



RIGHTS TO GROW
information consultation
participation rights
help social enterprises grow

PARTICIPATION IS THE KEY: MAPPING THE GOVERNANCE OF SOCIAL ENTERPRISES ACROSS EUROPE – MODELS AND GOOD PRACTICES

Final content report



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SUMMARY OF RECOMMENDATIONS

- *Social enterprises should recognise the role trade unions can play in ensuring their employees' individual and collective welfare.*
 - *Trade unions should support the democratic practices typical of social enterprises, which act as role models for deeper and more inclusive social dialogue. The recognition of social enterprises in the Social Dialogue, already a reality in many Member States, should be given further value.*
 - *Social enterprises should consider establishing umbrella and consortium structures to enable growth to be combined with democratic governance.*
 - *Social enterprises should consider various ways to better involve users in their governance.*
 - *Government, finance, culture, business, civil society must come together to create a supportive ecosystem for social enterprises that is linked through structures such as federations and consortia, which build the capacity of social enterprises to drive their own development.*
 - *Local and national authorities should recognise the potential of social enterprises to meet societal needs, improve public service provision, and reduce poverty and exclusion, while stimulating entrepreneurship.*
 - *Sources of capital should be developed which are oriented to the long-term benefits of social enterprise success, and do not demand either immediate financial returns or control of the enterprise.*
 - *Legislators, associations and co-operatives should work together to ensure that voluntary organisations (NGOs) are able to engage in trading as they work towards this transition to economic sustainability.*
 - *Social enterprises should make more use of social impact measurement and reporting.*
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DESCRIPTION OF THE PROJECT

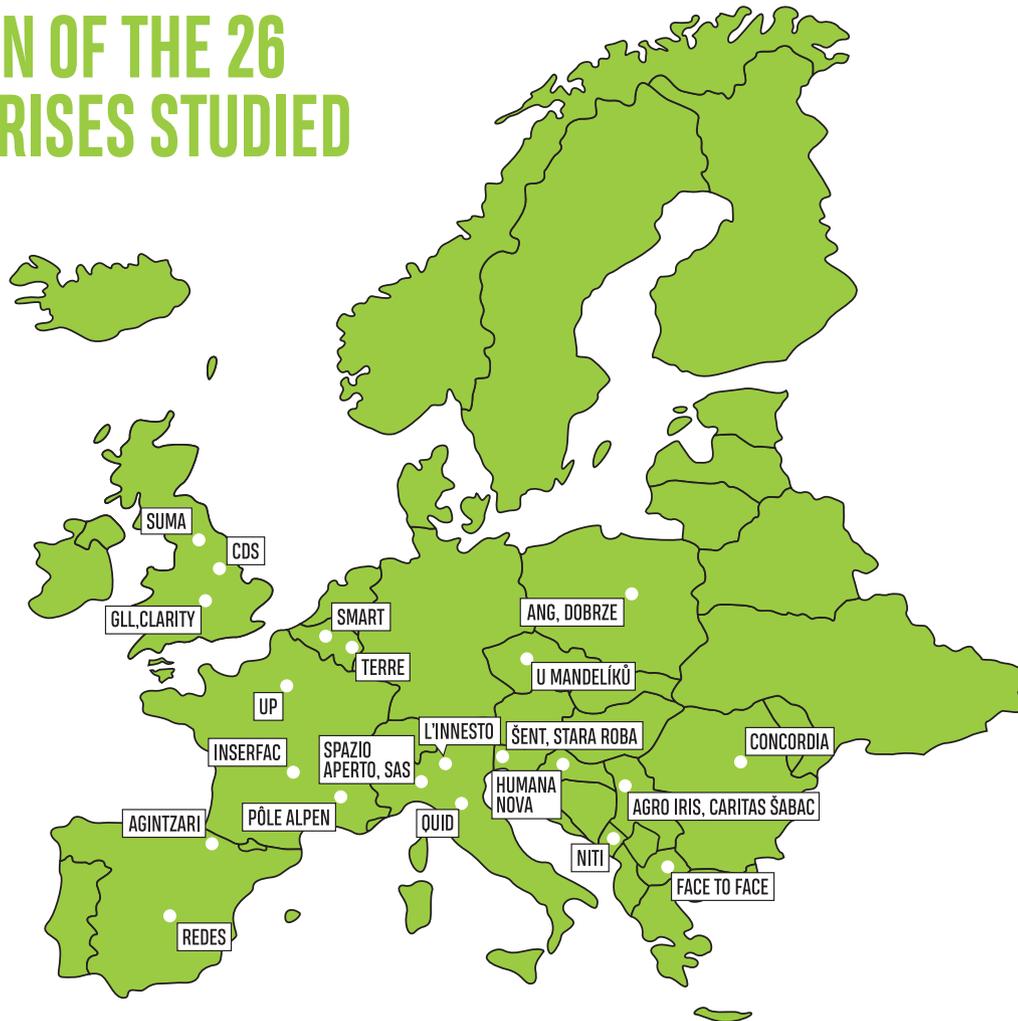
The Rights to Growth ('R2G') project ran between November 2017 and September 2019 and was carried out with the support of the European Commission by a partnership including European-level organisations (DIESIS, CECOP, ENSIE, ETUC and SEE) on both the workers' and employers' sides. A wide range of national organisations participated in the project either as partners (ACT Grupa, AVISE, CGM, COCETA, FISE, Legacoopsociali, RISE, SEUK) or were involved as members of European umbrella organisations. The project selected a sample of 26 social enterprises from 13 EU countries and examined their practices regarding governance and participation.

ENTERPRISES STUDIED

Agintzari (ES) | Agro Iris (RS) | ANG Spółdzielnia (PL) | Caritas Šabac (RS) | Clarity – Employment for Blind People (UK) | Community Dental Services CIC (UK) | Concordia (RO) | Kooperatywa Spożywcza Dobrze (PL) | Face to Face (MK) | GLL (Greenwich Leisure Ltd) (UK) | Humana Nova (HR) | Inerfac (FR) | L'Innesto (IT) | Niti (ME) | Pôle AlpEn (FR) | Prádelna U Mandelíků (CZ) | QUID (IT) | Redes SC (ES) | ŠENT (SI) | Smart Belgium (BE) | Spazio Aperto (IT) | Spazio Aperto Servizi – SAS (IT) | Stara Roba, nova raba (SI) | Suma (UK) | Groupe Terre (BE) | Groupe Up (FR)



LOCATION OF THE 26 ENTERPRISES STUDIED



Descriptive profiles were prepared by national experts, and used both to fuel the research and as the basis for A4 promotional sheets and A2 posters. Video interviews were produced featuring 9 of the enterprises.

The project held two public dissemination events:

- Participation practices in social enterprises delivering services in Brussels on 26 June 2019
- Social impact economy – governance models and paths for development in Europe and the Western Balkans in Budva, Montenegro on 16-17 September 2019

THEORETICAL FRAMEWORK

Worker participation is widely recognised as a good thing. To quote from the abstract of Eurofound's 2016 report Employee involvement and participation at work: Recent research and policy developments revisited:

Employee participation is widely believed to be a major factor affecting employees' welfare, as well as enhancing their opportunities for self-development, work satisfaction and well-being. Moreover, in the context of the current social and economic development in Europe and considering the complex framework of global competitiveness faced by European companies, employee involvement is beginning to be seen as a factor in the efficiency and