a higher risk to the consumer. These laboratories are strictly regulated and require special shipping, ventilation, and temperature protocols.

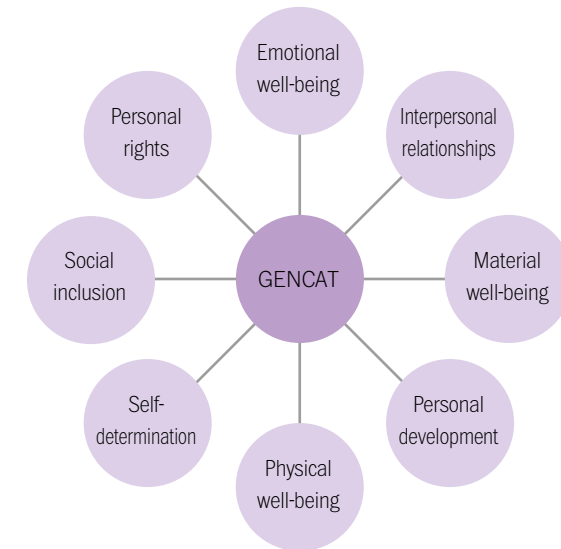
Due to the fast-moving, competitive nature of DAU's clients, the company must maintain a flexible, rapid response to last-minute orders, stringent standards, and fluctuations in the market. More than anything, DAU strives for superior quality and a next-to-nothing rate of error. Packaging is what communicates quality, safety, and even luxury to the consumer – so DAU's clients count on nothing less than a perfect job. Regardless of the competitive market and some of business's toughest quality regulations, DAU is making a name for itself in both the business and social worlds – in fact, it was the first SEC in Spain to become an authorized pharmaceutical laboratory, and it is the *only* one to engage in the primary conditioning of medications.

Social Impact

DAU currently employs 38 workers with SMIs and has placed another 49 individuals in supported jobs with other companies. The company does not simply aim to give employment to people with SMIs, but to truly prepare them for labor opportunities beyond DAU. This is why a user's first step at DAU is the pre-employment services, which groom each individual for the responsibilities of a real job. "We want them to be capable of working in any company with similar conditions," explains Anna. Between 2008 and 2010, DAU provided training to 159 disabled adults. User assessments show that DAU has directly increased personal autonomy for 67% of its users.

Although the company's most important indicator of social impact is the number of jobs created, DAU recognizes that this measurement is not enough. In order to make a real difference, these jobs need to be empowering and transformative to the disabled people on its staff. The real question is: *Do these jobs improve the quality of life of people with disabilities?* To answer this question, DAU uses a special rubric devised by the University of Salamanca [Figure 1.3]. This scale, called GENCAT, assesses eight different indicators of quality of life.

Figure 1.3. The Gencat rubric's indicators for quality of life.



Anna, who spent years with DAU as a volunteer before taking on a formal leadership role, explains why the challenges of running a SEC are worth it: "I remember when we were going through a hard stretch in 1998. I had been working with some of the disabled people at DAU for years. Even when our simple workshops left much to be desired, I *still* saw a change that our therapy brought to these people. It was real."

Now the change is even greater. "You see the difference in our users," she continues. "You see them free for the first time. They talk differently, they show self-confidence, they start their own projects... This will always be what makes my work worthwhile."

Scaling Up

DAU's growth strategy is specifically focused on entering the primary conditioning market in the pharmaceutical, cosmetic and dietary sectors. Following expansion into this channel, they aim to achieve 30% of the market share in the primary conditioning of solid oral drugs by 2014 [Figure 1.4]. Between 2012 and 2014, they will increase turnover by 49%, with an average annual return of 10%.

**Many SECs are dependent on public aid
– but what will happen if the aid stops?**

"Our objective from the beginning has been independence from state funding," explains Marcos.

"When internal politics are constantly changing, you simply can't depend on subsidies to sustain your business."

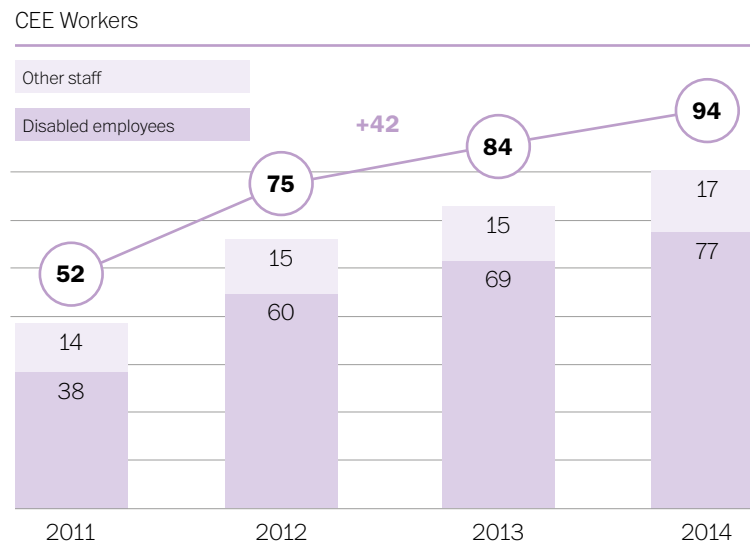
The company’s decision to expand to a new market channel was partially influenced by the current financial crisis in Spain. Because the crisis has affected the government as well, state-funded subsidies for SECs have already taken a severe blow. Combined with the threatening decline in economic activity, this situation is bleak for any company. DAU’s growth strategy is to diversify its activity into a sector that is continuing to grow – even in the crisis. What’s more, budget-strapped labs are looking for affordable ways to boost efficiency, which often means outsourcing activities that are working-capital-heavy, like conditioning.

Figure 1.4. Market Goals: Primary Conditioning of Solid Oral Medications.

| Year | Units sold by DAU | % | Market estimate (units) |
|------|-------------------|------|-------------------------|
| 2012 | 16,500,000 | 8 | 207,500,000 |
| 2013 | 51,500,000 | 23 | 215,800,000 |
| 2014 | 69,000,000 | 30.6 | 224,790,000 |

Note: An anticipated 4% annual growth in the market has been calculated.

Figure 1.5. DAU’s Workforce Projection



The project is a major challenge, but its backers have a powerful incentive: to create 42 more jobs between 2011 and 2015 [Figure 1.5]. Expanding its business line will allow DAU’s workforce to almost double in three years, from 58 in 2011 to 100 in 2014, of which 77% have SMI. The company has already taken the first steps toward its long-term dream of becoming a leader in Spain.

The social entrepreneur’s work will always have an element of urgency: when the world is facing problems *now*, it may seem like the only option is to fight for short-term results. A decade-long journey from organization to corporation has proven the importance of long-term planning at DAU. “If you look at experiences in social economy, the real victories are always long-term. To have a truly transforming impact, it’s going to take years of work,” says Anna. She pauses a moment, and adds, “Changing the world is a process!”

-
- Short term**
- Access market: primary conditioning of oral solids.
 - Consolidate leadership in Catalonia for secondary conditioning of drugs.
 - Begin first primary conditioning job for Onedose Pharma.
-
- Middle term**
- Build primary conditioning client base.
 - Be the leading partial manufacturing company in the primary conditioning of oral solids in Spain.
-
- Long term**
- Be the leading partial manufacturing company in the primary conditioning of oral solids in Spain, Portugal and Southern France.
-

Preparing to Scale: Transforming into a Social Business

In 1998, two years after gaining official accreditation as a SEC, DAU was in real danger of having to close its doors. Anna Cohí, DAU’s current director, was a part-time volunteer at the time. She remembers how dim the future looked for DAU and its families: “There came a moment in which we realized that sheer goodwill couldn’t carry us any farther,” she remembers. “It just wasn’t working anymore.”

The foundation was failing. Finances were so dire that DAU was forced to ask the workers’ parents for financial contributions. “When the money didn’t add up, we still had to pay rent and the workers’ salaries,” explains Anna. “No bank would ever have helped us, and I couldn’t blame them. There is no way we would have been able to return a loan.”

Also in need of improvement were the jobs themselves. “DAU lacked the rehabilitative spark that we were aiming for,” Anna says. It was still providing labor opportunities – a necessary first step – but they were often rote, poorly paid tasks such as folding portfolios or placing items one-at-a-time into a bag. “Some days, it just felt like we were finding something to occupy their time. They weren’t jobs that left our workers feeling like they’d done something positive for society.”

The foundation needed to go back to the drawing board. A series of meetings began the discussion about seriously professionalizing DAU's work. Marcos had a different idea about how to unleash the foundation's potential. "I told them, 'These guys can do jobs that aren't dependent on subsidies or their parent's money. They can do jobs that have a real market value,'" he remembers.

The team was challenged to view DAU as a different kind of project. "We had to redefine DAU as a sustainable project, with real profits that we could reinvest to keep growing our mission," explains Anna. "It was a very business-oriented vision, but it still conserved the essence of our human capital."

A long and unpredictable path stood between DAU's critical state in its early years and this new vision. A deal was proposed: the team would put all its efforts into making the ambitious plan work. If DAU still wasn't profitable in three years, everyone would pack up and go their separate ways.

Two years later, it was already clear that DAU was not only going to survive, but that it also had a promising future as a market leader. In three short years, DAU jumped from an annual sales figure of €70,000 in 2000 to one of almost €300,000 in 2003. In 2006, motivated by its fresh identity as a competitive social enterprise, DAU obtained its ISO:9001 – an internationally recognized quality certification. In July 2010, DAU relocated to new headquarters in Barcelona's industrial zone, Zona Franca, an investment of €3.5 million. And in 2014, they hope to bump their sales to €2,667,000, up from €1,207,400 in 2011.

Marked with many milestones and challenges, DAU's story is proof that social enterprises can truly compete in mainstream markets. Once a struggling social project with an ambitious mission, DAU has successfully achieved a level of professional service and efficiency that gives it validity in the business world.

Gaining Knowledge

It was clear that if DAU was truly going to become a leader in the industry, it was necessary to incorporate more business knowledge into its leadership. The project pulled in new board members with business experience, and the management team began to get the skills they needed to run a business – not just a project. Anna's decision to obtain a master's degree in business administration was the start of an internal domino effect: one by one, DAU's leaders have continued their education for the benefit of the business.

"You don't see the results for two or three years, and that can be painful," says Anna. "But opportunities grow faster when you have a qualified team. If your leadership isn't properly prepared, your growth will inevitably hit a ceiling. We don't want that."

Building a Reputation

Another long-term investment was a collection of formal qualifications, the most important of which was the ISO:9001, a globally renowned standard for quality management systems that over a million corporations worldwide display. "Getting the ISO was a big step for us," explains Anna. DAU didn't even know what the qualification meant until clients started asking for it.

They learned that the ISO, a mark of the highest quality in the sector, would be a two-year project. "We thought, if our competitors have it, why not us?" she remembers. "The process forced us to organize. We had to make a marketing plan and outline our strategy, our technical and financial resources, and all of our internal processes," she explains. Ultimately, the process bridged a major gap between DAU and its competitors.

Making Partners

In sectors like pharmaceutical products and cosmetics, an error in quality control can lead to an absolute disaster for the entire brand. Therefore, outsourcing a conditioning job entails a great deal of trust from the partner – and patience from DAU.

DAU establishes relationships by visiting labs across the region and presenting its services. From the moment a potential client shows interest in DAU, it can take between one and two years before DAU is formally contracted for a job. Usually, the partner will start by hiring DAU for a small "pilot" job. In the following months, the client conducts top-to-bottom audits at DAU's site. If everything goes well, the client will choose DAU over the competition.

This patience-testing process can also be beneficial: "In the long-run, it's better because we are building faithful partners," explains Anna. "It takes a long time to build trust – but if you do it right, it's also very hard to lose it. You make a lot of lifelong partners in this sector, and that allows you to think about your long-term goals more easily."

Tackling a Concentrated Client Base

The problem: More than 40% of DAU's turnover comes from a single client, meaning that the loss of a single client's business could entail serious consequences for the company. What's more, the company's dependence on the cosmetic sector is considerably unbalanced.

The solution: DAU's growth plan is a direct response to the risk of dependence on a few customers and a single sector. Because Spain's pharmaceutical sector is concentrated in Catalonia (53% of labs are based there), there is a broad selection of new partners to target.

How they'll do it: By expanding its portfolio to a new sector, DAU will add new activities to its portfolio, starting with blister packs and single-dose drugs (one pill per pouch – much like a sugar packet). This has already attracted new partners, including Onedose Pharma S.L., a pharmaceutical company specializing in the development and commercialization of drugs sold in single-dose format. In 2009, Onedose Pharma launched a new project to manufacture single-dose pills in Spain. DAU was contracted to package 20 million units in 2012. As DAU continues with its growth plan, its production for Onedose Pharma will reach a projected 60 million units by 2015.

Spotlight On: Saying “Why Not?”

In the world of social enterprises, opportunities often reveal themselves in a “ready or not, here we come” way. DAU’s decision to enter the pharmaceutical market is a typical example of the social entrepreneurs’ ability to respond quickly to such an occasion.

The idea of pharmaceutical products was not in DAU’s original plan, but the prospect of primary conditioning for medications emerged through the cross-sector nature of clients’ product lines. “We packaged a lot of perfumes and cosmetic products,” explains Anna. “At some point, a cosmetic client said they also sold sterilized products – some examples could be bandages, dentures, or piercing equipment. They asked, ‘Can you do this too?’ and we thought, ‘Why not?’ We got the requirements we needed, and started the new job.”

DAU took advantage of the cross-sector synergies. As DAU traversed the spectrum of products, the company’s portfolio of quality standards continued to grow. Finally, one client asked DAU to package pharmaceutical products. DAU knew that the primary conditioning of medications would require them to be a certified lab – something unprecedented for a SEC. But once again, the leadership asked, “Why not?” They began researching the financial viability, learning about the market, and launching the long process of becoming a lab.

In the market for *secondary* conditioning of pharmaceutical products, where DAU already has established services, the company has a 3% market share. To win over new clients for its new market activity, the company must take on giant competitors – but DAU knows how to market itself.

DAU uses the financial advantage and quality guarantee as key promotion points. In response to the crisis in Spain, the Ministry of Health significantly lowered the prices of many medications covered by the public health umbrella. Pharmaceutical companies, obligated to adopt the reduced prices, are concerned about dwindling profits. As a result, they’re re-thinking their business strategy. That’s where DAU comes in.

“We ask these companies, ‘What is your core business?’” explains Anna. “It’s to make medicine. They are the ones doing the research and development. They buy the raw material, they make the pills, they invent the products. So we say, ‘Why are you wasting your time and money on packaging?’” Essentially, DAU is saying, ‘You do what *you* do best, and let us do what *we* do best.’ Everybody wins.

Quality control is a rigorous process, entailing everything from monitoring the humidity to assuring that not one of the thousands of packaged pills is broken. Anna explains, “Once you have the technique and the protocol, you need to continue with responsible personnel. We thought, ‘That’s what we have!’” And it’s true: with over 15 years of experience in secondary conditioning, DAU’s numbers reveal a nearly error-free track record. Now they have a factory that is specifically designed for primary and secondary conditioning. By defining a narrow niche and attacking it from every angle, DAU is well on its way to becoming a leader in the field.

Reflections & Financial Figures

What Success Looks Like

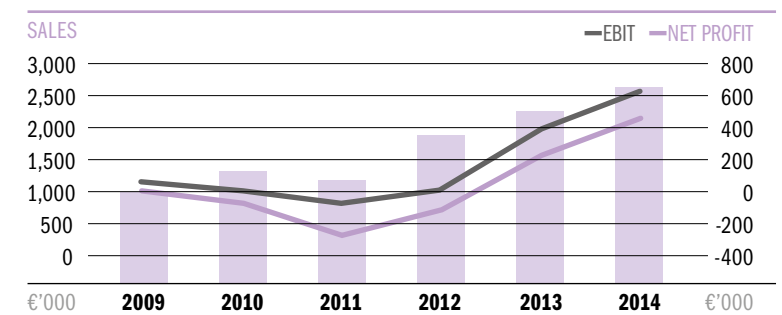
A psychologist by trade and a businesswoman by choice, Anna has spent more than a decade giving life to DAU’s dream. However, she shares a sentiment with many other social entrepreneurs: “We recognize that these businesses don’t really belong to us the way normal businesses belong to their founding entrepreneurs,” she says. “Our companies exist for a clearly defined social motive.”

“There will come a moment when the next generation of managers will take on the leadership role,” she explains. It is clear that the topic is not easy for her to discuss. “Choosing to take the thing you’ve worked so passionately toward for years, and choosing whose hands it will fall into – that will be a difficult moment, but a critical one for DAU as well.”

“A lot of enterprises have a short life span before they are sold or shut down,” adds Marcos. “We don’t have that option. We want to keep providing jobs.” Maintaining a business over decades can be difficult, but DAU selected a market that is built to last. Long-term sustainability lies at the core of the company’s values, and the team’s purposeful choices serve as proof.

The most celebrated moment of social entrepreneurs’ journey might be when their mission continues to thrive – after they stop being the ones to hold it up. Two decades ago, a mother had a dream that her mentally ill son would be able to work. At DAU, a team of social entrepreneurs developed a solution that can endure – no matter who is in charge. This is the trademark of true sustainability, which will be the number one determinant of the long-term, big-scale social change that DAU wants to bring to the world.

Summary of Financial Figures, 2009-2014.



2

Teixidors

MISSION: To meet clients' home and clothing needs for high-quality handcrafted designs made from natural materials. To use weaving as a way to train and employ people with learning difficulties, giving them a pathway to a normal life.

VISION: To set the standard for high-quality products in both the home and clothing industries, known for natural materials, sustainability and exquisite design. To be a nationally and internationally known reference for labor integration of people with special needs.

The Challenge

The common thread that unites all special employment centers (SECs) is the goal of providing fair and formative job opportunities to people with disabilities. The way in which SECs pursue this goal, however, varies greatly. A wide spectrum of needs and capabilities exists within the term “disabled,” and the network of SECs must ensure that both ends of this continuum are challenged and engaged at work.



The SEC sector is evolving to cover more of this spectrum but is still struggling to shed its partiality toward jobs of very low learning capacity. Some disabled people are capable of doing more, but they must be challenged to learn. “One model of SEC is never better than the other, because we need them all,” explains Juan Ruiz, General Manager of Teixidors. “Jobs of low learning capacity are completely valid and necessary, but we need to make sure that the other extreme is accounted for as well.”

By holding disabled people to the highest standard in a complex and professional project, Teixidors is helping a new group of SECs to break the mold. This company is driven by a creed: the main determinant in whether a person will learn and master a skill – regardless of ability level – is whether they believe they are able to learn it. “An enabling environment is the most important thing we can give them,” Juan adds.

Through new SEC models that place great responsibility on their employees, disabled people can gain legitimate professional skills, even when the odds

are against them. As this branch of SECs grows stronger, many individuals are discovering self-improvement they never anticipated. “We have to make the bet that people with disabilities would be able to do the exact same job that ‘normal’ people would do. They just need special training and support.” That’s where Teixidors comes in.

Teixidors’s Story

Who is Teixidors?

In a small workshop, looms break the silence of a glass room bathed in sunlight. Reels of linen, wool, cotton, and cashmere empty rapidly as their colors multiply on the loom. Each person’s work is conscientious, rhythmical, and precise. The results are fabrics of elegant simplicity; their natural materials seem surprisingly modern in comparison with today’s abundant artificial fabrics. Forty-five people fuse this anachronistic practice with a modern objective. Teixidors is their brand.¹

Juan and Marta, the founders of Teixidors, took on the challenge of creating, for people with disabilities, jobs that struck a balance between creative, challenging, and therapeutic. They found the solution in weaving, an activity in which a person can see, step by step, how his actions are completing a large process. Simple movements – stepping on one pedal, sending one needle through the thread – are coordinated with attention and patience. The result is a refined skill with a therapeutic result.

Teixidors is a social enterprise that uses the traditional craftsmanship of high-quality textile products to create jobs for people with mental disabilities. Based in Terrassa, a town just north of Barcelona, Teixidors has been reviving the traditional wooden loom for almost 30 years. “We focus on creating two things at Teixidors, says Juan: “One that a person can wear, and one that will change the way he lives.”

The Backstory

In 1983, a social worker named Marta Ribas had an idea: traditional weaving could be a powerful tool for individuals with learning difficulties. To her, weaving was not like other job opportunities for disabled people. With its motion-thought coordination and the tangible fulfillment of creation, weaving could be a truly therapeutic practice. Marta was right.

When Marta and her husband, Juan, began the Teixidors project, social entrepreneurship was not yet recognized as a separate field within the world of business. “Twenty years ago, the term ‘corporate social responsibility’ did not exist, and the concept of a social economy was zero,” remembers Juan. With few resources, they set out with a pressing necessity: people with

¹ From Momentum Project website

special needs needed jobs. The beginning was difficult. “At the start, forming a productive infrastructure took a lot of time and energy. The more it matured, the more autonomous these things became,” remembers Juan. “But there is so much to learn when you start!”

The pair spent the late 1970s training in Andalusia, obtaining funding, building looms, and breathing life into Marta’s dream. The process, Juan explains, was not so different from the way in which their weavers are trained. “When you look at one of our finished products, it truly is a piece of art,” he describes. “The sides are perfectly straight, the density is flawless, and the pattern is lovely.”

But behind each product is a long training process: “When a new weaver begins a project, it’s a mess. The density fluctuates and the sides are warped – but we just celebrate when they move the needle through the loom. From there, they will go on learning one small process after another. And in the end, you have a trained craftsman making real art.”

Teixidors is no different. Starting from a simple idea, the initial team began with little knowledge or experience. Challenges were tackled one at a time. A scarf – an easy-to-weave, easy-to-sell product – marked their modest entrance into the textile world. Decisions were made about what market channels to pursue, what fairs to attend, how to refine the training process for employees, and what products to make.

The company grew little by little, attended more trade fairs, and began to turn more heads both inside and outside of Spain. Their products are displayed in internationally renowned trade fairs from Milan to New York. In the last four years alone, they have won five globally recognized awards, including the International Contemporary Furniture Fair (ICFF) Editor’s Award for Textiles in 2011.

How it Works

How does a SEC become a world-renowned name in the textile industry? The secret lies in the training process, which Teixidors has refined for almost three decades. “The essence of the project,” explains Juan, “is that its learning process can accommodate the needs of any disabled person. Because artisanal weaving can be broken into very small steps and skills, we can scale our training to fit the needs and limitations of each person.”

On average, it takes about four years for a new employee to learn all the steps of a weaving project. With the collaboration of a skilled team of social workers and other experts in the field, weavers learn the concentration and discipline that must be present as they open and cross threads. As they patiently work, activating the threads’ movements with foot pedals while controlling the loom with their hands, Teixidors’s personnel hardly bring the word “disabled” to mind.

Teixidors’s luxury textile items stand apart from competitors’ products for their high-quality design, all-natural materials, and personal tailoring. The company primarily sells products for the home, such as blankets, throws, and curtains, but it also offers a range of accessories – scarves, shawls, and ties make the list of bestsellers – and a very limited selection of clothing items.

The company's hallmark is specially tailored home products. The value of the customer's purchase is not just communicated through the high quality of the physical product, but through the personal relationship that is maintained with each client. As a top brand, Teixidors sells its customer service as much as its product. "To us, taking good care of the client is fundamental," says Antonia Bove, Teixidors's sales and design manager.

Clients will not always know exactly what they want, and it is Teixidors's job to already know. "We never design or test a product thinking, 'Let's see who buys this.' We have learned our client profile very well, and we always have them in mind," explains Antonia. "We consider everything from the brands of furniture they buy to the lighting they might use. All of this information is combined to make products that complement the client's lifestyle."

A veteran in social enterprise

"It's hard for me to separate business from social motives.

It seems a little absurd," says Juan.

"The norm is to make a business so that you get rich – and that just doesn't make sense to me.

Fortunately, some people have started looking for a better way of doing things."

Teixidors's main source of new clients has always been trade shows. The company started attending shows in large Spanish cities as early as 1985. Since then, the company has grown to incorporate prestigious international trade shows into its business strategy. By premiering its products at some of the most important shows across the globe, Teixidors is building a reputation in the industry.

Social Impact

Teixidors's social impact [Figure 2.1] comes from the labor integration of people with learning difficulties. Currently, the company employs 45 people, of whom 32 have a mental disability. Over the past three years, the company has created 10 more full-time positions. "Therapy doesn't have to beat profit, and profit doesn't have to beat therapy," says Juan. "The challenge is to find a balance between the two elements."

Through its market activity, Teixidors also acts as a powerful awareness campaign. Having earned a solid reputation through sheer exquisite quality, Teixidors is sending a strong message to society: "Look what these people are capable of doing." As more people fall in love with the products that they buy, they will come to see that people with special needs are not so different from anyone else. Clients become collaborators in a mission to give disabled people a normal and dignified life.

Not to be overlooked is Teixidors's role in the preservation of manual textile traditions in Catalonia. "We are recovering and maintaining a practice that has fallen into disuse. For that, we have something to show the rest of the world," says Juan.

Figure 2.1. Social impact indicators for teixidors, 2010.

| Indicator | Result |
|---|-------------------------------------|
| Volume of sales from organic products | €52,420 (184% growth since 2009) |
| Ratio of trained individuals to job market insertion | 100% |
| Activities offered to support and develop routines for everyday life (annually) | 336 hours per worker |
| Percentage of users who see their job as key to rehabilitation and personal stability | 80% |

Scaling Up

Although the economic crisis has left no Spanish citizen unaffected, its arrival was a particularly harmful blow to Teixidors. "There is a direct relationship between the economic well-being of this country and Teixidors's performance," Juan reflects. "When you are trying to sell a luxury product to a country in crisis, you are going to lose clients." With a drastic drop in purchasing power in Spain, Teixidors needed substitute for the disappearing national market that accounted for 91% of "pre-crisis" sales in 2007.

If the national market was not going to support Teixidors, the management team needed to seek income elsewhere: exportation was a clear solution. The challenge for Teixidors was to turn its small-town origins into a truly international brand.

International Growth Objective

9% exports in 2007

35% in 2010;

65% projected for 2015

Exportation was not second-nature to Teixidors; for years, the business's only international orders came from occasional trade fair attendees who were impressed with the company's work. Now Teixidors faces the challenge of turning a minor sales source into its core activity. They are well on their way: Teixidors's export sales leapt from 9% in 2007 to 35% in 2010. Now the company wants to truly capture the international market, with a goal of hitting 65% (€220,000 in 2010 to €750,000 in 2015).

Although it is concentrating on a strong entrance into the international market, Teixidors has not neglected the national market. The key to maintaining sales in Spain will be new solutions that can captivate a budget-strapped clientele. With a focus on strengthening the sales of a few key products, Teixidors hopes to grow its €413,000 turnover in 2010 to €545,000 in 2015.

Preparing to Scale: Internationalizing a Local Brand

Key Resources

Internationalization would not be possible without two different networks: that of potential buyers, and that which offers the knowledge and resources that support the enterprise. Teixidors has both.

Trade shows have been key to Teixidors's economic activity. From the beginning, much of its *national* client network was generated from participation in shows across Spain. "The shows are particularly important with a luxury textile product, because it can take that physical contact to captivate the client," says Antonia. "Our product's biggest selling opportunity is when customers can feel the difference."

Adds Juan, "The shows are a way to attract new contacts, and we can explain the superiority of our product – from the looms, to the social project, to the materials. After the shows are over, we continue these new relationships through email or personal visits."

Teixidors encountered its first international clients through these trade shows. Juan recounts the early years: "Once in a while, somebody from abroad would make a purchase at a show. Small orders from clients abroad trickled in over the years, but our business model was never designed to accommodate a significant amount of international sales."

In order to make the leap to something bigger, Teixidors sought help and expertise from outside the business. In 2003, they began to work with the Institute for Exterior Trade (ICEX), a government program that helps domestic businesses to access international markets. Through this partnership, Teixidors formally studied and entered the export market. After positive feedback from price tests in New York, London, and Paris, Teixidors dove into the international trade show scene in 2006. The company began with Paris and then expanded to exhibitions in London, New York, and, most recently, Berlin.

Trial and Error

Bringing a product to the international market is often a process of experiential learning. A different culture, language, currency, and clientele all pose unexpected challenges. Flexibility is crucial: sometimes the team must decide to give up on a strategy and go back to the drawing board.

How can Teixidors's strategy of close client relations thrive in another country? For a period of time, the cooperative contracted representatives abroad to sell Teixidors products on commission. However, they could not find an equilibrium that served both sides. "External agents were not selling enough to make a living on commission," explains Juan, "but when they sold multiple brands, they stopped focusing on Teixidors." The model may have a future, but with Teixidors as an enterprise is not yet big enough to sustain it.

Teixidors also faced some obstacles on attempting to enter Japan's market. "We had little success with internationalization in Japan, and we are still trying to learn why," says Juan. "It is a completely different market, and the answer is not always simple. We think that name recognition may have a stronger influence in the Japanese market, which means that people are less open to new or unknown brands." How do you know what to change to

succeed in an unknown market? With a hundred intertwined factors that influence buyers, the path into a new market is often ambiguous.

Understanding the International Market

Understanding a new market is a powerful prerequisite to entering it. Teixidors completed a study of the Spanish textile market's competencies and challenges in the international market. Here's what the company learned:

- The Spanish textile market's **strengths** are flexibility in production, technology and infrastructure, adequate price-quality ratio, and a long-standing history and tradition in the industry.
- A major **weakness** of the Spanish textile market is its lack of image, press, and publicity. People simply are not terribly impressed by a tag that reads, "Made in Spain."
- As a continent, Europe has a good reputation for high-quality textiles. When consumers want a luxury textile product, they look to Europe.
- There is an increasing global interest in organic cotton and natural materials.
- Many "textile giants" spend more money on innovation, marketing, and distribution; and they save money by outsourcing production to countries where labor is inexpensive. Teixidors's social mission does not allow for this strategy – they must find another way to keep up.

Antonia explains what it is like to enter the international market as a small social enterprise. "On one side, you have textile giants like Italy, with beautiful machines and an international reputation for quality. On the other hand, you have massive-scale industries that make things as affordable as possible. We cannot compete with the speed of the Italians or price of the other market," she says. "The challenge for us is to find opportunity in the tiny niche that we occupy. The competition is huge, and our path is narrow – but our small, challenging niche is also what makes us stand out to others."

"The challenge for us is to find the opportunity for the tiny niche that we occupy. The competition is huge, and our path is narrow – but our small, challenging niche is also what makes us stand out to others."

The task of finding a "tiny niche" may be intimidating in a large international market, but the good news is that Teixidors has a good sense of what makes the company unique. "We try to show what we do differently than others," says Antonia. "Big businesses in the textile industry can launch powerful marketing campaigns, but we are learning how to communicate over their noise."

So how does a small business prepare its name for the international scene? In 2007, Teixidors did a major rebranding project [Figure 2.2]. If its communication strategy really was based on luxury, its brand image needed to reflect the same message. The company wanted to make a memorable brand that made people understand the quality, design, and human team behind the image. "We made a huge leap in positioning after the change," says Juan. "Before, the product was at a superior level, but the branding didn't reflect it. Now, they match."

Every social enterprise must decide

Will you base your publicity on your social value, or on the product you offer?

Should Teixidors convince clients to buy its product because it employs people with special needs, or because the product is high-quality and handmade? There is no right or wrong answer; each enterprise must decide what makes sense for its mission.

As a luxury goods company, Teixidors has chosen the latter. Says Juan, “We do not defend our product in terms of *who* makes it. Rather, we defend it through its quality. Always.”

To learn about an alternative strategy for social impact marketing, see Catering Solidario's feature on page 52.

In 2012, the company will double its efforts to bring Teixidors's new image to consumers. With a new communications campaign, everything, down to the price tags, will convey the benefits of natural, handmade products. A new sales position has also been added to the team. This addition to the team will specialize in communications and the consistent management of the company's social media presence.

Figure 2.2. Branding Change, 2007.



Growing the National Market

Another important element in Teixidors's plan is to recapture its national market by strengthening domestic sales and achieving steady, moderate growth. With a goal of moving its annual turnover from €413,000 in 2010 to €545,000 in 2015, Teixidors has to solve the following puzzle: in the midst of a failing economy, what will get people to buy its product? In addition to showroom renovations and the development of an on-line sales platform, Teixidors has identified one sales channel that could be key in salvaging domestic customers. Ironically, the company's strategy goes back to the first product Teixidors ever produced: a scarf.

National Growth Objective

€413,000 in 2010 to €545,000 in 2015

Even though Teixidors has never deliberately focused on developing clothing accessories, this line still accounts for 37% of sales. As the second-largest line of turnover, accessories show the most potential for the national market: not only are people generally more willing to spend more on clothing than on home items, but accessories also sell at much higher margins. Furthermore, accessories also have a strong prominence in the gift market. This poses new challenges such as a more demanding industry and an altered production calendar, but the company has decided to make a deliberate attempt to develop and expand its accessory line. By 2015, Teixidors aims to earn 45% of its sales through accessories.

Spotlight On: Stability in an Unstable Economy

What to do When the Crisis Hits

To the eye, a Teixidors product lacks the predictable patterns of today's automated machines; instead, its distinctive, artisanal appearance communicates a message of real quality. The product may be near perfect, but also woven into its existence are the silent battles fought by Teixidors to continue the project.

With the emergence of a severe economic crisis, companies everywhere are facing a series of challenges that threaten the closing of their doors. For luxury goods companies – and even more for social enterprises – the effect of the financial crisis has been severe. When Spain's economy began to slip, China simultaneously emerged as a low-cost textile giant. At the same time, cotton prices reached an all-time high. Teixidors faces extra challenges that its competitors do not, such as its inability to reduce labor costs when market demand drops: layoffs are simply not an option for Teixidors, a company that prioritizes the creation of jobs for the mentally disabled.

“We are just as affected by the crisis as the next person,” says Antonia. “Teixidors is a great company with a very well-defined market niche, but we have to work hard for it.” Striking a balance between financial stability and outstanding innovation and design is a difficult line to walk in times of crisis.

When the textile crisis hit bottom, Teixidors had to resort to debt finance in order to cope with its struggling financial situation. The company is slowly trying to regain its footing hopes to be able to shed its tangle of debt and credit policies. Juan explains, “We have functioned on the little help we could find. We would charge less, charge late, and self-finance. Sometimes, you do

what it takes to keep your doors open. It is not a sustainable strategy, but it is part of the process.”

Having a beautiful social project or a beloved reputation does not make you invincible. “We work to make it to the end of the month,” says Juan. “We understand that there is no guarantee that we will be around in a year or two. We do not dwell on that possibility, but it is important to recognize when you are vulnerable.”

When asked if the challenges were worth running the enterprise, Juan seemed to think that the question was laughable. “Of course!” he says without a second’s pause. “We are here because it’s worth it.”

The world of a social enterprise in a struggling economy is complex, but something at the core of Teixidors has kept it going: from its inception, they knew Marta’s idea would work. “There was never a time when we thought, ‘Let’s see if this project works out.’ It was never a question. We just said, ‘We are going to do this.’”

Skills and strategies undoubtedly help businesses like Teixidors to endure threats and challenges, but the defining source of perseverance often comes from the company’s ingrained social mission. “Honestly, if we had looked at all of the investments and challenges from the beginning, we may have given up,” says Juan. “But the best thing we ever did for Teixidors was to believe it was possible.”

Reflections & Financial Figures

What Keeps you Going?

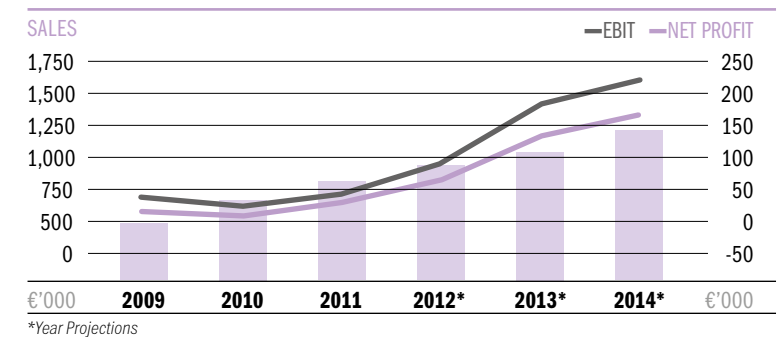
Teixidors finds itself wedged between two powerful industries: one of great quality, the other of unmatchable affordability. Teixidors faces other unique challenges, as well. As a SEC, Teixidors is required to make a large investment in training its workforce and therefore sacrificing efficiency. The company uses antique looms that work slowly and require special maintenance. It is based in an old textile capital that has since faded into the industry’s history as a “once-was” superpower. So is the future bleak? Antonia doesn’t think so. “We have so many other challenges that other businesses do not have, yet we are the ones that continue to move forward. That is something to reflect on,” she says.

And her words have truth. Without the same capacity for growth, without the freedom to hire professionals, and with limitations and training regimens and bank loans; this small cooperative continues to make a name for itself. “We have put a lot of work into our success,” comments Antonia. “We research intensely, we get our name in the press, and we continue to live up to our guarantee of outstanding quality.”

Small businesses are succumbing to the crisis every day – but Teixidors holds on with very few resources. “Sometimes, it’s not the limitations that keep you from succeeding,” she reflects. “It’s not about what you don’t have, but what you do.”

“Teixidors is willing to adapt, to be open, to learn, to try to be different, to look for a different path,” Antonia says. Teixidors may be proof that difficulties are not the reason people fail. Rather, determination is the reason entrepreneurs can succeed.

Summary of Financial Figures, 2009-2014*.



La Tavella

MISSION: To create stable jobs for people at risk of exclusion, mainly people with mental disabilities or severe mental disorders, through activities related to organic agriculture and livestock farming.

VISION: To lead social farming in Catalonia and to develop a brand of organic products that is well-known by consumers. To reach a sustainable business volume that allows for an annual increase in engaged users.

The Challenge

Like DAU, La Tavella creates meaningful work for individuals living with a mental disability. This company is also part of the team that is seeking to resolve the vast unemployment that permeates Spain's mentally disabled community.



But La Tavella doesn't stop there – the company is also working to remedy a modern food system that has evolved to sanction the use of harmful pesticides, poor land management, and the importation of out-of-season foods. By participating in this system, consumers support an agriculture system that has long departed from sustainable agricultural practices.

Many consumers simply don't know how disconnected they are from what they are eating. In our world, food grows in neat supermarket aisles and lasts only until the expiration date. While many people have never seen a pea in its pod, they eat papaya as an everyday food – even though it travels from halfway across the world to reach their kitchen table, racking up unnecessary transportation miles for the sake of consumer convenience.

Organic farming is a means of reconnecting society with food. By promoting in-season consumption, local produce, and toxin-free, naturally matured plants, the traditional concept of agriculture is being renewed, allowing the consumer to participate in the process once again. La Tavella is working to embed organic agriculture in society, while improving the lives of its mentally disabled workforce. The Catalonia-based business is not alone in the market; they are one voice in a slow-food movement that is bringing a new alternative to the European food industry.²

² <http://slowfood.es>

La Tavella's Story

Who is La Tavella?

La Tavella is a certified organic farm located in Cànoves i Samalús, a region of the Vallès Oriental, just outside of Barcelona. It is a social business started by the Association for the Social Integration of People with Deficiencies (ASID – Viver de Bell-lloc), a not-for-profit organization that works for the social and labor integration of people with disabilities.

La Tavella uses organic agriculture as a vehicle to create stable jobs for mentally handicapped individuals. Its operations have turned an empty, six-hectare field into a place where some of the most overlooked people in society have found a chance at a normal life. In addition to producing certified organic fruits and vegetables, La Tavella also works with local schools to teach children about the importance of a sustainable food industry.

The Backstory

Carlos Sopeña, General Manager of ASID, calls La Tavella a “business done backwards.” Normally, entrepreneurs launch businesses because of a product or service they want to provide. Then, they proceed with administrative tasks like hiring staff. “For La Tavella, it was the complete opposite,” Carlos explains. “We thought, ‘So many disabled people need jobs. What can we do so that they are able to work?’” With a laugh, he adds, “And *how* can we do that without losing money!?”

In 2007, two key factors sparked the birth of La Tavella. As the crisis hit Spain, many of the jobs ASID offered were in government-funded projects like gardening or beautification. ASID had to face the reality that in such a difficult financial times they could not assume that these projects would exist forever. The organization began to explore self-sustainable business opportunities, searching for a lucrative product that could be delivered directly to clients without any middlemen.

Organic farming was a promising possibility. First, this emerging market was rapidly gaining a following in Spain. Second, the field is good for people with disabilities because it is manual-labor-intensive, it lacks skill prerequisites, and it has the potential to train and employ large numbers of people.

“Without any formal plan, we said, ‘Fine. Let’s do it,’” remembers Carlos. In 2007, shortly after receiving a plot of land from the government, La Tavella began its first harvest. In 2010, the enterprise celebrated its 100-client milestone, with €113,813 in total sales. By 2012, the company had more than tripled, supplying to 345 regular consumers. La Tavella currently has 13 employees, 10 of whom are mentally disabled.

In 2007, five people - Manuel, Carlos, Jordi, Joaquim, and Joan - had a crazy idea. This is often how a social entrepreneur’s story begins. Social entrepreneurs come in all kinds of packages. In La Tavella’s case, it was a

leadership team that was determined to give AISD a sustainable future. As La Tavella grows, these five still contribute to its operations, but La Tavella operates under its own director, Elisenda Munné, and her team. Together, they are all working to build a name for La Tavella throughout Catalonia.

How it Works

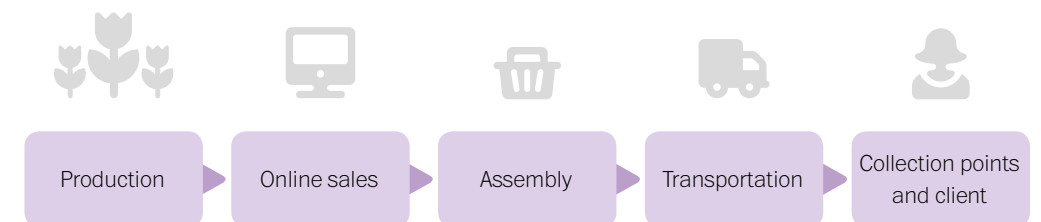
La Tavella’s core market activity is the production of prepackaged baskets of organic produce. According to their own preferences, buyers can choose among a variety of produce combinations and basket sizes, which are delivered on a weekly, biweekly, or one-time basis. La Tavella collaborates with other certified organic farms in order to offer a wide variety of produce, surprising the consumer with each delivery. On the basis of the number of orders, an appropriate amount of produce is collected from both La Tavella’s farms and other organic providers.

Strategic Partnerships: Nacex

La Tavella reached out to the Director of Human Resources of Nacex, a logistics and transportation company. Nacex now distributes for La Tavella to more than 100 pick-up locations for a very small fee.

Consumers order packages directly from La Tavella’s online platform. Meanwhile, La Tavella employees are busy planting, harvesting, and packaging the orders. The consumer chooses from one of more than 130 collection points throughout Barcelona and Vallès Oriental, and La Tavella distributes each order accordingly (for an extra fee, it can be delivered right to the customer’s door). To ensure that the freshest possible product reaches the customer, baskets are prepared on the morning of delivery day by a team of workers. [Figure 3.1].

Figure 3.1. Value Chain.



The pick-up-point model is a crucial component of La Tavella’s business model. In comparison with direct delivery, this model simplifies the distribution process and lowers costs. “This gives us the most efficient distribution to places where clients and potential clients are concentrated,” says Carlos.

But the model is beneficial for customers, too: rather than waiting at home for a delivery, customers have a 24-hour window to collect the order at their own convenience. Now, a last-minute doctor’s appointment or unexpected errand no longer poses a threat to the client. This is just as important to the client as it is to La Tavella’s marketing strategy.

La Tavella’s additional activities include the sale of individual products both online and at physical points of sale, such as markets and small stores. The organization also acts as an ambassador for organic farming by accommodating visits from local school groups. They educate children about organic agriculture, composting techniques, and the important link between the food that kids eat and where it comes from.

Social Impact

La Tavella rekindles the social, economic, and environmental value of traditional agriculture – all while connecting the mentally handicapped with the rest of society. As a certified environmental management system by international standards and a government-certified organic farm, La Tavella has a legitimate and quantified positive impact on the environment. The enterprise is opening new connections between the countryside and the city, between the handicapped and the rest of society – and they make a profit while doing so.

La Tavella is an example of **social farming**, the central activity of which is the direct sale of organic products to the customer. As such, La Tavella encompasses the entire value chain without any third parties. In addition to boosting sales margins, this model allows La Tavella to deliver both its products and its social message in a pure, undiluted form. Meanwhile, the production and preparation of these goods create jobs for ten legally disabled people, accounting for almost 15% of all employment offered by AISD.

Organic farming, by definition, relies on natural ecological processes to make healthier, greener products for consumers. By supporting local produce, the elimination of toxic pesticides, naturally mature plants, and in-season consumption, organic farming is creating a new image of sustainable, healthy agriculture. While any social farming project can boast a positive impact on the environment and consumer health, La Tavella adds the social value of job creation for people with disabilities. When it comes to social impact, La Tavella outshines the competition.

Measuring Social Impact

AISD’s psychological support team uses a set of social impact indicators. These indicators are quantified using the opinions of La Tavella’s employees as well as observable realities [Figure 3.2].

Figure 3.2. Social impact indicators.

| | Example | Social Impact |
|--|--|---------------------------|
| Occupational impact | Creation of direct jobs for users | Ten direct jobs |
| | Training administered to users | Seven users; rating 3.8/5 |
| Personal improvement and autonomy | Improvements in attitudes and beliefs of users | 90% of cases |
| | User perceives his/her work as key to rehabilitation | 90% of clients |
| | Users able to live independently after working at La Tavella | Two cases |
| | User increase in purchasing power | Differential: €576/month |
| Impact on society | Appearances in the media | Three/year |
| | Degree of satisfaction among organizations and individuals that have a business relationship with La Tavella | Average rating: 4.5/5 |
| Environmental impact | Recycled food waste | 36 tons/year |
| | Recovered land | 14 hectares |
| | Number of native plant species recovered | Five species |

Special Employment Centers: Making Adjustments

One of the biggest challenges at La Tavella is to adjust work tasks to accommodate employees with a lower intellectual capacity. “For whatever job that is done,” says Carlos, “we study how to make it simpler and more systematic so that our employees can achieve it successfully.” Companies like La Tavella must walk a fine line between tasks that are impossible for its employees and those that are far too simplified. “Our society tends to think that disabled people are capable of much less than they really are – but they will always surprise you,” says Carlos. “It’s similar to a parent trying to protect a child by prohibiting certain things. The same thing happens with them. If we protect them too much, they will never grow.”

Although special employment centers (SECs) often surprise the outside world with the capabilities of their disabled employees, it is difficult to maintain the balance between facilitating a task and challenging workers. For example, employees who require fixed routines may do an excellent job assembling

a large number of baskets in a short period of time, but variation is difficult and often overwhelming. For this reason, the baskets were traditionally sold without any customization options. “It could very well be that customers receive a basket with vegetables that are not their favorites,” says Carlos. “That’s a big problem when you’re trying to please the customer.”

La Tavella is developing a process in which employees can assemble a variety of different basket types, but it is a difficult undertaking. “But this is what business with disabled people is like,” says Carlos. “In order to be able to compete, we must be able to do things the same or better than what other companies are doing. We must stay competitive, regardless of our handicaps.”

As the demand for customized orders grows, many competitors are adapting to provide this option. Because of the unique needs of the La Tavella workforce, the company has traditionally been unable to offer this service. Now, with the gradual addition of technological infrastructure, the company is developing a more flexible production line – one that can serve consumers’ fluctuating demands while still complementing the profile of La Tavella employees.

Scaling Up

La Tavella is ready to grow, and its leaders took great care to define where they want to be in five years. Here are some examples of real goals that La Tavella has set for the enterprise:

By 2016, La Tavella plans to:

- **Multiply income nearly nine-fold between 2010-2016**, from €113,000 to €965,000.
- Grow from 4,870 basket sales in 2011 **to 40,000 in 2016**.
- Have a **2.5% share of Catalonia’s direct-sales market** for organic food by 2016.
- Have **22 direct employees** and **50 indirect employees**.
- Integrate 15 social organizations into the project.

Goals you Can Use

Business or not, goals should always follow the Smart rule by being: Specific, Measurable, Attainable, Relevant, and Time-bound.

La Tavella has defined specific goals that can be measured and assessed with actual numbers and milestones. They have a clear deadline, clear actions that can be done to complete them, and they are achievable. They are not broad, ambiguous, or overly optimistic.

The question is: What will La Tavella do to reach these goals? To scale up, they will be making big changes in the way they conduct both sales and management.

Sales

La Tavella and ASID already have long-established relationships with businesses, foundations, and organizations in the region. These partners represent a large potential client base that La Tavella has built into its strategy. By 2016, the organization aims for its channel to businesses and organizations to account for 50% of sales. This will be done by promoting the sale of fruit baskets to companies as break food for employees, as well as encouraging businesses to sign on as collection points for their own employees and other neighbors.

Spain’s Law of Social Integration of the Disabled will be useful in securing the collaboration of different businesses. Under this law, companies with 50 employees or more must have disabled workers accounting for at least 2% of their staff; otherwise, they must contract the equivalent services of a SEC. Since La Tavella is a registered SEC, collaborating companies could meet their legal requirements while also engaging in a highly impactful project.

In order to truly scale up, the enterprise is hiring a Sales and Marketing Director. This key addition to the team will be responsible for driving sales campaigns, managing client relationships, and developing the La Tavella brand as a reference for organic agriculture throughout Catalonia.

Processes and Management

With a goal to grow from fewer than 5,000 baskets sold in 2011 to 40,000 in 2016, La Tavella’s infrastructure must be renovated to accommodate a larger volume. One of the most pressing needs is an IT system that automatically processes orders. Currently, the data from client orders is processed manually on Excel spreadsheets – a practice that will not survive large-scale growth. La Tavella will also invest in standardized basket assembly facilities, a permanent office space, and other much-needed upgrades.

Preparing to Scale: Commercialization

La Tavella is making sales a core priority, on the grounds that growth is first and foremost a matter of commercialization. “An enterprise is defined by the product it sells. This is the way the world will always see us as a business, regardless of our social mission. We need to keep this in mind,” explains Carlos.

The enterprise has learned from the many Spanish farmers who are struggling to make ends meet. These farmers often place a top-heavy focus on production with little to no emphasis on the commercialization that follows. In other words, farmers put all of their resources into *growing* crops, without a formal strategy to *sell* them. “It was clear that we were doing the same thing,” shares Carlos, “and we made a firm decision to change.” This mindshift has pushed La Tavella to make strategic decisions based on “the numbers” – clearly defined sales goals.

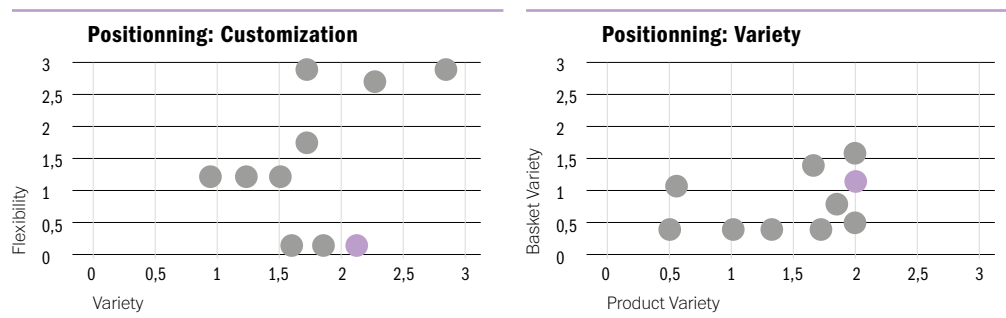
Understanding the Market

A thorough understanding of the competition was important in La Tavella's transition toward commercialization. Several key questions helped the company to explore the organic food market and identify opportunities.

What is your niche? How does La Tavella stand out among its competition? What differences make it stand out? The market analysis shows that La Tavella is the only organic food basket model in Catalonia that uses the collection point model, making it a key factor in La Tavella's commercialization project. With a growing network of 130 collection points, La Tavella hopes to use this cost-effective delivery method to distinguish itself from the competition.

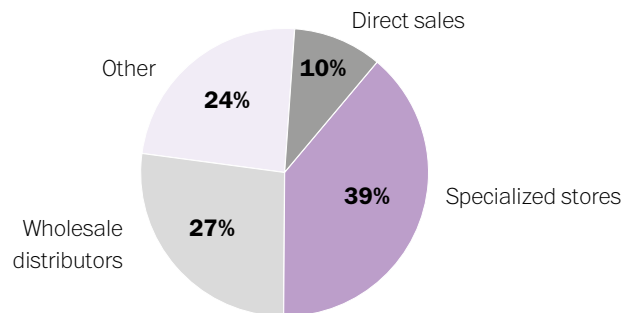
How do you match up? La Tavella examined the prices, product variety, customization options, delivery methods, and other characteristics of all other organic food basket models in the region. Compared with other organic basket models in Catalonia, La Tavella shows a large variety of goods, medium-high prices, low customization, and a unique distribution model [Figure 3.3].

Figure 3.3. Market Study for Variety and Customization. (La Tavella in color)



Where is the opportunity? In Catalonia, direct sales account for 10% of the organic food market – but it is also the fastest-growing channel in the region [Figure 3.4]. Demand is rising: 60% of organic food sold in Catalonia currently comes from outside the region. La Tavella sees an opportunity to distinguish itself as the region's top brand for the direct sale of organic products.

Figure 3.4. Market Channels in Catalonia.



| Specialized stores | Wholesale distributors | Direct sales | Other |
|-------------------------------|-------------------------------|-------------------------------|--------------------------------|
| Small storefronts | Supermarkets | Farms, delivery, cooperatives | Farmer's markets, home growing |
| Margin: high (45%) | Margin: low (32%) | Margin: high (43%) | Margin: varied (32-42%) |
| 40% of market (€67.6 million) | 27% of market (€45.6 million) | 10% of market (€16.9 million) | 24% of market (€40.5 million) |

Carlos explains, "All of the companies with similar distribution models are also very small, and this presents a real opportunity to be number one in Catalonia. That is our vision, and I think we can do it." La Tavella has set the bold goal of securing a 2.5% share of Catalonia's direct-sales market by 2016, a figure calculated to be worth just over €30 million in sales [Figure 3.5].

Figure 3.5. Anticipated Growth in Direct Sales.

| | 2011 | 2012 | 2013E | 2014E | 2015E |
|------------------------------------|------------|------------|------------|------------|------------|
| Direct-sales market: total* | 19,435,000 | 22,350,250 | 25,702,288 | 29,558,206 | 33,991,937 |
| La Tavella sales | 148,201 | 369,729 | 651,190 | 748,869 | 861,199 |
| % of direct-sales market | 0.76% | 1.65% | 2.53% | 2.53% | 2.53% |
| % of sales growth | 30% | 149% | 76% | 15% | 15% |

*This graph anticipates annual market growth of 15%.

A New Look

La Tavella recognized its web platform as both a problem and a potential solution to its commercialization challenge. After a major website overhaul, La Tavella swapped its non-profit-g geared web presence for a professional, commercial site [Figure 3.6]. "We no longer center our communication around who we are, but what we are selling," says Carlos.

"If a client visited our original webpage, she would have learned that the organization worked with wonderful people," says Carlos. "She would have learned that they give jobs to marginalized people. She would have learned the hardships of people with mental disabilities. But it would have been difficult for her to buy a basket of vegetables. Now, when you enter the page, the first thing you see is, 'Buy a Basket!'"

A company's web presence should always leave the viewer wanting to buy the product – and now, La Tavella's site does exactly that. Although the remodel was a big investment for the enterprise, it paid off: just two months after the new site was launched, La Tavella's sales had doubled.

Figure 3.6. La Tavella Purchasing Page.



Find a Role Model

La Tavella chose the food-basket model to conquer the direct-sales market. In the search for successful models to study, La Tavella found Riverford Organic Vegetables. This England-based company has turned 25 years of experience into €38 million in annual sales. Operating on a model similar to that of La Tavella, Riverside is a seasoned veteran and helpful ally to La Tavella. “They showed us everything we asked to see, and even offered to visit us here in Catalonia as we develop our own model,” says Carlos.

Strategic Partnerships: Sinergrup

Sinergrup comprises nine entities that give jobs to disabled people. Five of the nine organizations have shown interest in participating as La Tavella begins to develop its model.

Through a long partnership of sharing and support, Sinergrup has created a strong foundation for collaboration. “This could really work as a venture together,” says Carlos.

Even in a country with relatively little eco-diversity, 60% of the contents in Riverside’s baskets come from inside England. In order to provide naturally ripened food, Riverside has formed partnerships with organic providers in other regions of the country, an idea that La Tavella has begun to explore with an external consultant. Now, the company is developing a work plan to create a network of organic producers among various entities of Sinergrup (see sidebar). The objective would be to replicate the model developed by La Tavella in other parts of the country. A joint venture of this nature would achieve economies of scale while creating more jobs for the mentally disabled – a task which is at the heart of all of Sinergrup’s entities.

Seeking an experienced mentor has allowed La Tavella to see the business model at a mature stage. “It was empowering,” says Carlos. “We saw what they were doing there, and we thought, ‘We can do this. We can make this work at home.’”

Spotlight On: Compassion vs. Commerce

When your business functions out of compassion for a group of people, it is often difficult to remember that the best way you can help them is to run a successful business, which includes making difficult, business-based decisions. La Tavella has experienced moments of tension between its obligations as a business and the sentimental, humanistic disposition of its founders.

One clear example of this conflict is the La Tavella store, which opened in Cardedeu in 2009. “It was a disaster,” says Carlos. “We tried to start basket distribution and the store at the same time, when they really are two business models that have nothing to do with one another.”

In the beginning, opening a storefront seemed like a strategic decision: it was a great way to sell products and promote La Tavella face-to-face, it was located in the heart of Cardedeu, next to the town’s market, and there was a considerably large number of dedicated clients. Things looked promising from La Tavella’s perspective. However, as time went by, problems began to arise.

Cardedeu was not proving to be commercial enough to sustain the store. Not enough customers were coming through the door, and La Tavella did not have the resources (like a full-time store manager) to push the store forward. It continued as an unprofitable expense for two years before La Tavella closed it at the end of 2011. *Why did it take so long to pull the plug?*

“We let our sentimentality take over the business mindset,” says Carlos. “We thought, ‘How could we close our store in Cardedeu, the place where we give visibility to the wonderful work we do with disabled people? Where we have loyal customers?’” If La Tavella’s administration had looked at the numbers, the decision would have been clear.

“Emotions aside, the fact was simple,” says Carlos. “We are a business with relatively few resources and we were losing money. In life, there come moments where you just have to make a hard decision. In this case, we went two and a half years without making this important one, and it was time.”

More often than not, social entrepreneurs will feel a stronger pull toward the social component of their work. However, if social businesses are not business-minded about some decisions, it will hurt them: if your pocketbook is suffering, so is your mission. “Compassion is key,” says Carlos. “But it also makes you capable of destroying the entire business because you are blinded by the social idea. We will always struggle with that.”

“We work with people who sometimes have trouble affording life’s basic necessities,” he continues. “The rest of the world rejects them. They do not get the same opportunities that you or I get. And we think, *We have got to do something*. That’s the sentiment that keeps us moving forward, but our compassion can reach farther when it is accompanied by a business model that works.”

Reflections & Financial Figures

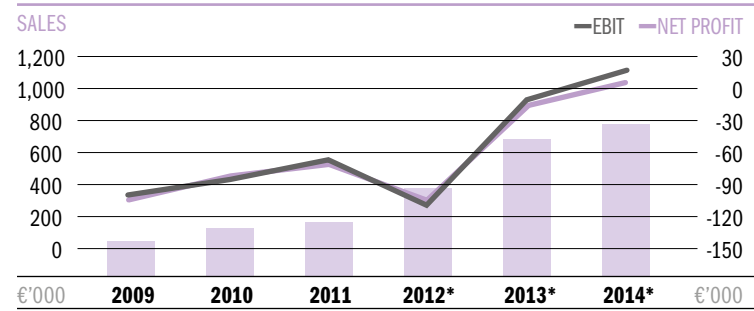
A shifting society

Carlos reflects on La Tavella's four-year journey from a project fueled on compassion to a real social enterprise. "When we started, there was no business plan. I was skeptical. I thought it was one of the least profitable ideas out there," he says, shaking his head. With certainty in his eyes, he adds, "Now, I am a believer. La Tavella has a future for certain."

Adds Manel Palou, director of AISD: "Who knows where La Tavella could go? We have a lot of land to cover, and a lot of jobs to fill. As long as we keep combining those two things and adding value to what we offer, I think we have just set ourselves on a path of incredible potential."

Compassion mixed with business is a potent combination. "We can change the world thinking like this," says Carlos. "With social enterprises like ours becoming more mainstream, I think we might be at the start of a changing society." He stops and adds with a smile, "But I guess we will just have to see!"

Summary of Financial Figures, 2009-2014*.



*Year Projections

4

Catering Solidario

Ana Bella

MISSION: To provide training and job opportunities to women survivors of domestic violence. To empower survivors as positive agents of change for the sustainable development of companies.

VISION: To be a leading social enterprise that empowers and integrates victims of gender violence. Catering Solidario Ana Bella will be a champion of sustainability, responsible consumption and fair trade.

The Challenge

According to the Spanish Institute for Women, two million women in Spain have experienced gender violence – that’s about 10% of the Spanish female population. In ten years, 706 of these tragedies resulted in the death of a woman. The action that can save a victim of domestic violence – formally reporting an abusive relationship to the authorities – is painfully difficult: these women must make a courageous decision to drag out the sad secrets of their past, to unleash fears built up over months or years, and to accept that life must move on. It is a step that 80% of abused women do not take. Instead, they endure their nightmare in silence.



Although Spanish media proactively denounces violence, its delivery is crucially flawed. Catering Solidario’s founder, Ana Bella Estévez, says that the problem lies in the faces of the defeated women in advertisements, in the discourse about bruises and pain, and in the sensation of fear. The media’s focus on the immediate negative consequences of violence leads to a societal perception of abused women as weak, marginalized, and dependent. This unleashes a spectrum of problems: the women lose self-confidence and assume a mentality of victimization, family members and acquaintances shy away from the “fragile” situation, and employers are discouraged from hiring an abused woman – after all, who wants to have a victim on his or her team?

Catering Solidario's Story

Who is Catering Solidario Ana Bella?

Catering Solidario Ana Bella (colloquially referred to as Catering Solidario) is a Seville-based catering company that specializes in organic and fair-trade-certified products. The only existing catering company of its kind, it is a powerful combination of two social goods: its staff of domestic violence survivors is introducing sustainable products to the catering industry. Its main mission is to create jobs for these outstanding women, shifting gender violence dialogue from talking about “victims” to creating an image of confident survivors – as well as effective, committed employees.

Catering Solidario does not just provide a source of employment, but a supportive community among abused women. Survivors of violence work alongside women who are still being abused. By giving these women a space to be publicly recognized as strong and capable, this catering company serves as a positive kick start to the process of separating from an abuser.

The Backstory

For Ana Bella, domestic violence is not an abstract idea. It is a reality she endured for 11 years of abusive marriage. Her escape in the middle of the night with four small children marked the beginning of a painful recovery process. She was powerless, jobless, homeless and terrified. “I kept asking myself how I had arrived to such a terrible situation,” she remembers. But that is when her perspective changed.

Joana's Story: A Stroke of Fate

When Ana Bella met her, Joana was five months pregnant. She had recently left her spouse, who confined her in a basement without water, electricity, or a toilet. After suffering a series of dismissals at job interviews, she returned to Ana Bella, dejected.

That same day, Ana Bella attended an award ceremony for social work entities. As winners' names droned in the background, Ana Bella thought out loud to her neighbor. “If we got a prize like that, I would start a company just to get Joana working.” As the words crossed her lips, her name was called from the stage. She had won €25,000, and she kept her promise to start a business.

Ana Bella realized that her escape said a lot about her own character: it takes incredible strength to resist abuse for over a decade, and it's not easy to raise your children in spite of living in a nightmare. “The only reason I was in such a difficult situation was because I had the courage to leave in the first place,” Ana Bella explains. “I realized that I am a stronger woman because of what happened. I am tough, I am tolerant, and I have faith in change. Right then, I decided to use these strengths to start a new life, one that was worthy of my children and myself.”

As Ana Bella built that life, she grew frustrated with the resources available for women like her. She was startled to learn that only 20% of abused women report their aggressor. She was not surprised, however, that abused women found it difficult and unrewarding to navigate the available resources. On top of it all, society viewed domestic violence victims as powerless, fragile women.

In 2006, the Ana Bella Foundation was launched with a mission to empower women on the path to a violence-free life. Soon after, Catering Solidario emerged from the foundation. By leveraging the competencies that victims of abuse develop through their tragedies, Ana Bella is showing the world that these women can be an asset to any employer.

How it Works

Catering Solidario was born from a branch of the Ana Bella Foundation that gives women vocational training and job opportunities. The foundation launched this initiative after identifying unemployment as the biggest barrier between abused women and a police report. Abused women need to have a way to support themselves and their children while they take the first steps toward a fresh start. Catering Solidario combines this basic necessity with the belief that jobs can also be empowering: they bring the benefits of “breaking away” to the spotlight, celebrating the strengths that lie in every survivor.

After abused women who come to the Ana Bella Foundation receive initial care, counseling, and training, they are eligible for a job with Catering Solidario. The catering business currently provides breakfast and coffee break services in the Spanish provinces of Seville, Malaga, Huelva, Cadiz and Badajoz. Because these women often need flexible or temporary employment, the personnel use a work-on-demand model instead of a fixed schedule. The company currently averages about 20 events per year, and its main clientele targets are corporations and public institutions.

Every aspect of Catering Solidario is designed to help abused women conquer the public space in a positive light – all the way down their uniforms, with “SURVIVOR” printed in large, bold letters across each shirt. Abused women work side-by-side with women who have already begun a new life. “Sometimes, in just one day's work, one of our workers sees the possibility of a different life and commits to leaving the violence,” says Ana Bella.

The Social Entrepreneur

As the founder of the company, Ana Bella works hard to transmit the mission and promise of Catering Solidario Ana Bella to the rest of the world. “At first, I had to convince people that this was going to work. And if you make it your obsession, it *will* work,” she adds. “People tell me, ‘You've been so lucky!’ and I just laugh. I'm not *lucky* – from the minute I wake up, I am constantly thinking about this project!”

Ana Bella's “obsession” to cause a true societal mind-shift caught the attention of Ashoka: Innovators for the Public. Ana Bella was named an Ashoka Fellow in 2010, joining the ranks of 3,000 of the world's most impactful social entrepreneurs. When it comes to showing them and the rest of the world the promise in this project, her approach is simple: “You don't need a fancy PowerPoint or technology. You just need to come talk to any of the women we work with. *She'll* tell you why this is important.”

Social Impact

Catering Solidario Ana Bella's theory of change is based on the integration of abused women into the workforce and into society through catering services. Of the Ana Bella Foundation's 1,200-woman network, its new catering activities have provided jobs for 22 women in 2008, 36 in 2009 and 16 in 2010. Meanwhile, it is setting a new standard for sustainable catering by being one of very few catering companies to offer organic and fair-trade products. The combination of these two social objectives makes the company truly unique [Figure 4.1].

Spotlight: Marketing Social Impact

Each social enterprise must independently decide how to market its social impact – and there is no wrong answer. Some companies, like Teixidors, choose to market their products for their quality and design instead of their social project because their target clients are more interested in the quality of a luxury product than in positive social impact. Catering Solidario Ana Bella's strategy lies at the other end of the spectrum.

"Our approach is the reverse. We want the positive attributes of survivors to be the number-one reason clients hire us," explains Ana Bella. "And we want them to know that survivors of violence are serving them from the very first minute."

Catering Solidario ultimately aims to boost the employability of violence survivors everywhere. By disseminating its positive testimonies through media channels, the company is abolishing the word "victim" from society. "The world sees us as victims," explains Ana Bella. "We are more than that! We are stronger for what we've been through, and we bring that strength to the labor force."

The company's social impact is amplified through its mentor-based approach. As survivors work alongside women who have not yet separated from their abusers, the latter group begins to see the possibility of a different life. As the women who have been helped become the ones reaching out to victims, a powerful multiplier effect ripples outward. "After finally making the step to report the violence, many of our women remain in the network as mentors," Ana Bella explains. "The idea behind Catering Solidario is to create a social business model that can be replicated all over the world," explains its founder. "We are here to show that survivors can create social and economic growth in sustainable companies."

Figure 4.1. Social impact of Catering Solidario.

| Impact | Key Indicator | Supporting Indicator | Supporting Indicator |
|----------------------------------|---|---|--|
| Employment | Number jobs created | % of women in training | Hours of training/person |
| Environment and suppliers | % of organic and fair-trade catering contracted (vs. traditional) | Sales volume of organic and fair-trade products | Cash flow from organic and fair-trade products |
| Public awareness | Number of campaign exposures (people) | Number of mentions in the press | Followers in social media channels |

Scaling Up

Employing 300 more women within five years is the driving goal behind Catering Solidario's growth plan. This will require the company to increase its average per-month caterings from two to 22.5 [Figure 4.2]. Competing in a catering market that is quite mature, Ana Bella recognizes that this is a challenging goal – some have even told her it's unrealistic. "It's going to be rigorous, hard work," says Ana Bella, "but setting high standards will bring more good."

Progressing from its rocky financial start, the company is working to establish a firm foundation in a competitive catering market. Aside from this challenge, however, the sector offers continued prosperity even in the current economic crisis, having grown 7% in 2010. Catering Solidario also has the advantage of a small market niche, offering a double social benefit of fair trade and gender equity.

The growth strategy will directly target businesses and other organizations, offering coffee breaks and meals for day-long meetings and events. Although the catering market is very mature, the concept of marketing specifically to businesses is rather new. It will be considerably easier for the company to establish a reputation in this more emergent area of the catering industry – an area that still represents a €4.5 million market. This channel currently comprises the company's main source of clientele, but Catering Solidario aims to expand it even more by conducting formal outreach to more businesses.

As social responsibility continues to gain priority in the business world, Catering Solidario has a competitive advantage over mainstream caterers. "Companies that truly integrate CSR into their strategy will choose us over others," says Ana Bella. Now they just need to be aware that Ana Bella offers the services they need. Other niche-specific targets include foundations, public institutions, and fair-trade supporters.

In order to reach its goal, Catering Solidario must transition from its learn-as-we-go approach to a formal business strategy. This will require expansion and professionalization in every aspect of the company, from human resources to external relations.

Figure 4.2. Projected Growth Indicators.

| Growth Indicator | 2010 | 2012* | 2013 | 2014 |
|---|---------|---------|----------|----------|
| Caterings/year | 22 | 60 | 200 | 270 |
| # participants served (average 70) | 1,540 | 4,200 | 14,000 | 18,900 |
| # job opportunities for women | 60 | 168 | 560 | 756 |
| Turnover | €10,635 | €63,000 | €210,000 | €283,500 |

*2012 = July-December only

Bridging the Professional Gap

Ana Bella didn't dream of opening a catering business, but she *did* dream of getting abused women back to work. When a company called and asked the foundation's fair-trade food store to cater an event – even though they offered no such service – Ana Bella jumped at the chance. She remembers telling them, "We don't cater, but we *will!*"

As word of mouth started to bring in a trickle of catering opportunities, Catering Solidario slowly evolved into a real company. The small company is a powerful testament to social entrepreneurs' relentless drive to make it work. However, its haphazard birth also comes with consequences. Now the company will revisit formal planning that was overlooked during its development, focusing on the professionalization and amplification of its services.

Infrastructure and Human Resources

The most crucial necessity for Catering Solidario is also the most basic: a permanent kitchen. Until the company has the fundamental infrastructure, it will be severely limited in menu offerings, storage, and overall growth. In addition, a head chef will join the team, taking responsibility for expanding the menu and training the Catering Solidario staff.

After searching for rent or purchase opportunities in Gines, the company budgeted to renovate a warehouse – an investment of €663 per month, plus the cost of installations. Following the counsel of business professionals, however, Ana Bella found a more practical option for the nascent company.

In a conversation with a fellow classmate, Ana Bella shared her plan to buy a kitchen space. The response she got was simple: “Ana Bella, you’re crazy.” The friend urged her not to commit to such a large investment. “With this crisis, catering jobs aren’t guaranteed. What if you can’t finance your new kitchen?” he asked.

His advice was to find a kitchen to rent *only* on event days, thereby avoiding a large fixed cost in a risky economy. Catering Solidario heeded his advice, saving the company thousands of euros without limiting its growth. A few months later, the company signed an agreement with Dos Hermanas City Hall to use a kitchen space free of charge.

Marketing and Positioning

Until this point, Catering Solidario has been described and perceived as a branch of the Ana Bella Foundation. Now it must make the distinction as an independent catering company with ties to the foundation. “We want to position ourselves so that when people Google ‘catering in Seville,’ our name comes up first,” Ana Bella explains.

Their marketing makeover will include several milestones:

- Developing a separate brand for Catering Solidario
- Creating a professional website (to replace the subpage on the foundation’s site)
- Mass communication campaign to target clientele (businesses and other organizations)

Internal Procedures

The company is taking a big leap in professionalizing client engagement. In the past, Catering Solidario worked with each client on a case-by-case basis. If the company’s growth trajectory goes as planned, a uniform procedure is inevitable. For this reason, Catering Solidario is incorporating a formal catering contract, a set payment policy, and an official review process for all clients.

Strategic Partnerships: Danone

On July 31, 2011, Ana Bella received a one-line email from dairy superpower Danone. The company wanted to employ women at risk of social exclusion to be nutrition ambassadors at points of sale, and they expressed mild interest in learning more about the Ana Bella Foundation.

Not all of the Danone leadership initially understood the mentality of the foundation or its value proposition. After a dry spell of 20 unanswered resumes, many of the women were discouraged – but Ana Bella persisted until the company agreed to hire a dozen women as a trial. “I told them, ‘We don’t want you to hire us as a favor to victims of violence,’” she recalls. “Catering Solidario has never asked for positive discrimination,” explains Ana Bella. “We just want equal access to job opportunities. We have life experience that is worthy for this kind of job, and we have what it takes.” After a successful pilot, the Danone Foundation established a formal partnership to hire 120 of Ana Bella’s women over the following three years.

Ana Bella beams with pride as she talks about her dream coming to fruition: abused women proved their merit to Danone. She recalls how women from the foundation stood out among a crowd of seemingly unenthused women at a mandatory Danone training. “I kept hearing our women say things like, ‘I don’t even care if they hire me, I’m learning so much!’ or ‘I can’t wait to use this with my kids.’ Our experiences distinguish us in a good way.”

Preparing to Scale: Learning from Failure

Social entrepreneurs and business entrepreneurs share an uncommon affinity for risk-taking. Failure is a normal part of the entrepreneur’s journey, viewed as neither shameful nor destructive. With their jump-right-in, make-it-work attitude, social entrepreneurs take failure in stride, learn from it, and find another way to do things.

“I have failed over and over with this company,” Ana Bella admits without hesitation. “But you can’t be afraid of failing. Who cares? I look at my failures as a way to learn.” Ana Bella is an expert: some of her biggest failures have resulted in some of the biggest steps forward for the company.

Focusing the Mission

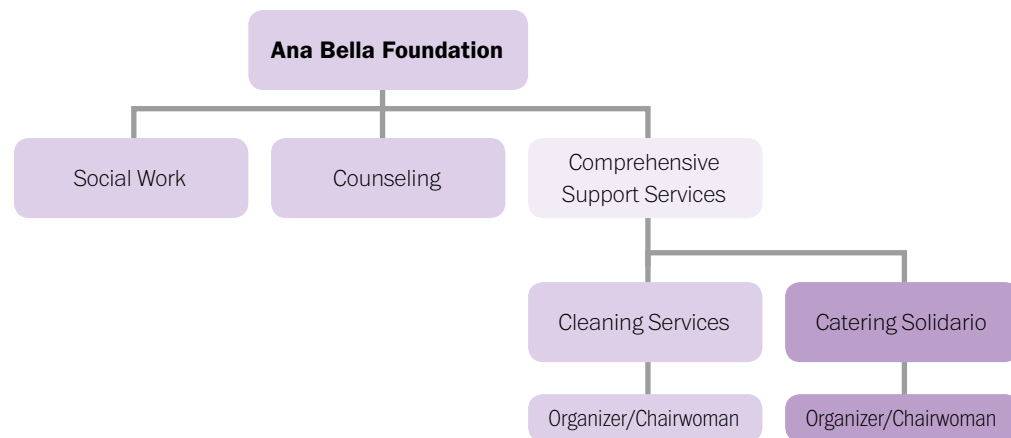
Shortly after launching the job insertion initiative, Ana Bella was still without a way to get women to work. After trying multiple channels, a cleaning service finally called the foundation with an offer to hire women starting the next day. “We knew *nothing* about the process,” remembers Ana Bella, “But I *did* know that three women needed a job. They offered €8 per hour. I said, ‘We’ll be there.’”

“But there was so much I didn’t know,” she continues. “Nobody told me that they charge a contracting fee. Nobody told me how low the wages would be. Nobody told me our model would never cover everything we needed.” The foundation was losing money, and even worse, the project’s core mission of empowerment was thrown by the wayside. “We set out to change the stigma against abused women, but their jobs were thankless and invisible,” Ana Bella explains with frustration in her voice. “We can’t show the world what these women can do if they are hidden on a night bus or in empty office buildings.”

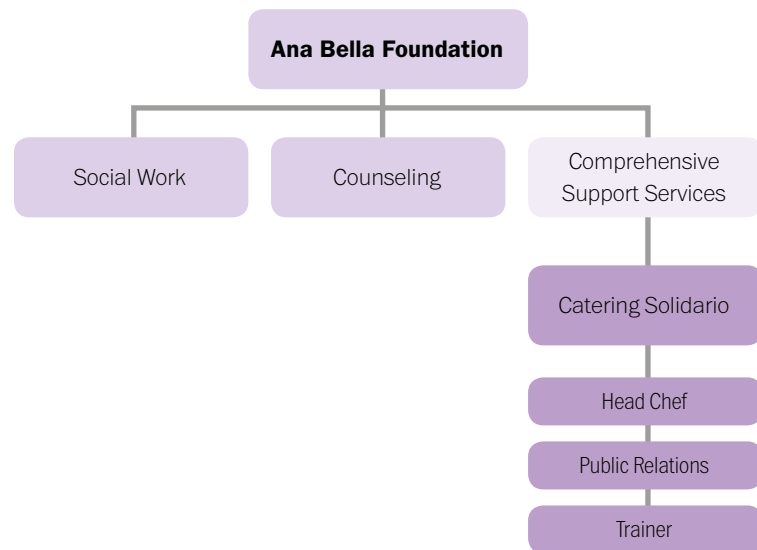
This “failure” also served as a powerful lesson for Ana Bella. Now she is mastering the ability to identify operations that create the most social impact and eliminate the rest [Figure 4.3].

Figure 4.3. Organizational structure alterations.

Old Organizational Structure



New Organizational Structure



When Success Means Saying No

In a second attempt to create jobs, the foundation opened a fair-trade foods store. This solved the problem of women feeling invisible and unappreciated, but Ana Bella ran into another problem: finances. Although sales were considerably successful, they simply weren’t covering the costs. “Between rent, a minimum of three people working at a time, and every other expense, we were losing money,” she remembers.

By this time, Ana Bella had already realized that her business knowledge was insufficient to lead the foundation, so she went back to school for a bachelor’s degree in business administration “That October, I learned about opportunity cost in class,” she says. “In December, we closed the store!”

“The professional training at the university has helped me consider a lot of factors I hadn’t thought of before. This is a good example of that,” says Ana Bella. “Less than three months passed between the day that I formally learned about opportunity cost and the day we closed the store.”

Financing a Dream

Ana Bella started a foundation with no money, and a business with no business experience. Every step of the process entailed a long – and sometimes painful – learning process. “Everything we learned came from experience and from failing,” says Ana Bella.

It was no small failure: bold steps sometimes require big falls. In its first year, the company lost €42,000. “There was so much I didn’t know when I started,” she remembers. “Nobody told me you have to pay contract fees. I didn’t know how social security worked. I had no idea that when somebody takes a sick day, you end up paying for two people to work.”

“That’s what you go through when you start without experience or advice,” says Ana. “There are things we could have done better, but we are learning.” Including the new Danone partnership, more than 120 women have a job, and that number will continue to grow.

Spotlight On: Harnessing The Media

Catering Solidario has identified media relations as a cornerstone strategy for success. When “Catering Solidario” appears in a newspaper headline, both sides of the social enterprise win. From an economic standpoint, more potential clients are exposed to the brand, and press coverage helps secure the fledgling company’s legitimacy in the catering world. On the social side, the media has been a key partner in unraveling society’s assumptions about abused women.

The company has targeted mass media since its inception. Between Catering Solidario and the Ana Bella Foundation, Ana Bella’s new approach to empowering abused women is starting to turn heads in Spain and beyond. From ad campaigns featuring confident women (with “victim” crossed out and a “survivor” headline replacing it) to features in the nation’s major

newspapers, radio stations, and television shows, the initiative's media approach is beginning to stir the public. And it doesn't stop in Spain: the social entrepreneur is spreading the word across the globe, including a nomination for the Avon Storytelling Award at the World Conference of Women's Shelters in Washington, D.C., in March 2012.

However, this strategy also creates an interesting challenge for Catering Solidario. For any company, periods of growth often entail a rollercoaster of successes, crises, and challenges that the entrepreneur may have never anticipated. Unstable by nature, the "growing pain" phases demand even more attention to the company's internal health. While this is also true for Catering Solidario, the national and international attention has created a great opportunity to project the "survivor" vision even deeper into society. Ana Bella must walk the line between taking care of a growing company in Seville and taking advantage of the watching world.

Press vs. Profit: a Difficult Balance

As the founding entrepreneur, Ana Bella has felt the tension between these two important responsibilities. Although she feels an obligation to her team at home, she also feels responsible for forming partnerships, driving the strategy, and capturing the public eye. Social entrepreneurs must find a way to cope with daily mini-crises while still tackling long-term objectives. "It's a hard equilibrium," she admits. "You have to deal with inevitable crises, but you can't get lost in putting out fires every day. You must never forget about the overall vision of the enterprise."

Ana Bella and her team are learning where the business can gain autonomy while she focuses on awareness and activism, but the process can be slow and costly. In exchange for the sweeping coverage in the media – including national coverage in sources ranging from *El País*³ to TVE1⁴ – the company sacrificed reaching its 2012 sales goals, falling short of the 60 catering services they had projected. The company's biggest challenge in the years to come will be to translate one woman's big dream into different leadership roles, allowing for both catering and campaigning to thrive.

Reflections & Financial Figures

Perseverance and Passion: The Way Forward

Three years ago, Catering Solidario was born from a casual request for caterers. Despite the obstacles that have been put in its path, Ana Bella is sure that the company will continue to grow. "We have survived and grown from a microscopic budget," she says. "There's no math formula there. We already know we can

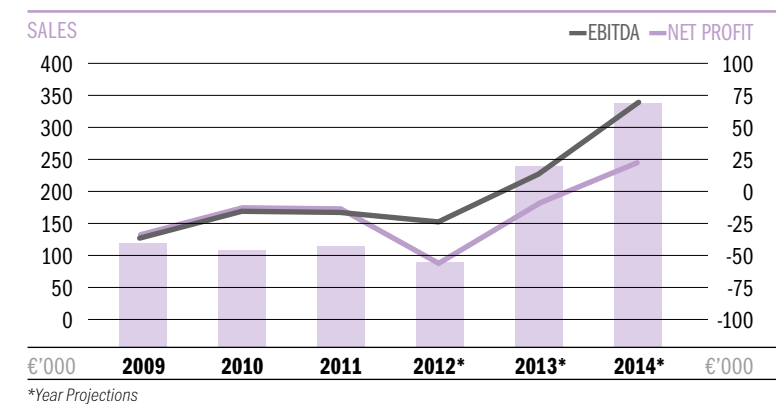
³ Spain's widest-read newspaper; circulation of 369,700 in 2011.

⁴ One of Spain's primary public television stations.

overcome these difficulties, because we have already overcome the biggest challenge of all." Ana Bella insists that, for social entrepreneurs, perseverance is just as valuable as talent. "If you are stubborn enough to keep pushing forward every day, you will find success," she says. That level of perseverance is almost impossible if it isn't something you are passionate about.

"You must be doing what you love," she stresses. "The kind of thing you could do for hours and hours and not even realize it. A social cause can't simply be 'nice.' It has to be your obsession," she ends. And hers shines through: as she continues to push Catering Solidario forward, Ana Bella's own enthusiasm promises a bright future for survivors of violence across the country.

Summary of Financial Figures, 2009-2014*.



5

Moltacte

MISSION: To generate real, stable, quality employment for people with severe mental illnesses (SMIs) by selling top clothing brands at low prices and, in doing so, to facilitate their reintegration into society.

VISION: To give people with SMIs a place in society through a social and economic model of human development that is sustainable, innovative, and competitive.

The Challenge

The term ‘severe mental illness’ (SMI) goes by many definitions. It can be defined as a medical condition that severely affects a person’s thinking and ability to cope with the demands of a normal lifestyle. Others define it as the individual illnesses it encompasses, including severe depression, schizophrenia, bipolar disorder, obsessive-compulsive disorder, borderline personality disorder, among others.



Unfortunately, most of society has a different definition. SMI is often defined by the aggressive, violent, jarring images conveyed by popular media. It is defined by public fear or avoidance of its victims – and by those victims’ preference to stay concealed, to look away so as not to be seen, and to be ashamed or afraid.

In 2006, there were more than 44,000 working-age individuals with SMI in Catalonia alone. Of these, 78% are unemployed. In addition to the challenge of stigmatization, people with SMIs also face many professionals’ opinion that rehabilitation is unfeasible. These factors make it difficult for people with SMIs to find their place in society.

The fashion industry hardly seems like a liable remedy to these problems, but that’s just what Jaume, Ana, and Miquel suggest. They see fashion retail as a middle ground where society and people with SMIs can interact. Their model, based on the belief that retail employment is an empowering and rehabilitative process, proves that individuals with SMIs bring value to society.

Moltacte's Story

Who is Moltacte?

Moltacte is a pioneering multi-brand designer outlet boutique that offers more than ten top-of-the-line brands at discounted prices. Behind the boutique's stylish, upscale demeanor is a social mission that keeps the company running: Moltacte exists to give dignified and visible labor opportunities to people with SMIs.

Founded in 2006, Moltacte challenges society's stigma against mentally ill people. By providing these adults with jobs in the fashion sales industry, their marginal role in society is suddenly converted into a lead role in Moltacte. Their responsibilities are real, their advice is heard, and their purpose is solidified with every day's contribution to the outlet's success. Along the path of training and employment is their path to rehabilitation.

The Backstory

During a career with Massimo Dutti, Miquel Isanta witnessed the successful integration of several people with SMIs into the work environment. Having seen firsthand the powerful rehabilitative effects of these peoples' jobs, Miquel wanted to create a model that allowed this idea to spread across Catalonia and, ultimately, all of Spain. His idea turned into a dream, and his dream turned into Moltacte.

Hailing from Oxfam International, Ana Artazcoz and Jaume Plana were gripped by the promise of Miquel's idea. Although neither of the two had prior experience in mental health or retail, they shared Miquel's vision and joined the management team. "From the very beginning, we shared the same values for how a project like Moltacte should work," says Ana. Those values became the foundation of Moltacte.

Moltacte has already seen many changes in its brief four-year history. Shortly after its launch in 2008, the financial crisis caused governmental subsidies for special employment centers (SECs) to disappear. The nascent company's loss of this principal funding source was a major challenge. Nevertheless, the company perseveres, refining its model with the constant goal of improving its sustainability and efficiency.

How it Works

Moltacte is currently a three-store outlet chain that offers major Spanish fashion brands at heavily discounted prices. With more than ten prestigious brands under the same roof, Moltacte is an innovative combination of social impact and business.

"Social entrepreneurship is like mountain climbing without a safety net.

Before anything, you have to understand the hard work and patience that will be required of you, and then you make the risky decision, 'I'm going to take this path.' You work step by step, gripping and reaching, little by little – until you finally arrive at the top. With very little, you can do huge things." Ana Artazcoz

To maintain the appealing draw of so many prominent names, Moltacte manages close relationships with each brand. At the beginning of every season, each brand ships surplus stock items to Moltacte. Based on weekly sales reports from Moltacte, the brands continue to send replenishments. At the end of the season, Moltacte ships unsold items back to the suppliers. Moltacte is selling 32,000 clothing items a year – and 15 people with mental illness are at the center of the team that makes it happen.

Since day one, Moltacte has considered innovation to be a core value. "We have a retail model that has never been offered in Spain," says Ana Artazcoz, Moltacte's Director of Sales, Marketing, and Communications. "We take major brands and entrust their care to people with mental illness. We manage mutually beneficial relationships – profitable ones – with some of the most reputable names in fashion."

Social Impact

Moltacte's model offers opportunities to all of its stakeholders: it guarantees fashion brands a sales channel for excess stock by selling a monthly average of 800 items, it invites customers to participate in a social project while enjoying great prices, and it gives people with SMIs the prospect of a normal and purposeful life. Society collides with a rehabilitation initiative – all in an afternoon's shopping.

Like all SECs, the company's main social impact indicator is the number of jobs provided to people at risk of social exclusion [Figure 5.1]. In Moltacte's case, 16 of its employees have been diagnosed with SMI. These employees play a key role in dispelling the stigma around mental illness. "It's the opposite of charity," explains Jaume Plana, Moltacte's Director of Finance and Human Resources. "Our social impact is generated by the very same people that it benefits."

The cornerstone of the Moltacte project is the idea that victims of mental illness should not be kept on the fringes of society or medicated at home. Rather, placement at the center of society can be truly rehabilitative.

Moltacte uses customer service as the vehicle to place its beneficiaries in a direct relationship with clients. With every new customer, another person is exposed to the real capabilities and strengths that people with SMI have. Not only does this job offer benefits like purchasing power, normalization, and friendships; but it also allows them to show the world that they are capable and motivated individuals. "We want to create a global movement with this kind of thinking," says Ana.

Figure 5.1. Social impact indicators, 2010-2012.

| Indicator | 2010 | 2011 | 2012* |
|--|----------|----------|------------|
| Number of individuals with SMIs employed by Moltacte | 16 | 16 | 20 |
| Number of workers who have significantly improved their work competencies | 6 | 7 | 7 |
| Percentage of technical team members that perceive the Moltacte model to be consistent with their values | 100 | 100 | 80 |
| Number of employees who perceive the job as a key factor in their rehabilitation | 56 | 60 | 70 |
| Percentage of successful training processes | 60 | 70 | 70 |
| Number of mental health facilities associated with the Moltacte value chain | 3 | 3 | 5 |
| Sales volume | €618,039 | €636,416 | €1,161,378 |

*Projected figures

Social Impact Feature: Telling your Story

Data that proves “We are making a difference!” is a weapon that every social entrepreneur should have. However, life-size stories can be more effective in calling others to action. Consider how Ana’s story transmits the value of a job:

In my life, I have worked with very poor communities in Africa and Latin America. It was not until these experiences that I began to appreciate the sheer miracle of turning on my faucet and immediately having as much clean water as I want. It’s a simple fact of life, and you never, ever question it. When you see things from the other side, you realize what a luxury it really is.

Every person deserves this kind of access to water, but many will never have it in their lifetime. You can say the same thing about people with mental illness. You probably never think about the fact that you have a job, responsibilities, and a normal life with a fixed routine – but 90% of these people do not have that simple luxury. These jobs change them. When one of our employees brings a customer a pair of pants, and then she buys them, it sends a message that people care about what they have to say.

They lose fear of people mistreating them, and it shows their value to society. Before our workers came here, they avoided people – dreading something as simple as looking someone in the eye. One worker told me how proud it makes him to tell his friends, “I can’t, I have to work!”

They go from being invisible to being somebody. They are part of a team, they are in charge, and they are using their capacity to the best of their ability. Moltacte transforms its employees.

Scaling Up

Moltacte’s physical outlet store serves as the core platform to communicate its social message – which is why the enterprise strives to grow as a chain across Catalonia and beyond. The first steps toward this dream are to strengthen the chain’s existing stores while also expanding the model to other areas. There are three parts to their growth plan: **Strengthening** existing stores, **expanding** to new stores, and **exploring** new market channels.

Strengthening

Moltacte determined specific actions to boost sales in each of its three existing locations. At the company’s Manresa Women’s and Manresa Kids’ locations, client feedback has asked for a wider offering of brands and items such as shoes and basic pants. Moltacte has responded to this demand by reaching out to new brands and partners. In Sant Boi, the main sales challenge is that many people do not know of the store’s presence in the first place. The company identified strategic communications channels to target the ideal client, each with a specific end goal [Figure 5.2].

Figure 5.2. Sant Boi: Strategic Marketing.

| Channel | Sant Joan health center (project partner) | City government (project partner) | Mayor’s Office of Women’s Services |
|---------|--|---|---|
| What | Special outreach to 1,500 employees | Publications in the monthly magazine <i>Viure a Sant Boi</i> ; distribution to all homes and businesses | Outreach to women’s associations, businesses, city government employees |
| Target | 300 new clients; €15,000 | 200 new clients; €10,000 | 100 new clients; €5,000 |

Expanding

After a market study, the team has decided to launch a new store in Manresa with Stradivarius, a member company of the Inditex⁵ group, and another store in Vic, each with expected annual sales of €290,000 by 2013, accounting for 40% of Moltacte’s overall sales [Figure 5.3]. Moltacte has three crucial factors that determine the most strategic sites for expansion:

Collaborating brands. If the brands do not choose to participate, the project will fail. External factors can affect a brand’s decision to participate in the project – for example, a brand may already have its own successful store in the area.

Mental health resources. The presence of a mental health center that shares the conviction that rehabilitation is possible for people with SMIs.

Commercial potential. The team must consider demographics, competition, average income, and other characteristics. Given the success of the Manresa stores, Moltacte has sought to expand in similar cities.

⁵ Inditex is Spain’s largest textile chain, comprising nine separate clothing companies, with a presence in over 80 countries and annual sales of approximately €12.5 billion.

In addition, Moltacte identified the key strengths of each new project. In Vic, the city center is heavily populated with clothing stores in the medium to medium-high price range, indicating local purchasing power and demand. Despite the large number of clothing stores, there are few outlet stores competing with them. The new store in Manresa, located close to two existing Moltacte stores, will take advantage of the commercial clientele that has already been generated in the area. In particular, this store will cover the needs of a more adolescent audience, a market that the original outlet does not target.

Figure 5.3. Sales, 2011 & 2013E.

| | Items Sold | Average Item Price | 2011 Sales |
|----------------------|------------|--------------------|-----------------|
| Manresa Women | 12,963 | 27€ | €350,000 |
| Manresa Kids | 16,642 | 10€ | €186,416 |
| Sant Boi | 4,085 | 24€ | €100,000 |
| TOTAL | | | €636,416 |

| | Items Sold | Average Item Price | 2013 Projected Sales |
|-----------------------------|------------|--------------------|----------------------|
| Manresa Women | 14,344 | 27€ | €387,280 |
| Manresa Kids | 16,642 | 10€ | €186,416 |
| Sant Boi | 4,085 | 24€ | €100,000 |
| Manresa Stradivarius | 19,333 | 15€ | €290,000 |
| Vic | 10,741 | 27€ | €290,000 |
| TOTAL | | | €1,472,378 |

Exploring

In the midst of the economic crisis, limited consumer spending has caused Moltacte to fall short of its conservative baseline objectives. The fact is simple, yet difficult: **if income is solely dependent on Moltacte's stores, it will not be enough.** To solve this problem, Moltacte has found a different kind of client – one that will not be shopping in the stores. In Catalonia, children's shelters provide a temporary home for over 2,500 children who are abandoned, orphaned, or who come from abusive families. Moltacte has recently become the sole clothing provider for a number of these shelters. If the partnership continues to scale, Moltacte could be selling hundreds of full wardrobes to new clients – all while helping support the social mission of the shelters (read more about the development of this idea in **Spotlight on Design Thinking**).

Not only does this new partnership have a large potential for growth, but it also promises less up-front financial risk – helping the budget-strapped business to breathe easier. "Timing is important," explains Ana. "If we can focus on this initiative now, it puts us in a better position to open a store in the following season." Delaying the opening of new stores in Manresa and Vic has several strategic advantages. First, it allows Moltacte to build the potential of

the children's centers into a viable source of income [FIGURE 5.4]. Second, it allows the opening of the new stores to coincide with fall and winter, the most profitable season of the clothing industry.

What if your business plan is not what is best for the business anymore? Sometimes, a better route exists – but entrepreneurs must be willing to take their eyes off the road map. Moltacte made this decision when they jumped into the unexpected opportunity with children's shelters. "The stores allow us to interact with society," says Ana, "But we need to make enough income to keep going. We understand that consumer spending is expected to continue declining, and we need to be prepared."

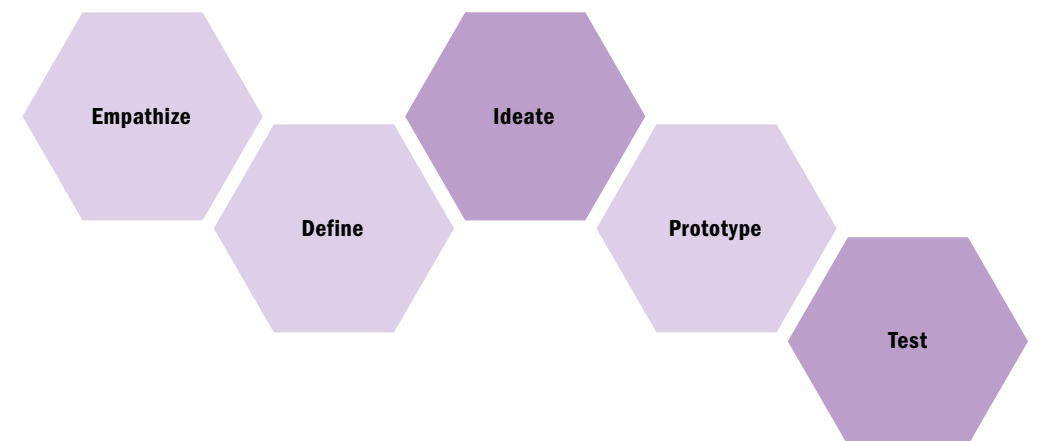
Figure 5.4. Projected Sales.

| Total Children | Target Market Share | Children Targeted | Intake per Child | Total Sales | Sales Margin |
|----------------|---------------------|-------------------|------------------|----------------|----------------|
| 2,427 | 20% | 485 | €200 | €97,080 | €33,978 |

Preparing to Scale: Design Thinking

Moltacte developed a new sales channel by applying **design thinking**, an idea-generating process that has become a core practice of many companies and firms (such as the innovation giant IDEO). This tool was born from the set of methods that designers use to match consumer needs with product development [Figure 5.5]. With design thinking, these concepts are inserted into areas outside the realm of traditional design. Design thinking advocates that innovative people are not necessarily geniuses: real innovation is powered by a deep understanding of what people need in their lives. This requires direct observation, ideation, and constant testing and refinement (Brown 2008).

Figure 5.5. Design Thinking Principles.



Identify a Problem: Where is the Opportunity?

Moltacte's managers made a thorough inventory of all of its clients, partnerships, and opportunities. Then they brainstormed problems that Moltacte could solve for each stakeholder. "We stopped on the children's shelters, because it was very different from our normal clients," remembers Ana. Moltacte's relationship with the children's centers was newly formed; the company had recently made a small sale to one of the centers. "It was different. Instead of a 45-year-old mother, we were looking at a wholesale client."

A Double Social Impact

This partnership amplifies the social impact of both projects. Moltacte has a source of income, children's centers are saving time and money, and children at risk of social exclusion are going to school in clothes they are proud of.

These shelters are constantly buying clothes to dress each of their 2,500 children every season. Because cost is always a concern, staff members search multiple sources for the best prices. This thrifty practice creates a logistical nightmare, because shelter volunteers have different contacts for everything from pajamas to winter coats. Instead of working with the children, volunteers were spending long hours coordinating clothing arrangements.

Empathy: Observe The Problem Without Preconceptions

The key to design thinking is to determine client needs through empathic observation. Steve Jobs explained empathic design this way: "You can't just ask customers what they want... A lot of times, people don't know what they want until you show it to them." Before the touch screen phone was invented, people did not have the knowledge or vision to request a product to replace the bulky, fixed smart-phone keys. It was not until thoroughly observing and understanding user interface challenges that Apple designed the iPhone.

Similarly, children's shelters can't design the ideal clothing management process – they are too busy taking care of kids! Following the design thinking process, the Moltacte leadership team visited three different children's shelters. They observed and interviewed stakeholders ranging from directors to volunteers, spent time with the children, and learned about each shelter's day-to-day routine. Through this process, Moltacte's team learned how critical the clothing situation really was.

A normal center has about 30 children, aged 0-12 years. All of these children are temporary residents, and all of them are given a head-to-toe wardrobe. When they leave, they take the clothes with them. With a quick turnover of children who receive a full wardrobe, the process of buying clothes is continuous and expensive.

The centers sought high-quality clothing for two reasons. First, they want clothing to be a source of dignity for marginalized children. Second, low-quality clothing ends up costing twice as much when the shelters' industrial washers and dryers slowly tear it apart. Finding quality clothes on a tight budget, however, can be a headache.

Ideation: Brainstorm many Possible Solutions

Moltacte's children's store doesn't have an adequate volume of clothing to provide for these centers, but it *does* have wholesale partnerships with multiple high-quality children's brands. The leadership team asked, "What if we could act as a virtual store for these centers?"

Moltacte made a proposition to the centers to be their sole clothing provider. Each center would make a mass order of clothes, and Moltacte would contact its brand partners to find the best quality items at the lowest cost possible.

Test and Refine: Apply Prototype to The Original Situation

After a financial analysis of the project, Moltacte made arrangements with enough brands to run a test pilot for three centers, which made a total purchase of €8,500. The centers were thrilled with the result, and follow-up discussions revealed that the sale accounted for 40% of the three centers' needs, indicating room for growth as Moltacte refines the model.

The Value of The Network

Tempe, the provider of all footwear for the textile giant Inditex, agreed to supply all footwear for Moltacte's deal with the children's centers. A fruitful relationship with Moltacte's mentor – a Tempe CSR Manager – allowed for this strategic partnership.

Moltacte's first step will be to expand its offerings to include shoes, pajamas, and other items that were not included in the original pilot. A formalized purchasing process will come later. For 2012, centers will place orders using a standardized form. In the future, Moltacte will digitize the entire sales channel by launching an exclusive "online store" for the shelters.

Key Learnings from Design Thinking

"You must be open to exploring other ideas," Ana insists. "It was so engrained in our minds that the physical store was obligatory. We never thought to remove that boundary."

But reality may force you to get creative. "If you are running a social enterprise, crisis will hit you at some point. You are *going to get overwhelmed*," says Ana. "You have two choices. You can decide it's impossible, or you can look for an alternative. For that, we think that the crisis is a moment of great opportunity."

It's easy to forget that other options – maybe better ones – exist outside the original business model. "It's absolutely necessary to remove yourself from the demands of day-to-day management," says Ana. "You have to open yourself to a dimension where no idea is far-fetched. Once you get your team in that mindset, it gives you permission to think like a kid who hasn't been conditioned to say, 'That will never work!'"

Moltacte found it helpful to bring in allies from outside the business to brainstorm. Naïve to Moltacte's inner workings, these individuals are able to see opportunities in places where the leadership may have a blind spot. "People who aren't conditioned by administration often see paths that we can't," says Ana.

Spotlight On: Human Resources

Breathing the Business

One of the most rehabilitative aspects of Moltacte is that the workers understand they are part of a team. The social mission is only effective when each contributor is committed to the business, which is why a healthy team is vital to Moltacte's success. When it comes to the team, this enterprise lives its values. "Everyone on our team understands that they are taking part in something bigger than themselves," says Ana.

From sales representatives to psychologists, Moltacte values dedication to the social mission over professional experience. "There are times that we've chosen candidates with less business experience, because we saw how captivated they were by the Moltacte model. We look for people who are excited about the idea of joining us in our social mission," says Ana.

Transparency

There is no confidential information at Moltacte. "Every role in this team is important, and we explain everything that's going on to every member of our team," says Ana. "Especially in times of crisis, stores facing a complicated moment. It is important that our team understand that."

Ana describes how strongly the stores represent permanence and purpose for their employees: "One of our workers was on vacation when the store was broken into at night. When he came back the following week, we started to explain what happened," she recalls. "He was astonished that we did not call him right away. When we tried to explain that we didn't want to interrupt his vacation, he just said, 'But this is my store.' That's when I understood the important pillar that Moltacte can play in employees' lives."

Escaping

"The day-to-day management of a social enterprise can totally consume you – 150%," says Ana. "To plan for the future and think strategically, you have to leave the daily routine behind you."

The three-person leadership team finds ways to stay conscious of the big picture. Director Miquel Isanta holds weekly meetings outside the regular work environment. Several times a year, the team takes a daytrip for strategic planning. "Last time, we went hiking and spent the last half hour without saying a word. We try to empty ourselves of worries and nagging tasks." When they arrive at the top, the team dives into big decisions and discussions.

Shared Team Values

Maintaining a strong team mentality allows Moltacte to function without sacrificing time for matters of human resources. Error is never attributed to a single source, nor is an accomplishment credited to just one person. "This project is a success because the vision and values that we share are more important than anything else," says Ana. "This trickles down from the leadership to every level. Every person must breathe the mission."

"Every person must breathe the mission."

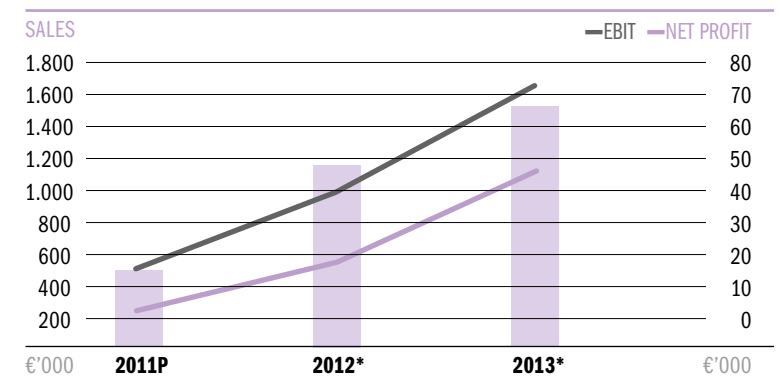
Reflections & Financial Figures

Moving Forward: "We aren't Scared"

The challenges are real for social enterprises, especially in these times of crisis. Money may be tight, your team might need to re-vision, and there will always be more people that need help. However, clarity can be found in a solid mission, in the determination of the social entrepreneur and the shared vision of a supportive team. "We aren't scared," Ana simply states.

Considering all of the decisions that social entrepreneurs are asked to make, the business model is not always going to be enough. How do organizations like Moltacte move forward? The drive behind their mission plays a strong role. "Many times, we let intuition guide us, and that's been key," says Ana. "The team's instinct can often outvote our minds, which are far too accustomed to limits and reasons for 'why not.'" When your intuition is telling you, 'DO IT!'... don't wait."

Summary of Financial Figures, 2011-2013*.



*Year Projections

6

Sostre Cívic

MISSION: To develop, convert or rehabilitate affordable housing units for those unable to access housing through traditional methods, and to engage in dialogue with local communities and public authorities in order to implement the Transferable Right of Use Model (MCU) as a “healthy” alternative for access to housing in Spain.

VISION: To provide housing to any person who cannot attain it through traditional methods such as purchasing or renting, and to transform Spain’s social perception of housing from “the benefit derived from property” to “the benefit derived from the use of the good.”

The Challenge

Imagine arriving home after a long day. The door clicks shut; you look around at your familiar surroundings, and exhale. We may not often acknowledge it, but a home is a refuge, a place to work and play, and a source of stability amidst the demands of modern life. Unfortunately, in Spain, a home can also be a recurring source of financial pressure and anxiety.



In Spain, 85% of housing is bought; 15% is rented. Why is that such a big problem? Because the housing market in Spain is speculative – it’s structured in a way that produces the biggest profit possible. Homes are the investment of a lifetime: the average Spanish family spends 42% of its income on rent or a mortgage. Suddenly, a family’s housing bills can be a significant obstacle that stands in the way of other basic necessities like healthcare or transportation.

For decades, Spain’s housing market has been one associated with big profit: property is bought and sold to make money quickly, and the worth of an apartment is determined by the very most the market is willing and able to pay. As banks started giving large sums of money to people so they could afford a home, the downward spiral to the sovereign debt crisis began.

The current housing landscape holds certain population groups back from the autonomy and financial freedom they desire. Thousands of young Spaniards are ready to live on their own, but they are unable to afford what the market demands. In Spain, 60% of young people aged 25 to 29 still live in their family’s home, compared only 21% of their peers in France, the United Kingdom, and the Netherlands.

Of the 15% of housing units that are rented, only 2% are public or subsidized housing, compared to 18% in the Netherlands. Compared to other European countries, the average age of first-time homeowners in Spain is one of the oldest on the continent. The country desperately needs an alternative, affordable solution for housing. Sostre Cívica is trying to build that solution.

Sostre Cívica's Story

Who is Sostre Cívica?

Sostre Cívica is an enterprise devoted to changing the housing paradigm in Spain. Sostre Cívica is setting the groundwork for the Transferable Right of Use Model (MCU),⁶ a cooperative-based housing model that has worked successfully for decades in countries such as Germany, Denmark, and Uruguay. The MCU model is based on the central idea of a cooperative owning and managing an entire building of housing units.

Established as a cooperative itself in 2004, Sostre Cívica's team is a multidisciplinary fusion of engineering, architecture, law, psychology, and urban planning. Together, the people behind this project work to apply the legal, economic, administrative, and social changes that are needed to pave the way for the MCU in Spain.

How it Works

Sostre Cívica's MCU model poses a bold challenge to the modern housing sector: Should we really be paying for a home, or can we just pay for the right to use it? By joining a MCU cooperative, tenants can overcome financial barriers while being part of a project that inspires both environmental sustainability and quality of life. The MCU model is powered by the pioneering idea that housing can be used as a tool to inspire beneficial human relationships. Tenants are active participants in a project of common living, infusing community and cooperation into the DNA of all Sostre Cívica projects.

Traditional housing cooperatives do exist in Spain, but they are only formed to *build* homes – meaning that they dissolve the moment construction is over. Sostre Cívica's model extends the life of the cooperative to last indefinitely. The cooperative is not only responsible for the building's construction but it also remains its long-term owner. As members, tenants use the cooperative to manage the home.

The MCU process consists of three simple steps

1. Membership fee. Users pay a one-time fee to join the cooperative, and a second quota to pay for the initial construction or purchase of the building. The second payment varies by project, but it is always returned to the user when he or she decides to leave the cooperative society.

2. Monthly quota. A monthly quota is used for maintenance, upkeep, and financing the building. Because the MCU model offers housing at a lower price than the rental market average, consumers avoid the need for personal financing. Once any construction debt is paid off, these monthly quotas are

⁶ In Spanish, *Modelo de Cesión de Uso*.

converted into a cooperative fund for the management of the building. Together, members decide how to invest in the upkeep and maintenance of their living space.

3. Usage rights. A major distinction of the MCU is the guarantee of **indefinite use** of the property – including the right to pass the property down to children or other family members. If an individual does wish to leave the cooperative, he or she simply returns the usage rights to the cooperative, at which time the entrance fee is reimbursed (adjusted for any appreciation). The cooperative, not the member, then resells the rights to a new member.

The Backstory

What do you get when you combine sharing a house with a group of young professionals, investigating European social housing projects, and designing advanced systems of solar energy? For Raül Robert, co-founder of Sostre Cívica, these three experiences sparked idea that would transform a restless engineer into a social entrepreneur.

While traveling to European countries to design advanced solar energy systems, Raül began to discover innovative social housing models. For the first time, he saw terms like “indefinite right to usage” and “management cooperatives” being put into action in housing units. The MCU model covered all the bases: on the one hand, it was a financially sustainable model for housing (in fact, the foreign MCU models Raül visited were spending less public funding on housing than Spain does). On the other hand, it employed the human values of cooperatives, like common space and social inclusion.

History Lesson: Why the MCU model thrives abroad

Sostre Cívica has been paying attention to how the MCU model began in countries like Denmark. In the 1930s, Denmark experienced an economic crisis similar to Spain's current one. When broke landlords put property up for sale, the tenants would often team up and buy the entire building. This marked the beginning of housing cooperatives. “We are sitting here today, trying to start what Denmark started in the 1930s,” explains Raül. “We can learn from them.”

Raül started staying extra days after business trips abroad, with a mission to learn more about these different models that would give color to the drab landscape of renting and buying in Spain. “It was completely foreign,” remembers Raül. “Never in my 30 years had I heard of applying such a concept in Spain. But the more I learned about the model, the more I was convinced that it could work here.”

Raül began to craft a patchwork of concepts he collected abroad, and the result was an MCU adapted for Spain. He recruited other peers, who eventually became Sostre Cívica's core team. Since 2007, this multidisciplinary team has been working to advocate the MCU model, to generate interest among potential users, and to make room for MCUs in Spanish legislation and cultural norms.

The Entrepreneur

More often than not, social entrepreneurs do not primarily define themselves as such. Rather, they are engineers, social workers, educators, farmers – normal people who have dedicated their work to solving a specific social problem.

In 2009, Raül was named an Ashoka Fellow for his work with Sostre Cívic. Ashoka, the world's largest network of social entrepreneurs, implements a rigorous selection process to elect social entrepreneur fellows who have innovative, scalable, world-changing ideas. "It seems so strange to me when people say, 'I want to be a social entrepreneur.' I don't know if I'm a social entrepreneur or not. Somebody has told me I am," he says with a laugh. "I do what I think I have to do, and that's all there is to it!"

Social Impact

Theory of Change

Through its activities, Sostre Cívic is attempting to revolutionize the way that Spaniards view housing [Figure 6.1]. "From day one, we have viewed Sostre Cívic as a project of societal transformation, using housing as the way to get there," says Raül.

By disconnecting the security of a home from a single transaction, Sostre Cívic has a notable effect on participants. Tenants win on all counts: they can access a model of housing that holds the value of community at its core while attaining financial stability. Society gains another choice in the housing market.

An equally imperative component of Sostre Cívic is its effect on the environment. The MCU model kicks property development out of the picture: these units cannot be bought and sold to make a profit. This flips current investment priorities upside-down. Suddenly, it is better to invest in long-term benefits like green technologies. In MCUs, the future of building could be based on energy efficiency and greenness rather than the ability to maximize profit through purchase and sale.

Figure 6.1. Social Impact Indicators (2011).

| Social Impact | Indicator | Measurement |
|--------------------------------------|---|---------------|
| Public awareness | Articles or blog posts mentioning Sostre Cívic | 20 |
| | Number of tweets/retweets | 150 |
| | Number of public presentations | 15 |
| Increased user autonomy | Number of emancipated youth living in MCU | Ten |
| | Change in the percentage of income spent on housing | 30% reduction |
| Impact of product and service | Number of housing units financed | 14 |
| | Number of investor proposals | Two |
| | Total value of MCU housing units | 950.000 |
| Environmental impact | Reduction of CO ₂ emissions | 35% reduction |

Scaling Up

Sostre Cívic's scale-up plan is based on three distinct phases: implementation, expansion, and consolidation.

Implementation: 2012-2014

Because the MCU model is still widely unknown in Spain, Sostre Cívic first needs to gain credibility on a small scale. For this reason, the first phase of its growth plan is the implementation of four small-scale rehabilitation projects: two in Figaró, one in Barcelona, and one in Berga [Figure 6.2]. This first, short-term step is necessary to demonstrate credibility and plausibility to potential collaborators and funders. Because Spain has no history of the MCU system, a successful pilot project will be crucial to catching the attention of future investors.

Coming from a group of radicals with a dream to transform the entire housing industry, four projects may not seem like much. Social entrepreneurs, however, do not wait for the perfect conditions to begin. "If we had a lot of money, we'd do a lot of things," says Raül. "But we have to do what we can with what we have." Sostre Cívic has to start somewhere, and they certainly are not waiting until tomorrow.

Figure 6.2. Implementation.

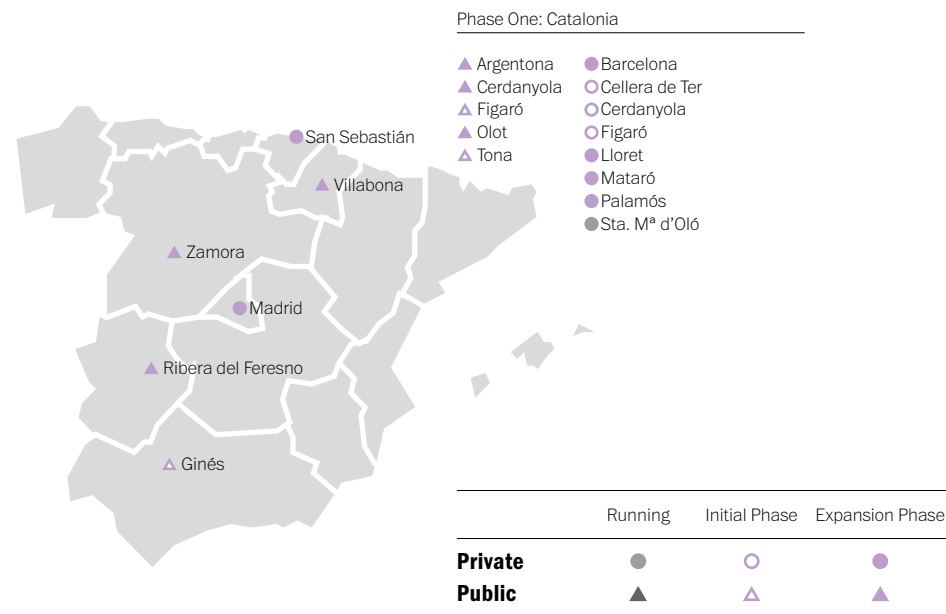
| Project | Model | # Family Units | Location | Investment | Project Duration |
|------------------|--------------------------------|----------------|-----------|------------|------------------|
| Figaró 1 | Rehabilitation (public owner) | 2 | Catalonia | €75,385 | 6 months |
| Figaró 2 | Rehabilitation (private owner) | 2 | Catalonia | €57,110 | 6 months |
| Barcelona | Rehabilitation (private owner) | 3 | Catalonia | €51,250 | 6 months |
| Berga | Rehabilitation (public owner) | 6 | Catalonia | €320,000 | 9 months |

From the four projects, a total of 13 individual housing units will be created. The monthly lease fee, averaging €327 per unit, is below the market average – for either mortgages or rents – for units of the same location and size.

Expansion and Consolidation: 2014-2018 and Beyond

By 2014, Sostre Cívic will begin to replicate the MCU in other locations [Figure 6.3], ideally in projects with higher margins that can financially sustain future growth. Finally, in the long term, Sostre Cívic aims to achieve its vision of a society that truly considers the MCU to be a valid option for housing in Spain with real benefits over renting and purchasing.

Figure 6.3. Expansion by Geographic Region.



Preparing to Scale: Legislative Advocacy

In countries where the MCU model is thriving, a key “common denominator” is the degree of government involvement. Through subsidies and formal legal acknowledgement of the MCU, governments have the power to significantly lessen the financial burden and roadblocks that companies like Sostre Cívic would otherwise face.

In countries where the MCU model is thriving, the common denominator is the degree of government involvement.

Lobbying has always been a core strategy for the growth and success of the model in Spain, and Sostre Cívic’s good relationship with the government and political parties has already helped open the door to scaling up. “Our frame of mind was never about asking favors of Catalonia’s government. It still isn’t,” explains Raül. “There is a big housing problem in our society, and Sostre Cívic can partner with the government to develop a solution that we know will work.”

The company’s efforts have already led to changes in the Catalonia Housing Act, as well as the introduction of the MCU in the legislation of Catalonia, the Basque Country, and Andalusia. Sostre Cívic’s political impact is also key to getting the attention of traditional housing cooperatives and accessing unused public land or buildings for projects. Local governments can lease land and housing units for a low price and then transfer the ownership to the cooperative over long periods of time.

Making Compromises

Social enterprises dream big. They push revolutionary ideas forward. They thrive on innovation. But they *also* know how to make things work with limited resources. Sostre Cívic is no exception to this rule. The team has made several strategic decisions – as well as compromises – to build an environment in which the MCU model can eventually thrive.

An unforeseen compromise has been to primarily target middle-class tenants for MCU projects. Although Sostre Cívic’s priority market is the low-income population, their current resources suggest that this is not the best entry point for the market. As a result of the current crisis, government funding for low-income housing is unavailable. Consequently, the team had to choose projects they could sustain without government money – in this case, ones that target middle-class users.

The organization also had to readjust its expansion model, which was originally focused on obtaining public land to build new projects. But between frozen government subsidies and a scarcity of investors, renovation projects have emerged as a much more viable growth strategy. “Constructing a new building is much more expensive than renovating an old one,” Raül explains. With the large amount of unused or unsold housing stock in Spain, the company hopes to partner with public and private owners of empty buildings. Construction companies, banks, and government entities are incurring high costs to maintain properties without a purpose. Sostre Cívic offers an alternative to unsuccessful renting strategies: renting to the cooperative association for a lower amount and a longer period of time.

Spotlight: From the Launchpad

Starting up a Social Venture

As the only start-up in the Momentum class, Sostre Cívic’s challenges are significantly different from other social enterprises. Whereas other participants are focusing on either improving, changing, or expanding their current business model, Sostre Cívic is in the nascent stages of searching for funding and establishing a reputation. Start-ups are fragile; they need time to create a good institution, a solid reputation, and financial investors.

Financing a Revolution

Sostre Cívic’s biggest challenge is simple: they need funding, and it is hard to find. Projects are ready to move forward, but a lack of capital leaves them stagnant. With scarce public funding, private investors are the organization’s most promising revenue source. However, an innovative and revolutionary idea can still be seen as a financial risk through the eyes of an investor. “When you consider that our small start-up company is up against the entire current housing economy in Spain, our story looks a little bit like David and Goliath,” says Raül, with a laugh.

The road to finding investment has been long and difficult for Sostre Cívic. Although similar projects in other countries have successfully found funding, the Barcelona-based startup has continued to struggle. What is unique about Sostre Cívic’s challenge? Raül suggests that culture may play a part: the culture of social capital of Spain is still developing, and investors are often more risk-averse than in other countries.

The nature of the Spanish housing sector also plays a large role in how investors think and act. “Our model is a very safe investment, but it’s a low-return project with a long-term horizon. That goes completely against the norm in the housing industry,” explains Raül. “Investors in this sector are used to a speculative model that yields a high return in a short period of time, and that’s not our objective.”

In exchange for a smaller economic return, the alternative to speculative housing offers a very high social impact. As social capital becomes more integrated into the investment world, the potential financial resources will continue to grow. For now, the company will continue make the case for the MCU. Says Raül, “If this is like David and Goliath, then more ‘Davids’ are going to show up – and Goliath is getting slimmer all the time!”

Cross-Sector Allies

More “Davids” are showing up, indeed. Recently, bankrupt real estate agencies have asked to learn about the MCU model; politicians have given formal recognition to Sostre Cívica; and city councils across the country have invited the company to meet with them. One powerful result of the company’s campaign happened in late 2011, when a presentation to the Basque parliament led to a less-than-one-week turnaround that fixed the MCU into permanent law.

Traditional cooperatives, because of their history and power in Spain, represent a key target ally for Sostre Cívica. “We do not want our alternative model to be viewed as a threat or a small side project, but as a real opportunity to collaborate,” says Raül. Slowly, these partnerships are growing.

The more people that know and trust Sostre Cívica’s name, the quicker the organization will build the ripe environment for the MCU model. “What we are doing works,” says Raül, “But it has to be on a much bigger scale. We want the MCU to be something that is normal and visible in society.”

Pursue Sources with Common Interests

Initially, the company only focused its outreach on domestic entities, but it has learned that international partners are also a wise investment of time. In many countries, a model like the MCU already exists. These countries can therefore offer not only knowledge and experience, but also potential funders who aren’t so puzzled by Sostre Cívica’s mission. “The model is not a foreign concept to them,” explains Raül. “People from these countries understand us better.”

Sostre Cívica has now amplified its search for financial partners in countries like Germany and Denmark, where they hope to find collaborative partners that have seen the model embedded in society. “Partners like this can offer us the knowledge and insight we’ll need as we continue to mature as a company,” says Raül.

Reflections & Financial Figures

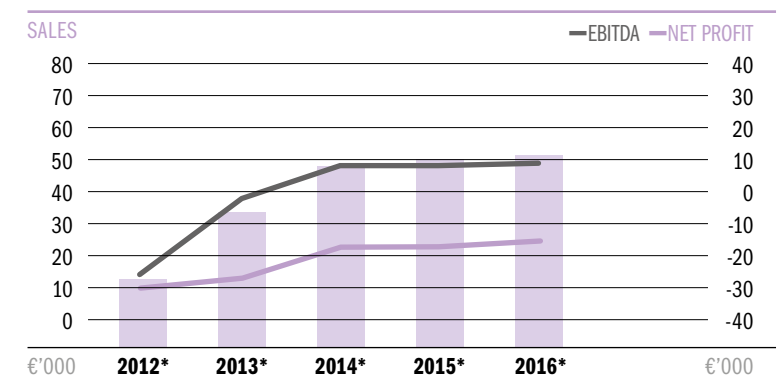
From Crisis to Change

However antiquated the saying may be, “Out of crisis comes opportunity” rings true for Sostre Cívica. “The financial crisis has been the single most important catalyst to drive the MCU model forward,” says Raül. Frustration and unrest have emerged as side-effects of a financial plague. Public and private sectors alike are failing to meet expectations. In response, people are starting to question the way business has always been done.

“People are looking for other options, and they are beginning to doubt the cultural norms that have been accepted as ‘truths’ for decades,” says Raül. “Over the last five years, the country’s mentality has started to take a 180-degree turn – not thanks to us, but thanks to the current crisis. It’s a painful time for Spain, but it has prompted citizens to question the status quo. If people were comfortable, our latest milestones may have never happened.”

The Sostre Cívica team recognizes that many of the elements for a paradigm change in the housing industry are already in place: a social demand exists, as does a presence in the law, administrative interest, and a growing unrest in society. “Solar energy was once in this position,” says Raül. “A number of years ago, solar energy was something that only ‘weird’ people were pursuing. Now, *any* financial entity would invest in it. We are looking for that kind of revolution.”

Summary of Financial Figures, 2012-2016*



*Year Projections

Roba Amiga

MISSION: To reduce textile waste through a system that promotes the insertion of people at risk of social exclusion.

VISION: To be nationally known sustainable, profitable, and socially integrative model for clothing reuse.

The Challenge

The truth about your clothes is simple: their life will be marked with a beginning and an end. One day, you will decide that your shirt is too small, that stain is too visible, or the hem of your pants just isn't worth fixing. And more often than not, at the end of this fleeting life, your clothes will end in a landfill. In fact, that's where 50,000 tons of clothing end up every year in Catalonia alone.

You may be done with your sweater, but can you make the assumption that it would go unwanted by the rest of the world? Twenty percent of Spaniards live below the poverty line – defined as earning 60% or less of Spain's average income – and access to affordable clothing can be a challenge for these families. But this is just the beginning of the problem: the textile industry is wasteful, and every disposed item of clothing is more than a missed opportunity for others' use.



When a piece of clothing gets thrown away, more than just fabric is wasted. Also lost is the energy and water used to produce it, the carbon dioxide emitted at its expense, the land used to grow its cotton, and the pesticides used on the plants that became your shirt. Amid a culture of consumerism, we hardly recognize the resources that go into our clothes:

| | |
|---|--|
| To make one cotton t-shirt... | 2,720 liters of water ⁷ ... and 4 square meters of fertile land are used. |
| Every kilogram of recycled cotton saves... | 0.2 kilograms of potent pesticides ⁸ ... and 0.3 kilograms of fertilizer. ⁹ |
| Making ONE t-shirt from recycled cotton saves... | 10 kilograms of carbon dioxide. ¹⁰ |

Regardless of how deterring these statistics may be, the average Spaniard throws away 7 to 10 kilograms of clothing every year. What if we could transform this consumerism-based industry into a sustainable one? This is the question that Roba Amiga asks.

Far beyond the realm of clothing, Spain is in a critical state of unemployment. As the plague of joblessness continues to grow, no part of Spain has been left unaffected. However, adults at risk of social exclusion are hit even harder than others. This group includes immigrants, ex-convicts, drug users and former users, ethnic minorities, homeless people, and other groups that suffer a marginalizing disadvantage in society. For those on the periphery of society, employment is a promising path to a normal and purposeful life. However, job opportunities often remain out of reach for the people that may need them most of all. Roba Amiga proposes a bold solution to both problems.

Roba Amiga's Story

Who is Roba Amiga?

Founded in 2006, Roba Amiga is a cooperative of five long-standing labor-insertion companies that developed a market-based twist on the traditional clothing donation model. By optimizing the industrial potential of clothing donation, these companies have turned clothing reuse and recycling into an engine to create jobs, value, and social impact.

The cooperative challenges society's textile waste and propose the recovery of used clothing for commercial use. Among heaps of unloved skirts and sweaters, Roba Amiga sees an opportunity to combat unemployment, to give purpose and pride to people at risk of exclusion, and to create a more sustainable society.

⁷ UNESCO/IHE

⁸ University of Copenhagen 2008

⁹ University of Copenhagen 2008

¹⁰ GABI/EDIP of PE International

The Backstory

The practice of redistributing unwanted clothes to needy families has a long tradition in Spain. For decades, local parishes and charities have orchestrated these acts of goodwill, but it was never more than a charitable activity until 20 years ago, at which time some leaders realized the potential to turn this altruistic tradition into a livelihood.

Job insertion in textile recycling began to grow across Catalonia. In 2001, Caixa Catalunya started an initiative to develop the budding industry, and they called it Roba Amiga. The project brought together leaders from more than a dozen different organizations, which shared ideas and information. A council led by Caixa Catalunya used the organizations' input to distribute funds and resources to the consortium.

Although the initiative dissolved in 2006, five of the organizations chose to continue a formal partnership. Today, these five groups – Formació i Treball (FIT), ADAD-L'Encant (ADAD), Solidança, Troballes, and Recibaix – form the Roba Amiga cooperative. Although the five entities have different histories, organizational structures, and perspectives, they are united by a common goal: to collect, select, and commercialize second-hand clothes – all while inserting people into the workforce.

How it Works

Roba Amiga's five member agencies have a presence in all four regions of Catalonia: Barcelona (FIT, Solidança, and Recibaix), Lleida (Troballes), Girona (ADAD), and Tarragona (FIT). Each organization functions as a sovereign entity with its own textile processing center. Altogether, the five centers manage 1,070 collection bins deployed in 250 Catalan municipalities, collecting more than 7,000 tons of clothing per year. Roba Amiga generated €2,563,419 in sales in 2011, creating jobs for 137 employees, 73 of whom came from Roba Amiga's training and labor-insertion program.

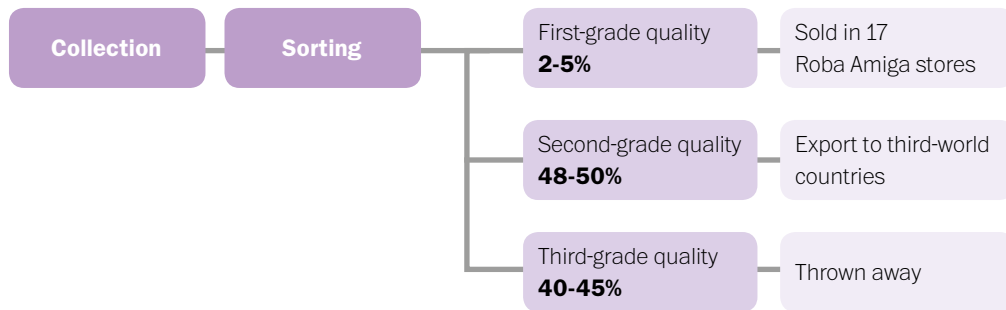
A Roba Amiga processing center is constantly buzzing with activity: dozens of men and women unload truckloads full of clothes, move "cages" of clothing to the selection floor, sort clothes by quality and type, or prepare garments for export. The environment is enjoyable but busy; the purposeful movement is punctuated by conversation or the radio blaring in the background.

At the center of the tumult is a purposeful supply chain, and each step is a ripe opportunity for job creation [Figure 7.1]. After clothes are dropped in the more than 1,000 bins scattered across Catalonia, they are collected by trucks and transported to one of the five centers. Upon their arrival, a process begins to carefully sort the clothes into three quality categories.

Clothing of the highest quality is sent to one of the 17 Roba Amiga stores; garments of the second-highest quality are exported for sale in third-world countries; and the lowest grade articles are sold to clients who use it to make rags or thread. A small percentage of unsalvageable clothing is thrown away. Unfortunately, many plants reach full capacity before having processed all of

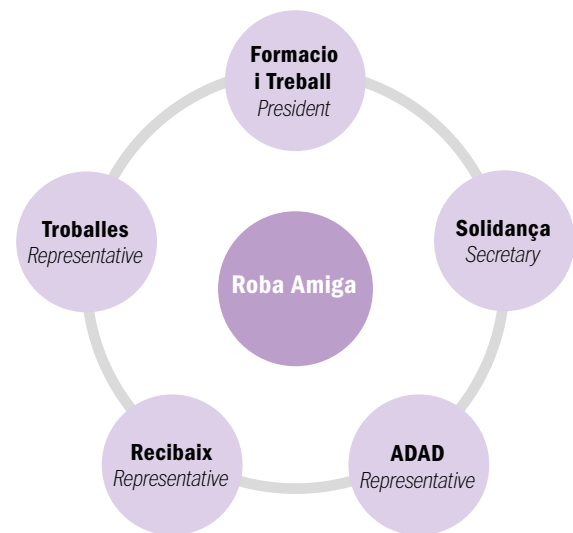
the clothes they receive. In these cases, full containers are sold before ever going through the selection process. Because this activity generates no jobs, the company hopes that the expansion of recycling will eliminate the need for pre-sorted sales.

Figure 7.1. Destination of Clothing Received.



Because Roba Amiga is a cooperative, all important decisions are made collectively, with equal voting power given to each of the five entities. A steering committee is composed of a chairman (currently Josep Maria “Chema” Elvira from FiT), a secretary (Solidança), and one representative each from ADAD, Troballes, and Recibaix [Figure 7.2].

Figure 7.2. Cooperative Organization.



Social Impact

The environmental and social impacts of Roba Amiga’s activities are dependent upon one another, as one allows the other to exist [Figure 7.3]

Social vs. Economic: More Jobs, or More Efficiency?

As mechanization is increasingly implemented into different processes, Roba Amiga’s production efficiency has consistently improved. From a business point of view, it’s a no-brainer: these new technologies are an indisputably smart investment.

However, Roba Amiga does not do business as usual. At a certain point, a machine is not simply offering efficiency but is removing the demand for a person’s job. As a labor insertion company, where does Roba Amiga draw the line? At what point does a machine stop being a profitable investment and become the antagonist to the cooperative’s core mission? Business-driven problem solving rooted in a social purpose can sometimes present a conflict, and there is no formula to decide the answer.

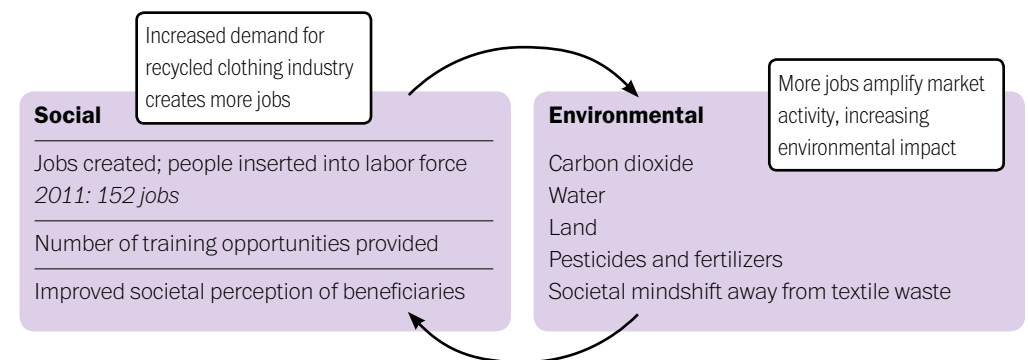
Social

As social labor insertion agencies, the five Roba Amiga firms offer job training and work opportunities for people at risk of social exclusion. The program guides participants – most of whom are immigrants, ex-convicts, and former drug users – toward autonomy and access to other mainstream jobs. Currently, over half of the cooperative’s 137-person workforce is contracted through the insertion program.

Environmental

Roba Amiga is reducing the amount of textile waste in Spain by extending the lifespan of clothing articles, which saves carbon dioxide, water, and land, and prevents the use of harmful pesticides and fertilizers. Furthermore, by continuing to recycle low-quality fabric, Roba Amiga will amplify its environmental impact while expanding into a new market.

Figure 7.3. Social impact indicators.



Scaling Up

Roba Amiga is seeking to optimize its industrial and environmental potential in order to expand the company’s productivity and create more jobs. Members of the cooperative had to ask themselves, “What are the biggest barriers or limitations that are keeping us from growing?” Several observations led the group to a final decision:

- From a business standpoint, maintaining three separate plants in Barcelona is an inefficient practice with elevated fixed costs.
- Roba Amiga’s infrastructure is insufficient to sort the tons of clothing it receives: almost 40% of clothing does not reach the selection process.
- All three plants with mechanized sorting models have reported clear advantages in productivity.
- Physical space is a barrier to growth in all five entities.

Based on these facts, the cooperative has decided to launch a new plant to process all clothing currently divided between the three entities in Barcelona (FIT, Recibaix, and Solidança). To solve the problem of unusable, low-grade clothing, Roba Amiga will invest in the technology necessary to enter the recycled fabric market. This activity will have two major steps. First, Roba Amiga sorts and sells clothing to third-party manufacturers. Then, these clients deconstruct the material and assemble new products such as thread, stuffing, and insulation.

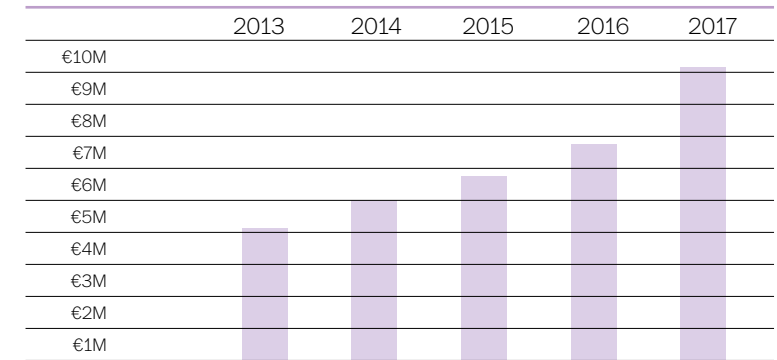
The market price for textile recycling is much lower than that of clothing exportation or resale [Figure 7.4], so it was a challenge to ensure that the activity was still profitable. “The first step,” explains Chema, “is to make our sorting and selection process much more efficient. By mechanizing this operation, we can sort more clothes for less money, which allows us to expand a lower-paying sales channel.”

Figure 7.4. Textile Recycling Goals.

| Activity | EUR / Kilo | Current Percentage | Goal (2015) |
|------------------|-------------|--------------------|-------------|
| Resold in stores | 12.00-13.00 | 2-5 | 2-5 |
| Exported | 0.95-1.00 | 48-50 | 48-50 |
| Recycled | 0.08-0.10 | 5 | 40 |
| Thrown away | 0.00 | 42 | 7 |

By 2017, Roba Amiga aims to process at least 15,000 tons of clothing. By entering the recycled clothing market, the new plant will **reduce its disposal of low-quality clothing from 42% to 7% or lower**. This milestone, inspired by peer companies in other European countries, will bring a significant boost to Roba Amiga’s activity. This growth will create 154 new jobs, 105 of which will come from the insertion program for those at risk of social exclusion. [Figure 7.5]

Figure 7.5. Projected Sales at New Roba Amiga Plant, 2013-2017.



| Goals for Growth | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 |
|----------------------------|------|------|------|------|------|------|------|
| Insertion employees | 73 | 75 | 103 | 123 | 143 | 155 | 178 |
| Annual growth | | 2 | 28 | 20 | 20 | 12 | 23 |
| Total Roba Amiga workforce | 132 | 135 | 172 | 201 | 235 | 252 | 286 |

Although the cooperative has completed thorough market studies to determine realistic benchmarks for the future, the country’s economic crisis creates even more uncertainty. Will the crisis discourage citizens from recycling clothes, or will thrifty consumer habits give a boost to second-hand clothing stores? Many social enterprises must confront similar ambiguities in the current economic crisis.

Preparing to Scale: Pioneering a New Market

Roba Amiga’s new infrastructure will sort recyclable clothing – quickly and cost-effectively – into different categories for sale to manufacturers. This market channel is still undeveloped in Spain. Peer organizations from other European countries have contributed by sharing practical knowhow associated with this new technology. “After visiting several European plants, we’ve seen that this is what most of our peer companies are doing,” says Chema.

Recycling clothing is not a new idea at Roba Amiga. For years, they have been asking themselves how to reduce the amount of clothing thrown away. “Our inability to process 40% of our clothing has always been worrisome, but we didn’t have the capacity at the time to do anything about it,” says Chema. As the collective matured, it began to seriously explore the possibility of textile recycling entering its value chain.

“ADAD was the first to implement the process,” recalls Chema. “Their plant solely focuses on clothing, so they’re often the ones that are looking to innovate or improve processes.” ADAD’s successful pilot served as the foundation to expand the activity both in Girona and in the new Barcelona plant. “This is part of the benefit of the cooperative dynamic,” Chema adds. “We are always adopting each other’s best practices.”

Recycled textiles have caught the interest of large textile companies, as well. Recycled clothing lines serve as a proactive response to three crucial factors in the industry: the expansion of CSR operations, an alarming rise in cotton prices, and heightened consumer awareness of sustainability. In response to this trend, Roba Amiga is seeking opportunities to use its new activity to partner with such companies. One such alliance is already in motion: in late 2011, Spanish textile giant Inditex invested €450,000 in Roba Amiga’s work to develop the technology and infrastructure for textile recycling. Now Roba Amiga’s growth strategy can also contribute to the foundation of what could be a future key practice for Inditex.

“The beauty of this project is that every sector is a key actor,” says Chema. “The public administration is allowing us to have containers all over the cities. Citizens are bringing clothes from their own homes. Roba Amiga – the social enterprise – is using the opportunity to create jobs. Normal enterprise is generating original products – and in the future, they will be able to buy the recycled fabric to make new products. It’s a complete cycle, and every actor is intervening at one point or another.”

From Parishes to Professionals: Building a Balanced Team

Used clothing collection has deep roots in charities and churches. When the sector shifted toward job insertion, there was a sudden mismatch between the average staff member – usually, a retired volunteer – and challenge of running a financially sustainable business.

Social enterprises can be a truly impactful hybrid of business and social, but their leadership must reflect a balance between the two worlds.

“Before, the sale of a single shirt that had been hanging in the store for three months was considered a reason to celebrate. Any business would see that shirt as a loss of space, money, and time,” says Chema. “The most important step in our own professionalization has been integrating businesspeople into the practice.”

These insertion agencies had a classic problem: their entire staff had a background in social work. “When I started my work here, I ran a meeting for Caritas representatives to discuss strategies for job insertion agencies,” remembers Chema, Roba Amiga’s current chairman. “I asked, ‘How many businessmen are in the room?’ Not a single person raised his hand. I was amazed.”

Things got better slowly for FIT. “One by one, our job posts started requiring things like accountancy experience or a marketing background,” he adds. “Now a large percentage of our team is composed of business professionals, and they take care of the agency’s operational side.”

Social enterprises can be a truly impactful hybrid of business and social, but their leadership must reflect a balance between the two worlds. Just as a business professional would never be in charge of social work cases, a social worker can’t draft a business plan alone. By incorporating both components into a well-rounded team, every member can focus on his or her strengths.

Spotlight: Maintaining a Healthy Cooperative

No matter how worthy its cause may be, a cooperative is made up of human beings. Just like any other group, family, or organization, it is bound to have its challenges and disagreements. “Maintaining the cohesion of the group is absolutely essential, but it is also our biggest challenge,” says Chema.

“This tension will always exist: will you fight for what will make your organization better off, or do you support the decision that might hurt your agency but ultimately help more people?”

The five agencies at Roba Amiga employ distinct practices and perspectives, but they are united by one goal: To channel the collection and reuse of clothing into the creation of job posts for marginalized populations. Disparities must be acknowledged, and disagreements must be reconciled in a way that guarantees each organization’s ability to achieve this goal. Comments Chema, “This tension will always exist: will you fight for what will make your organization better off, or do you support the decision that might hurt your agency but ultimately help more people?”

What do these challenges look like, and how can the cohesion of all stakeholders in a cooperative be ensured? Although there is certainly no cookbook recipe, Roba Amiga has learned some valuable lessons along the way.

Yours vs. Mine

The five centers share 1070 collection containers, and each center depends on the volume of clothing it receives in order to be profitable. Who gets the rights to what? This small illustration of the pull between organizational loyalty and common purpose is a common characteristic of many cooperatives. If not addressed properly, this can be a disturbing threat to the health of the cooperative. If managed with transparency and commitment, however, the resolution of these tensions can form the foundation for success.

The health of the cooperative hinges on a competition-free relationship between the five entities. A zero-competition policy was enforced from the beginning: if any situation starts to resemble rivalry, Roba Amiga members address it and eliminate it.

Concerning territory, for the last five years the five organizations have negotiated clear boundaries. This task is not always comfortable and sometimes it also means giving up opportunities. “When we work together, everyone becomes better,” says Chema. “We have to make sacrifices, but we have all learned that the benefits far outweigh the drawbacks.”

Sharing Knowledge

Roba Amiga collection bins are scattered throughout 250 municipalities, waiting for people to deposit their unwanted wardrobes. But when the 7,000 metric tons start tumbling in, the process has only begun: a series of actions must be completed in order to get someone's unloved jeans onto a Roba Amiga store shelf. How can this be done in the most efficient, cost-effective way?

Efficiency is not simply anecdotal – it needs to be measured.

By bringing their own experiences to the table, the member organizations are solving this challenge together. Best practices are shared, but the cooperative also understands that efficiency is not simply anecdotal. To truly measure what's working best, each agency calculates its collection costs (gasoline, labor, transportation, etc.) and the kilograms of clothing it collects. With a basic metric like **collection cost per kilogram of clothing**, the member organizations can have standardized conversations about strategy and logistics.

"Once we know the detailed process of each plant – their procedures, costs, and benefits – we identify the clear role models in different areas. It gives everyone an opportunity to learn how to improve their weak points," says Chema. "If I hear that you are sorting 200 kilos per hour per person, and I'm going more slowly, I want to know what you are doing differently!"

Growing Together

Roba Amiga also serves as a consortium to build knowledge in the field. The cooperative has taken research on the road to countries like Belgium, France, and Germany, where the industry is more developed. Each agency is able to utilize the field's most current insight while sharing the costs and responsibilities of research and development.

"When we work together, we can create more jobs, and we can grow. That's the most important thing to us."

It is through this process that several best practices have been discovered and developed within the cooperative. One example is the mechanized conveyor belts (like that of a supermarket check-out lane) that FIT originally studied and implemented. After FIT reported the belts' drastic positive effect on the sorting and selection process, ADAD began to investigate the same methods. The open sharing of useful tactics will also affect the new plant, where the same mechanizations will likely be implemented.

Roba Amiga will begin 2012 with its biggest collaboration yet, the co-managed office and factory space in Barcelona. "In the early years, we shared a lot of information, but we mainly made our own decisions and went about our own business. Over time, we have seen that the more we share and collaborate, the more opportunities we have," says Chema. "When we work together, we can create more jobs and we can grow. That's the most important thing to us."

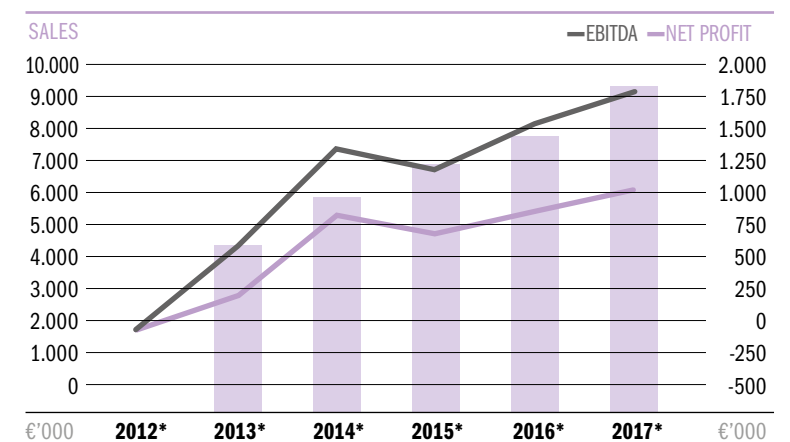
Reflections & Financial Figures

Setting a Standard

With the diversity of challenges that social enterprises need to tackle, Roba Amiga has found collaboration to be a powerful tool. "When you're talking about a legal cooperative, there are plenty of examples of what not to do. Stakeholders may only be interested in their own benefit; there may be an overbearing decision-maker in the group, a power struggle... The list goes on and on," says Chema.

"I think that one of the reasons why people value Roba Amiga is because we can be a small example of how cooperation can really work. We are a real demonstration of collaboration. It's not simply sharing information or making agreements – what we are doing is truly common work, in every aspect."

Summary of Financial Figures, 2012-2017*.



*Annual projections of the new plant

8

Hornos de Lamastelle

MISSION: To create jobs for people with disabilities through the manufacturing and sale of traditional Galician empanadas and bakery products.

VISION: To be a leading empanada producer in both domestic and international markets, with the highest commitment to social good.

The Challenge

In Galicia, there are 230,000 people with disabilities. For people on society's margins, employment is oftentimes the first step toward full social integration. Jobs can teach special-needs adults a certain trade, adaptation to routines, social skills, and self-autonomy. However, this transformative effect cannot be truly reached without tandem **training, support, and commitment** from the employee himself.



Commitment comes from the worker's personal belief that he or she is involved in something important. Regardless of disability level, the most effective workers believe that their company is offering something of importance - that it will be recognized, sold, and appreciated.

Training and support form the cornerstone of special employment centers (SECs), creating the gateway from marginalization to a normal lifestyle. But it's not easy: each SEC is fighting its own battles across the country. Government criteria must be constantly monitored and reported; financing is a triathlon of subsidies, grants, and sustainable profit; and daily operations present unforeseeable challenges. The average size of a SEC is 31 employees;¹¹ it seems that SECs' survival strategies do not always ripple beyond their own internal workforce.

¹¹ Informe sobre la situación de los centros especiales de empleo en España, University of Salamanca, 2010.

What would it look like if SECs began to view one another as sources of knowledge and partners in a shared vision? In Hornos de Lamastelle's experience, collaboration is key. Strategies can be shared, best practices can mature, and the voices of disabled workers can be amplified when they are joined together.

Hornos de Lamastelle's Story

Who is Hornos de Lamastelle?

Based in Galicia, a region of northern Spain, Hornos de Lamastelle produces more than 50,000 gourmet empanadas every month. Although commercialization has replaced many competitors' artisanal practices, Hornos de Lamastelle still upholds the traditional techniques for Galicia's tastiest trademark – right down to the hand-sealed finish. The company has been a SEC since its inception. In fact, with 59 out of the company's 62 employees having a physical, mental, or sensory disability, Hornos de Lamastelle has one of the highest proportions of disabled workers in the country.

The Backstory

Hornos de Lamastelle was born in 1994 out of the idea that Galician empanadas could be used to insert local disabled people into the job market. Over nearly 20 years, the business has grown from an original workforce of 18 to one expected to reach 80 by the end of 2013.

After over a decade of developing as an organization, Hornos de Lamastelle joined Galega de Economía Social (GES), S.L., in 2005. Formed in 2003, GES is the mother organization of nine companies (all SECs) founded in the 1990s. Each member differs in operation but shares the common goal of building strong, competitive businesses through their disabled workforces. By sharing information, strategies, and even some management tasks, GES is working to build a better world for disabled people.

When Hornos de Lamastelle entered the GES community, it was on the verge of a major growth spurt. Today, its turnover has more than tripled that of 2003, growing from €900,000 to €3,000,000 [Figure 8.1]. Its daily production currently stands at 4,500 kilograms of empanada and 350 kilograms of dessert products and this figure is expected to nearly double in the next few years.

Over the last ten years, Hornos de Lamastelle has invested €190,000 to transform itself into a true industrial factory. The result is a harmonic balance of new and old: the company combines the heritage of the handcrafted empanada with modern innovations that allow for its freezing and storage. This fusion of tradition and technology allows Hornos de Lamastelle to distribute frozen empanadas to every corner of the country.

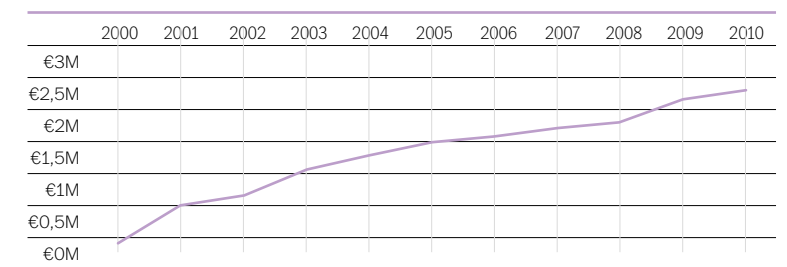
Despite the normal tendency of companies to anchor sales in local markets and expand later, Hornos de Lamastelle employed a different strategy. The company began selling in major Spanish cities such as Madrid and

Barcelona, providing frozen empanadas to some of the country's most popular supermarkets. It was not until two years ago that Hornos de Lamastelle began to closely examine the potential of local markets. Now the company is building a solid local strategy based on sales channels in the cities of Lugo and A Coruña.

Rosa Gutiérrez, of Galega de Economía Social, and José Ramón Dourado, General Manager of Hornos de Lamastelle, joined forces to channel the company's innovation into a sustainable growth project. An engineer by trade, Rosa focuses on cultivating growth and innovation in the nine GES companies. Ramón's addition to the Hornos de Lamastelle team in 2003 brought a similar value of innovation to the company. Together, the two have driven the company's growth plan forward.

"More than anything," says Ramón, "innovation is a constant search for improvements." In Hornos de Lamastelle's case, that search has been ongoing for about nine years. Since 2003, the company hasn't gone a full year without a major installation or reform. "The most we go without a big change is probably three or four months," he adds.

Figure 8.1. Sales Growth, 2000-2010.



How it Works

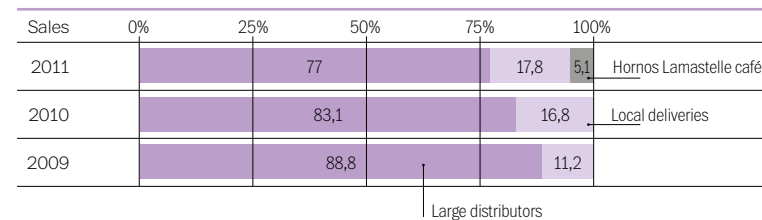
"The financial crisis has been a huge learning process for SECs about being financially self-sufficient," says Ramón. "You can't just count on subsidies, because they are never guaranteed. We are a business, and businesses need to be viable."

Ramón Dourado

The majority of Hornos de Lamastelle's products are directed to its national sales channel, which consists of large and medium-sized distributors and food chains. These companies sell Hornos de Lamastelle's empanadas with either a "blank label," or with their own generic brand name. With between 12 and 15 large clients per year, this sales channel accounts for roughly 80% of Hornos de Lamastelle's annual sales. The most typical clients are regional branches of national supermarket chains.

In 2009, the company started to diversify its sales channel. This effort began with the local distribution of freshly baked empanadas, and later incorporated a direct sales channel in 2011 [Figure 8.2]. (You'll learn more about these channels in **Preparing to Scale**.)

Figure 8.2. Sales Distribution by Channel



Social Impact

“Everyone here has a disability, myself included,” shares Antonia Fernández, a production manager at the factory. “Working with Hornos is gratifying because I’m treated like a person – more than at any other company I’ve known. We are a family here.”

That family has grown to a workforce of almost 80 employees, 98% of whom have a disability – one of the highest SEC rates in all of Galicia. Of those, 10% have a severe disability (defined by a 65% reduction in overall ability), and almost all employees have a permanent contract with the company.

As Hornos de Lamastelle grows as a business, it is also learning how to best engage and support its workforce by identifying and tracking the key indicators of success:

- In the last six months of 2011, Hornos de Lamastelle was **mentioned in the media 34 times**.
- 40% of the workforce has worked at least six years with Hornos de Lamastelle; 60% for at least four.
- **Absenteeism** in the factory has fallen from **19.1%** in 2004 to **5.7%** in 2011.
- In comparison to the SEC average in Spain, Hornos de Lamastelle employees are **3.3 times less costly to Social Security programs**.

In addition to the ever-present aspiration to create more jobs, Hornos de Lamastelle does not overlook the quality of the work experience itself. They communicate this value with competitive salaries (the average salary at Hornos de Lamastelle is 20% higher than the minimum required by law for SECs) and a commitment to technology improvements to reduce job downtime, thereby allowing staff members to develop new skills. “All of us are very committed to this group,” says Antonia. “Together, we are determined to reach the final consumer with the best image we can give of ourselves.”

Maintaining opportunities for disabled people – while remaining productive and lucrative – is a double challenge for SECs like Hornos de Lamastelle. “Here we define productivity as using 100% of a person. Each of us has a different capacity, and that’s okay,” says Ramón. “We are interested in engaging the *whole* person in *each* of our employees.”

“With everything we do, we have to remember that we *exist* to give jobs to people with disabilities. Every big idea we have *must* fit the needs and abilities of our workers. If an idea requires a workforce profile that doesn’t fit ours, then it’s not for us,” says Ramón.

Scaling Up

Hornos de Lamastelle’s goal is to double its sales in two years. To do this, the company is attacking production and commercialization at the same time: while researching and improving new sales channels, the factory is preparing its infrastructure to accommodate a major increase in production capacity. The project will focus on the **implementation of new machinery** and the **drastic expansion of exportation**. After tackling these priorities, the company will continue to develop new sales channels, an initiative that was launched in 2009.

The overall growth plan will have a big effect on the Hornos de Lamastelle workforce. Over the course of 2011 alone, Hornos de Lamastelle’s workforce grew from 62 employees to 69. With the ultimate goal of **adding 50 employees to the workforce**, the company will proceed with a steady addition of at least four employees per year.

Production

“To scale, production and commercialization must go hand-in-hand,” says Ramón. “Last year, our production capacity hit the ceiling. The current infrastructure simply cannot accommodate an increase in daily output.” The company may have a bulletproof commercialization strategy, but it won’t make a difference unless the production line can keep up. Infrastructure renovation is a top priority.

Ramón gives a tangible example to illustrate the challenge. In the winter months, the company’s production was 1,000 kilograms below its “ceiling.” Potential clients showed interest in contracting Hornos de Lamastelle, but the enterprise couldn’t offer a sale that could be maintained past the winter season. “All of our current clients make bigger purchases in the summer months, and our machinery must be able to handle that,” explains Ramón. “We knew that our capacity was already full for the coming summer.” The company was stuck. Knowing that they would be forced to discontinue any new clients in a matter of months, Hornos de Lamastelle was forced to turn away new business opportunities.

Major installations of new machinery throughout the course of 2012 will resolve the current physical limitations. The addition of a new freezing tunnel and automated production line will nearly double the factory’s daily output for both processes.

With these new installations, the factory will not require any further expansion for at least half a decade – a big change for a company that doesn’t normally go four months without implementing something new. When construction is complete, the company will return to the amplification of sales through its newly diversified channels.

Internationalization

Until now, more than 95% of Hornos de Lamastelle's sales have occurred within Spain. Over the past two years, the company has made its first ventures into international sales – first with supermarkets in Portugal, and later with two distributors in France. Now the company is making a true commitment to internationalizing its brand. **By 2013, Hornos de Lamastelle aims for 8% of all sales to happen abroad.**

One of the strategy's key elements is a new client partnership in Japan, with sales beginning at the end of 2012. "Expanding to Japan will be a very important step forward," says Ramón. "After learning that the Japanese market has a very high consumption of products similar to ours, we are very optimistic about these partnerships."

Hornos de Lamastelle uses two major questions to drive the market analysis that will determine whether it is wise to enter a particular country.

Transport. Is it easy to transport the product? Is there a real possibility for the product to consistently arrive within the time allotted for its shelf life?

• *Japan's case:* Maritime transport is logistically straightforward and, because of a competitive shipping market, the price of transportation is very realistic.

Price. Is it profitable? Are people interested in the product? What is the price of similar products in the country's market?

• *Japan's case:* The market price for comparable products in Japan is considerably higher than Spain's. "Even when considering shipping and logistics, the margin of selling a kilogram of empanadas in Japan versus Spain is worth it," says Ramón. Export to Japan would still be profitable.

Preparing to Scale: Building Customer Loyalty

Hornos de Lamastelle's biggest advantage over competitors is product quality. With top-shelf gourmet ingredients and traditional methods, they prioritize product superiority over everything else. In comparison, many competitors have lost the value of artisanal craftsmanship in the search for competitive pricing and mass production.

In 2011, 78% of the company's sales came from national retailers, which sell Hornos de Lamastelle empanadas with a blank or generic label. Although this is a core source of stability and profitability at Hornos de Lamastelle, the sales channel also restricts the company's ability to grow a strong brand. In addition, lower sales margins and dependence on few clients present another challenge. For this reason, Hornos de Lamastelle is pushing generic-label sales down from 78% in 2011 to 50% by 2015 and, at the same time, pushing Hornos de Lamastelle-branded items up to 50% from 22%.

"A customer that habitually buys his supermarket's brand-name empanada will probably never know that it came from Hornos de Lamastelle," explains Ramón. "For the last five years, for all people knew, the retailers themselves have been making their empanadas. That's a big problem for us."

These key relationships with wholesale retailers breathe life – not to mention almost 80% of sales – into Hornos de Lamastelle, but the company must create new channels that can push its brand out into the world. "We need to grow a loyal client base that recognizes our name." Ramón notes that the financial opportunity that big clients offer can be promising, which makes it "easy to lose sight of your place in the big picture."

How do you help consumers connect "Hornos de Lamastelle" to the product they love? The company is tackling the challenge in two main ways. First, it is expanding into sales channels that knock down some of the "dividers" between Hornos de Lamastelle and the final client. Second, it is reconstructing a brand that conveys the quality, flavor, and social good that Hornos de Lamastelle stands for. "We need to improve our presence, not our product," says Ramón. The time has come to make a new "face" for the company – and to make sure that the client sees it.

Removing "Dividers" between the business and the client

The company has several proactive strategies to reduce middlemen in its supply chain, described below and illustrated in Figure 8.4.

National Sales

Hornos de Lamastelle is working with large supermarket chains to develop a more proactive way to sell its product. With a Hornos de Lamastelle "corner" at points of purchase, the company seeks to satisfy the market interest in ready-baked empanadas. The enterprise is currently designing a pilot program, using a new format [Figure 8.3] to sell tartas de Santiago at supermarkets in Galicia.

Figure 8.3. Selling at Points of Purchase.



Direct Sales: Straight to the Customer

The company took another step toward stirring client loyalty in February 2011. With the objective of creating a direct sales channel, Hornos de Lamastelle launched a small restaurant in A Coruña. In a few short months, the café was already responsible for 5% of total sales and had created 11 more jobs.

If the pilot café is a success, the company plans to continue with five or six more restaurants in the next two years. However, the company may need to find a different strategy for direct sales. "From what we have observed so far, the market isn't absorbing the project," says Ramón. "We are still studying the results, and we'll act based on what we learn."

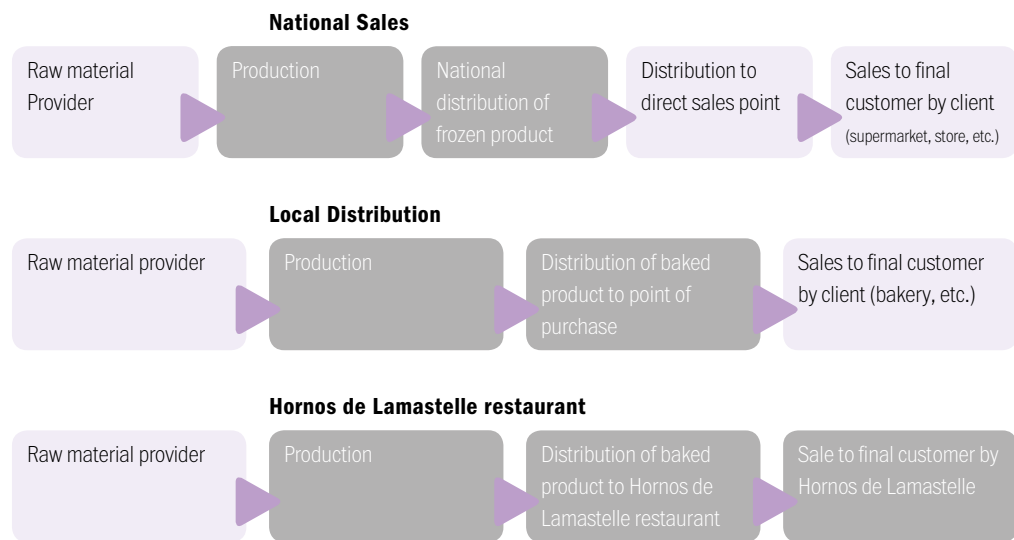
Local Distribution: One Step Further

Hornos de Lamastelle is aiming to regain a few steps of its value chain. “The more that we are in control of our distribution and delivery to the final client, the more we can build our own brand,” says Ramón. Local distribution was the company’s first attempt to recover operations formerly done by a third party.

In 2009, Hornos de Lamastelle created a new sales channel to help position the Hornos de Lamastelle brand in Galicia. Starting in the provinces of A Coruña and Lugo, the company expanded its product portfolio and started selling freshly baked products to local restaurants, hotels, bakeries, and bars. Hornos de Lamastelle trucks now voyage into towns each morning, delivering fresh empanadas and desserts to hundreds of venues.

The new line has proven to be quite successful. Between its inception in 2009 and the end of 2010, local distribution jumped from 12% to 17% of total sales.

Figure 8.4. Value Chains of different Company Activities.



*Grey signifies an activity that Hornos Lamastelle directly controls.

Reconstructing a Brand

A major rebranding process has begun, with the company name playing a central role the new image [Figure 8.5]. The rebrand design took several months, but Hornos de Lamastelle is not in a hurry. “If you do it right, you only have to renew your brand once every 15 years,” says Ramón. “We want to do it right.”

Figure 8.5. Old (1993) and New (2012) Branding.



**Spotlight On:
The Innovative Enterprise**

Innovation is one of the enterprise’s strategic pillars for growth in the upcoming years. In particular, there are three areas in which innovation is most salient at Hornos de Lamastelle:

- 1. Machinery for disability.** Hornos de Lamastelle must be capable of adapting all installations to fit its workforce. “We don’t ever demand that our people adapt to a machine,” explains Ramón. “First, we have people, and *then* we design machines – ones that can make quality empanadas while accommodating their needs.”
- 2. Research and development.** For the pre-cooked meal industry, there is always more knowledge being produced about conserving and selling products at room temperature. “This will be a very important achievement to focus on,” says Ramón.
- 3. New product development.** “We are constantly testing as many as eight products, mixes, or variations every year at Hornos de Lamastelle,” says Ramón. It’s crucial to know what, why, and how people are consuming the product, which is why testing like this has happened for years at Hornos de Lamastelle.

Crossing the finish line

Hornos de Lamastelle has an in-house laboratory as well as partnerships with two more labs in the area. Focusing mainly on extending the products’ shelf life, the company discovered a major problem with its innovation process. “We made huge advances in developing the empanadas’ refrigeration, but we couldn’t keep up with the machinery and packaging we were developing,” says Ramón. “Economically, we couldn’t implement the huge leap that our research made, and we were stuck in the middle.”

The process has taught Hornos de Lamastelle an important lesson about innovation: You must be sure you are capable of finishing a race before you start it. “Now, we analyze projects from the beginning,” Ramón insists. “We make certain that we have the capacity, budget, and human resources to bring us across the finish line.”

Fostering a culture of innovation

Hornos de Lamastelle aims to create a company culture that encourages the sharing of ideas. But resources – like the in-house testing lab or the two other laboratories that collaborate with Hornos de Lamastelle – are not enough to truly create an internal atmosphere of innovation. **How do you do that?**

A workforce that is energized by internal changes and improvements is a good indicator that a company has begun to truly imbed innovation. “It’s the mentality that makes the enterprise,” says Ramón. “Innovation is a change of perspective. Here, modification is perceived as something positive, not as something mandatory.” That’s the ticket.

An open-minded company culture is not part of Hornos de Lamastelle’s history. “When we started pioneering new projects, we got a lot of resistance from the employees. They had a certain way of doing things, and they were used to it. It’s even harder for them to adjust to changes, and that was a very limiting rigidity.”

Building the culture was a slow process. “The first two years were the hardest, because people still didn’t understand why we were making the changes,” Ramón explains. “But they began to see their work being affected in a positive way. One by one, the reactions started to change.”

From that point, everything has been different. “When we have an idea, there is already a 99% chance that it’s going to work,” says Ramón. “Not because of the idea, but because of the workers. They will jump in, and they’ll make sure it’s a success.”

Reflections & Financial Figures

What Success Looks Like

Every morning, a company van collects Hornos de Lamastelle employees at several bus stops, taking them the final few kilometers to the factory. As the sun comes up, dozens of workers step off the bus on the outskirts of A Coruña. The workday has begun.

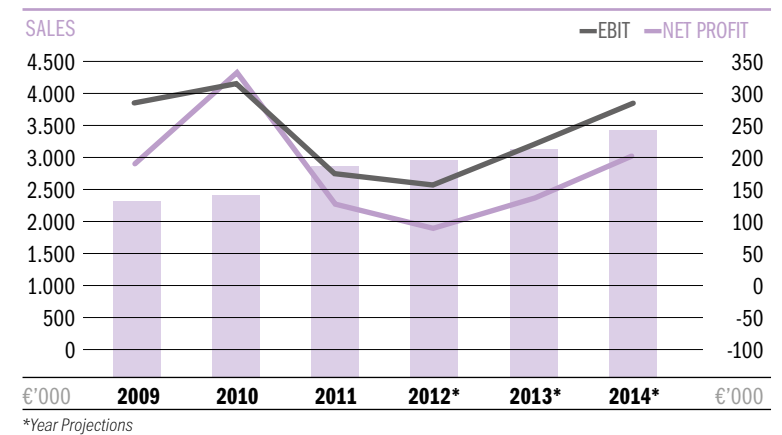
Ramón remembers his first few weeks of work at Hornos de Lamastelle, when he would arrive at the factory’s parking lot and await the bus’s arrival. The giant lot sat nearly empty in the dark morning hours when Ramón arrived,

and he parked his car in the sparse company of four others – two company cars, and two that belonged to other administrators.

That all changed two years ago, when a business meeting required Ramón to arrive at the end of the day. “I pulled up to our giant parking lot, and there wasn’t a single space to park,” he remembers. “All of a sudden, I realized: all this time that our company had been growing, the employees had been, as well. They had the economic independence and the personal autonomy to drive to work – something that *nobody* was doing when I came to Hornos de Lamastelle.”

“Their efforts are what allowed us to grow as a company, but that same effort allowed them to grow on a personal level.” At Hornos de Lamastelle, you can’t have one without the other.

Summary of Financial Figures, 2009-2014*



Gran Vallès

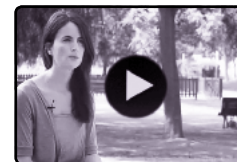
MISSION: To meet the care needs of dependent people and give employment support to a group at risk of social exclusion.

VISION: To become the leading elder care services company in the Vallès Occidental and Vallès Oriental regions of Catalonia by 2017.

The Challenge

By 2026, over 20% of the Spanish population will be aged 65 years or older.¹² By 2050, that number is expected to rise past 35%. [Figure 9.1]¹³ Of these people, just over one third will require assisted services.¹⁴ When more people are living longer than ever before, what are the implications for the way we will care for the elderly?

The developed world's prolonged life expectancy is paired with a shrinking working-age population. The result is a major challenge in elder care: Spain's public health system is suffering a break in the balance between an aging generation that needs care and those who are able to provide it.



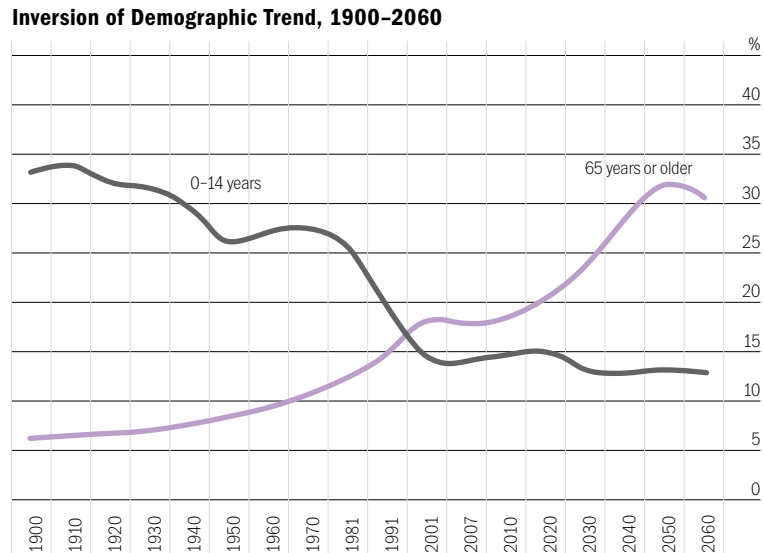
Given the social, labor, and economic factors that have changed modern family structures, the tradition of grown children caring for their aging parents is increasingly demanding. As life expectancy climbs, elder care requires more resources than ever before. The hours of work grow incompatible with jobs, apartments are too small, and willpower alone can't ease the difficulties faced by elderly loved ones. Families, in a sense, become the patient – and quality of life is at stake.

On the other hand, alternatives to family-provided care, like nursing homes, are often impersonal and expensive. When an estimated 90% of elderly people want to live at home, what can today's families do?

¹² Spanish National Statistics Institute (INE)

¹³ Ministry of Health, 2007, OMS 1998

¹⁴ Pompeu Fabra University

Figure 9.1. Growing Aging Gap in Spain.

Data for 1900–2007 are real; data for 2010–2060 are projected.
 Source: 1900–2007: Spanish National Institute for Statistics (INE). INEbase: Population figures. Provincial population summaries by sex and age from 1900 to 2001. 2007: Spanish National Institute for Statistics (INE). INEbase: Review of municipal registry offices, 7th January 2007.
 2010–2060: Spanish National Institute for Statistics (INE). INEbase: Population projections activated on the basis of the 2001 Population Census. Scenario 1.

Gran Vallès's Story

Who is Gran Vallès Asistencial?

Gran Vallès Asistencial is a new approach to geriatric care, providing personally selected homecare for elderly clients. Gran Vallès equips women with the training and skills necessary to care for elderly people, and then handpicks a caretaker to be matched with families that need them. Responding to the 90% of elderly people who prefer to be cared for at home, Gran Vallès is providing an alternative model of elder care that is financially possible for the average modern family.

The Backstory

Gran Vallès's story begins with an undergraduate business student at the end of her schooling at ESADE. Challenged in a final project to construct a business plan for a hypothetical company, Marta Bassons had no idea she was about to dive into her future career. Marta chose to construct a geriatric residence. "I have

no idea why I chose the elder care sector," Marta says with a puzzled smile. "My whole family comes from the textile and fashion industry, but there was something interesting about the field to me."

Marta, a young woman in her early 20s, was astonished by the kind of investment that it would take to turn her project into a real business – from the building to the personnel to equipment, the budget hovered around €1 million. As she gained a genuine interest in the field, Marta started looking for other ways to turn her project into reality.

"I saw that the growing demand for elder care was very real," says Marta. "I wanted to start a business where families could hire quality caretakers so that elderly people could stay at home – where they wanted to be."

So Marta, armed and ready for a job with a local bank, decided to take an alternative route. "It would have been a lot easier to do what most people with my degree do, but I wanted something else," she remembers. "I wanted to launch a social enterprise."

Gran Vallès had a humble beginning. Its first office was an empty study at her father's business. From that small room, Marta contracted Gran Vallès's first client in 2006: her grandmother. Then, a second: her other grandmother. Although she looks back in calm reflection, Gran Vallès's first few years were marked with painful challenges. With every client that Gran Vallès lost, Marta was always unsure whether a steady clientele was on the horizon. Anxiety was physically noticeable in the young entrepreneur. "I lost five kilograms in our first year," she recalls. "It was a difficult year, but I kept pushing." And the pushing paid off. In 2007, the small company jumped to almost 100 clients, and doubled to over 200 in 2008. By its fourth year, Gran Vallès was an established business with a reputable name and sustained growth.

Marta uses her story to urge fellow entrepreneurs to start slow. "I see so many people who want to hit the ground running with huge projects and investments," she says. "I say, start with what you're capable of *now*. Biting off more than you can chew just isn't sustainable in the long run."

How it Works

Located in the Vallès Occidental region of Catalonia, Gran Vallès specializes in training adults to become qualified caretakers for the elderly. The company transforms many women at risk of social exclusion into highly committed caretakers, and then pairs them with families in need of home assistance. After Gran Vallès makes the initial match, the family signs a contract directly with the caretaker. For a monthly fee, Gran Vallès provides continued training for caretakers, monitors the quality of service provided, and manages administrative procedures – including a guarantee of last-minute replacements in the event that a caretaker is suddenly unable to work.

Gran Vallès distinguishes itself through its quality guarantee and its specialized training [Figure 9.2]. A handpicked matchmaking process takes each caretaker's experience into account, while addressing her professional needs with appropriate training. Gran Vallès does not try to compete with public services for the elderly. Rather, it complements them by operating where public entities cannot reach. Usually, customers hear about Gran Vallès through social entities or outpatient services at primary healthcare centers in the area.

The company leverages its large network of caretakers to open-source client families' last-minute needs. This guarantees last-minute replacements, gives families the ability to hire a caretaker on an hour's notice, and satisfies the demand for both caretakers and work opportunities.

Figure 9.2. A Unique Business Model.

| | Informal Market | Nursing Home | Industry Leader | Gran Vallès |
|---------------------|-----------------|---|------------------------|-----------------|
| Location | Home | Residence | Home | Home |
| Caretaker profile | Immigrant women | Educated professionals | Educated professionals | Immigrant women |
| Client profile | All society | Upper classes (few public nursing homes) | Upper classes | Middle classes |
| Training provided? | No | Yes | Yes | Yes |
| Quality guaranteed? | No | Yes | Yes | Yes |
| Legal economy? | No | Yes | Yes | Yes |

Social Impact

In the past three years, the project has provided support, guidance and information to 1,036 families caring for a dependent elderly person. Of those families, over 700 have hired a caretaker with Gran Vallès. More than 400 people have found full-time or part-time work, many of which come from job insertion programs from the Red Cross or other organizations.

Gran Vallès's main business is to satisfy the growing demand for quality elder care in Spain. Through its services, Gran Vallès seeks to support the modern needs of Spanish households – needs that require a new way of doing business.

But that's only one side of the equation. Charged with the responsibility of caring for these families are the caretakers, many of whom are at risk of social exclusion. Over 90% of Gran Vallès caretakers are immigrants, a constituency that is greatly suffering from the unemployment crisis. With a low level of formal education and limited networks to find employment, over 1,400 of these women have found job training and support at Gran Vallès – 400 of whom were later employed by Catalan families.

Gran Vallès is also confronting an externality that has increased during the economic crisis: the informal economy. Alarming unemployment rates also imply less income tax revenue for the government, which in turn means unprecedented budget cuts for necessary public services. By formalizing a homecare process that was historically “off the books,” Gran Vallès is integrating hundreds of jobs into the formal tax system. Caretakers benefit from the protection of a formal contract and free legal advice on their rights under labor law. Everybody wins: families have guaranteed great care, caretakers' rights are legally protected, society benefits from much-needed tax money and Gran Vallès receives benefits from selection and maintenance fees.

Gran Vallès is also aware of the personal impact on the families it serves. “We create a link that goes much deeper than a job,” says Marta. “We see caretakers who bring their own children to visit their former employers. One woman left a caretaker the entire apartment after her mother passed away. The bond you can create through homecare crafts some beautiful situations,” she reflects.

Social Impact: The Challenge of Measurement

Unlike some of the peer enterprises in Momentum like DAU or Teixidors, Gran Vallès is not a SEC, meaning that its personnel does not have the same strict requirements to primarily employ disabled adults. However, Gran Vallès's main employee target is older immigrant women, a population which is at risk of social exclusion. How does a company draw the line between a regular enterprise that creates jobs and a social business? There is no easy answer.

“Social impact measurement is a challenge because ‘risk of social exclusion’ is quite subjective,” says Marta. “I am not capable of saying what does and does not make up its definition, but that's what makes it difficult to measure.”

“Most people who leave their resume with us are at risk of exclusion. The problem is that you can categorize them in so many ways. Do we just focus on immigrants? Do we address those who were unemployed before they found us? Do we look at the parallel impact that this job has on caretakers' children and families?” These are the real and often elusive questions that every social entrepreneur will encounter. The definition of social impact is not black and white; on the contrary, many differing opinions make this field particularly confusing and very daunting to quantify. In the specific context of Gran Vallès, what indicators could be used? Hours of training provided to the caretakers? Average wages? The affordability of the service for the average family?

Scaling Up

Gran Vallès has grown from a young business student's thesis project to a six-year-old company with an established reputation in the entire Vallès Occidental region of Catalonia [Figure 9.3]. Its next step is to spread its reputation throughout the rest of Vallès Occidental and into Vallès Oriental, becoming the top home-based elder care company in the entire region just north of Barcelona. By 2016, Gran Vallès aims to double its number of caretakers to 409, to be hired by just under 500 clients and to reach nearly €500,000 in sales [Figure 9.4]. “This is the time for us to position ourselves as a brand – as a real company,” says Marta.

Branding Challenges

One clear strength of the present-day Gran Vallès is its strong brand in its current operating area. However, the company's name is tied to this small geographic region. If the company wants to continue to expand, could its name be a source of future limitation?

The small family business's transition into a medium-sized enterprise is a major milestone. “We have sustained our growth to this point, but the way we've grown is unsustainable for the future,” explains Marta. The pace of recruitment for quality caretakers is no longer sufficient for Gran Vallès's rapidly expanding client base, posing the risk of denying or delaying service to potential clients. In order to retain its signature guarantee of top quality and training, Gran Vallès will be expanding its existing infrastructure, bolstering its human resources, and launching into its second chapter as the region's leading enterprise in the sector.

“This transition is the biggest challenge we’ve had so far,” explains Marta. “Now that we’re growing beyond our local market, we have to change the way we’re thinking.” What Marta describes as “global thinking” suggests a strategy shift – and lots of decisions. *How many people should we hire? Where shall we open our next office? Who should we partner with? What business structure do we use?* These are the kind of questions that fill the gap between a small company and a regional leader in geriatric care.

Figure 9.3. The First Years of Gran Vallès.

| Year | Number of Clients Served | Average Annual Cost/Client | Average Monthly of Cost/Client | Average Number Caretakers per Client | Average Number of Months/Service |
|------|--------------------------|----------------------------|--------------------------------|--------------------------------------|----------------------------------|
| 2007 | 95 | €391 | €32.61 | 1.737 | 2.17 |
| 2008 | 211 | €426 | €35.48 | 2.147 | 4.04 |
| 2009 | 233 | €693 | €57.74 | 2.133 | 4.97 |
| 2010 | 251 | €727 | €60.57 | 2.339 | 4.99 |

Figure 9.4. Goals for the Future.

| Year | Number of Clients Served | Number of Caretakers Hired |
|------|--------------------------|----------------------------|
| 2012 | 290 | 244 |
| 2013 | 334 | 281 |
| 2014 | 388 | 327 |
| 2015 | 446 | 375 |
| 2016 | 486 | 409 |

Human Resources

One of the company’s most pressing concerns is to align its human resources plan with the growing demand for Gran Vallès’s services. With the addition of a third full-time team member, the plan is already in motion. Concurrent with the opening of a second office in the region, the new human resources plan will allow for gradually broadening sales channels to coincide with a gradually growing staff. The staff in each office will focus on different cities in the Vallès region. [Figure 1.5]

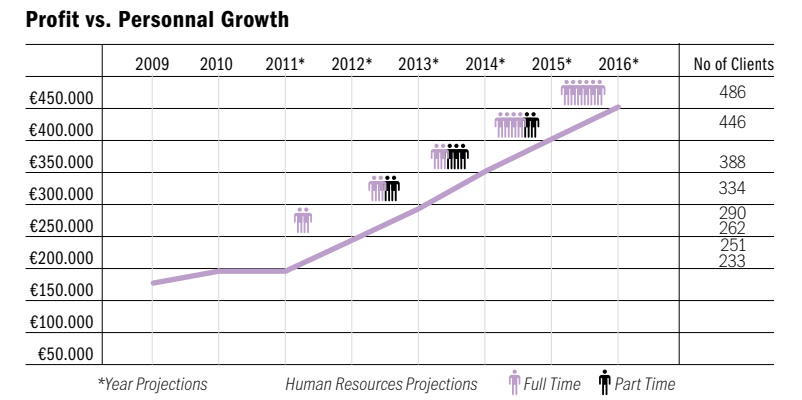
“We have been very conscious of the fact that a business can crash from its own success,” says Marta. She explains further: “If clients keep coming, we must have the capacity to give them the excellent service they’re expecting. If we aren’t prepared for big growth, we would be silly to pursue it.”

This is a reasonable fear for Marta. Although customer service is inarguably important in any sector, Gran Vallès is especially concerned about this aspect. In the geriatric field, referrals are the biggest source of new clients. “If your mother needs a caretaker, you’re not going to trust a marketing campaign or a commercial on TV. You are going to ask your doctor, your neighbor, or your cousin,” explains Marta.

Quality service leads to referrals, and referrals lead to growth. However, the lean Gran Vallès administration is now in charge of a growing pond of clients. In her afternoon interview, Marta gives a real-life example: “I just got to the office from a meeting,” she explains. “Four people have called this morning to inquire about services, and I still have to call them all. If someone was referred to us – but it takes a half day to contact the family, the client could lose interest,” she explains.

Lean staff sizes are a common challenge for social enterprises, and entrepreneurs have to make difficult human resources decisions. In Gran Vallès’s case, is a costly increase in human resources worth the investment? Or will the company’s referrals suffer a dive without it? Gran Vallès has recognized human resources as truly key to the company’s future growth – a worthy investment from their outlook.

Figure 9.5. Human Resources.



Formalization

The company will be strengthening its efficiency and quality by formalizing many of their protocols. As more clients start knocking on Gran Vallès’s door, the company can no longer afford to retain the habits of a small business. This aspect incorporates everything from implementing a new information management system, to banishing the “sticky note” message-taking and upgrading to a formal communication system. The company’s new information system will provide uniform client and caretaker data, as well as analytics to plan for the future. “It can be difficult to see the immediate value in the small steps we’re taking,” says Marta, “But they show the real evolution we’re going through.”

Preparing to Scale: Starting Small

The Street is the School

Gran Vallès’s start was anything but fancy. Marta found her first clients by perusing online “caretaker needed” ads, contacting families, and describing her company. Similarly, she placed her own ads for caretakers to hire. “Entrepreneurs have to understand that there’s nothing wrong with doing what works, even if it’s rudimentary. Knocking on doors is not below you,” says Marta. “If you wait for the perfect situation, you’ll never start!”

Little by little, the company started to take real form. Marta began making professional presentations to social work agencies, geriatric centers, and other partners. “I didn’t have a business plan when I started this,” says Marta. “The tools I learned in business school are important to ensure quality, but an entrepreneur must be careful not to get lost in the parameters. You can have 180 protocols or a million quality certificates and still not have a single client.”

Marta sums up six years of learning without batting an eye: “I have a responsibility to sell a service. If that means I have to go door to door, then I’ll do it,” she says. “Training and education will take you far, but at some point, you will have to learn from the real world, too. The street is the school.”

Cut Out what you Don’t Need

Because the elderly population is continuing to grow, geriatric care is an exploding field. In fact, the EU White Paper reports elder care to be one of the next big sources of employment. For Gran Vallès, this means that competition is constantly emerging: there are 241 elder care businesses in Catalonia alone, many of which are young and local like Gran Vallès.

With the constant pressure to distinguish oneself from the competition, what does a company like Gran Vallès do? As some competitors have invested in expensive, high-quality marketing campaigns, it has become tempting to join the race. However, Gran Vallès has identified more important channels of entry. “We don’t need our budget to be devoted to publicity at this stage,” says Marta. If referrals are the biggest client entry point, advertisement is not the wisest investment.

With a different understanding of the clientele, Marta has decided that reinforcing human relationships with potential recommenders is more important to Gran Vallès’s business strategy. “We need to focus on clients’ doctors and neighbors, not brochures or commercials. That’s how our sector works.”

Gran Vallès has found personal meetings with geriatric residences, hospitals, and social workers to be a better investment of time. “Many elderly people leave a hospital or residence but still need someone to assist them,” explains Marta. “We want to be the ones that those places are recommending. It is more important – and more cost-effective – to prioritize this channel over general advertisement.”

Spotlight On: Community Among Entrepreneurs

One of the most important networks for a social entrepreneur is the community among others in the field. Gran Vallès has found meaningful relationships – in the business and social sectors alike – that have helped steer the young company’s evolving journey.

Finding a Mentor

New to the geriatric services field, Marta sought a mentor that could teach her about the sector. She sought a short-term job with Barcelona Asistencial, whose business model is very similar to that of Gran Vallès. Its director, Pilar Zambrano, opened Barcelona Asistencial’s doors to Marta, teaching her everything from caretaker interviews to her daily work routine to pricing strategies. As Marta shadowed Pilar, something felt right. “I had done other internships before that one, but I could never see myself doing those jobs for the rest of my life,” says Marta. With Pilar’s job, she saw a future. “I could see myself doing her job, and after seeing what kind of person it took to start a business like this, I believed that I could do it.”

A Growing Ecosystem

As a young entrepreneur and recent business school graduate, Marta was excited to jump into the growing ecosystem of social enterprises in Spain. “The business training I received is traditionally considered a precursor to a career in accounting, finance, or management,” says Marta. “But the theme of social economy is getting more and more popular. People are realizing that there are other important values to business besides making money.”

“Before, philanthropy seemed like the only option for businesspeople that wanted to do good in the world. Now, there is an entire field that can help you unite the two fields,” reflects Marta. “I get to run my own business the way I want, but I’m making a social impact while I work. That’s how I know I can do the same thing for 30 years and never get tired of it.”

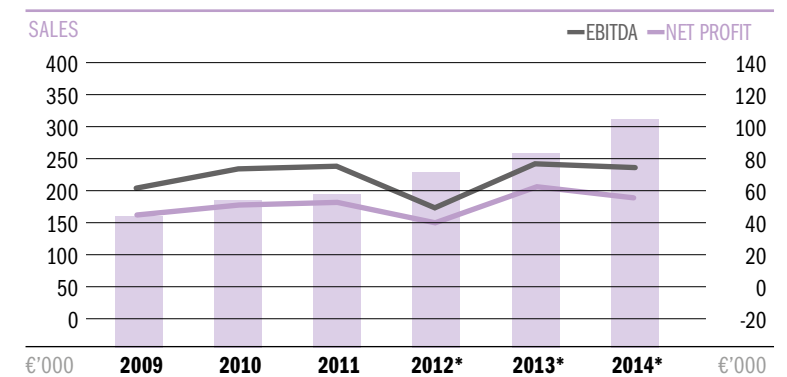
Reflections & Financial Figures

Faith Fuels the Journey

Like many entrepreneurs, Marta has arrived to a time of growth after a trying series of uncertainties, failures, and the occasional success. “Sometimes, you try something and it doesn’t work. But you learn as you go.” The difference between entrepreneurs and the rest of the world is the simple belief that things will eventually work. It’s this mindset that allows for the endurance, energy, and relentless attempts at success. “When I shadowed Pilar, I gained a good understanding of what it would take to do this,” explains Marta. “And I believed it could be me. Since then, nothing has surprised me.”

Such is the mantra of the social entrepreneur. Although there are many unanswered questions that lie ahead of Gran Vallès, the entrepreneur’s conviction will create enough energy for the problem solving, the tough questions, the nights of little sleep, and the milestones of celebration. The details of the story can only be told with time.

Summary of Financial Figures, 2009-2014*.



*Year Projections

10

Conclusion

Beyond the Black and White

I had just settled into the rhythm of my second interview with Chema Elvira, punctuating his updates about Roba Amiga with curious questions and reactions. We were about ten minutes in when he stopped, folded his hands, and began to laugh. “Brittany,” he said, “Every time I meet with you, you’re probably going to hear something contradictory to what I told you last time. But I guess that’s just the way we grow!” I joined in laughing with him, because we both knew it was true. And it’s true for all nine of these stories, and the thousands of social enterprises that aren’t in this book. Social enterprises are like living organisms: constantly moving and adapting, they don’t always act in predictable or explicable ways.

While it’s easy to envision social entrepreneurs agilely walking the line between economic and social impact, reality is much more complex than that. These enterprises don’t keep one foot neatly planted in the business and social worlds. They aren’t black and white boxes – nor do they coexist in a neat shade of grey. Social enterprises are constantly darting between the two realms, deciding *where* to reside: they may take daring plunges into one space, seek the opposite for respite, or try to switch and get lost on the way back.

In fact, the “black-white” dichotomies are exactly what we’d like to dispel.

Social Impact vs. Profit

Many would argue that the most predictable characteristic of the social entrepreneur is a balance between social impact and economic performance. While it's true that both elements are necessary to fit the profile of a social business, that doesn't mean that there is always a constant balance between the two worlds. Rather, the lifecycle of the social enterprise is spent seeking an equilibrium that often seems unattainable – and perhaps should be.

Social entrepreneurs' prioritisation of social impact and economic performance are constantly keeping the other in check. Difficult questions are posed in the process: Should Roba Amiga implement a more mechanised infrastructure to sort clothes, thereby boosting efficiency but sacrificing the need for more jobs? Should Gran Vallès orient its prices toward low-income families, or should it stay within the range of the competitive market? Carlos Sopeña illustrated this complexity when he described La Tavella's decision to close its failing organic food store: "Compassion is key, but being 'blinded' by the social mission can put the entire business in danger. We will always struggle with that tension."

Without a textbook answer, each social business confronts its own mix of decisions and priorities. The entrepreneurs who best handle this complexity manage two things: first, the company's culture has truly incorporated the social mission in its very core, assuring that mid-term and long-term goals are driven by the social purpose; and second, financial profitability remains the ultimate determinant for decisions that affect market activity.

Planning vs. Doing

To be entrepreneurial means to be unafraid of deep dives and head starts. Entrepreneurs – social and traditional alike – possess an insurmountable appetite for fast-moving action and quick decisions. They share Ana Bella's spirit, who started Catering Solidario from an unanticipated opportunity and a word-of-mouth service. They follow opportunities and figure out the details as they go.

However, if social impact is the ultimate objective, aren't there times when planning is necessary? Isn't there always a consultant or friend who is urging the business plan along? This end of the spectrum is occupied by projects like Moltacté, which implemented a long-term business plan before its inception, making modifications only after new market conditions prompted a change.

How do you give social entrepreneurs enough of a road map, while still allowing them to be the *doers* that they are? How do you devise a plan with the agility to facilitate quick decisions, while putting third parties – such as investors or suppliers – at ease? "It's a hard equilibrium," admits Ana Bella Estévez of Catering Solidario. "You have to deal with inevitable crises, but you can't get lost in putting out fires every day. You must never forget about the overall vision of the enterprise."

Heroes vs. Teamwork

The stories of social entrepreneurs often come complete with a captivating hint of heroism. And with good reason: these people build businesses from scratch and overcome unimaginable obstacles, all while making the world a better place. They have a vision, and they make it happen! But is the field of social entrepreneurship really teeming with heroes, or is it full of heroic teams?

This book suggests that both elements are present in successful social enterprises. Some projects have benefited from having a distinguished leader or spokesperson. Catering Solidario's Ana Bella Estévez has captivated thousands across the country through her emotionally charged speeches and personal conviction, Sostre Cívica's Raúl Robert was elected as an Ashoka Fellow for his pioneering vision for a better housing system, and Juan Ruiz of Teixidors has become a role model for sustainable social enterprise in Catalonia.

However, every entrepreneur in this book would attribute the project's success to a team. La Tavella was the shared dream of five people, born out of an existing organisation. DAU didn't become a landmark SEC until a cross-disciplinary team committed to professionalise the project. Other enterprises base a large part of their identity in larger networks: Hornos de Lamastelle thrives from its incorporation into Galega de Economía Social, and Roba Amiga was born from an alliance between five separate companies.

"Superstar" entrepreneurs help the growing social enterprise movement to be understandable and identifiable. However, any entrepreneur would argue that strong teams and shared leadership are essential for success.

The Social Entrepreneur as a Model

If you're scratching your head, wondering what makes "teamwork" or "planning" an exclusive topic to *social* entrepreneurship, you've got good reason. It's not.

At the end of the day, social entrepreneurs form a breed of the same species. They are still entrepreneurs, and the social enterprise's do-good mission isn't immune to the challenges of the business world. They still need to sell. They need to outperform their competition and keep the bottom line in black. From Kraft Foods to Hornos de Lamastelle, selling keeps the doors open – regardless of size, scale or social awareness.

However, a tiny alteration in the entrepreneur's DNA has given the social enterprise its own rebellious identity – an enchanting, refreshing alternative to "business as usual" in the 21st century. Beyond that hopeful promise, social entrepreneurs come up against specific challenges only to be found in the rocky waters between economic and social impact. Now, more than ever, it is important to understand the complexity of their stories.

As the social and business realms begin to bleed across their borders, the social entrepreneur has become an indispensable model for how to manoeuvre the evolving landscape. Understanding these cases creates a familiarity with the tensions and challenges unique to this breed of entrepreneur. The more experiences we share, the better we can mark the path to a society-centred economy.

But these case studies are more than an academic resource. Celebrating and sharing the stories of these entrepreneurs is just as important as analyzing them. In the last five years, Spanish social entrepreneurship has grown from a lonely ecosystem to an explosive platform that has gained the support of the public, private and citizen sectors. The field's exponential growth is a tell-tale sign that business is changing – and we've had the unique opportunity to witness the beginning. These pages hold the stories of pioneers. Now, it's time to use their stories to commemorate their triumphs, learn from their challenges and take part in the work that remains.

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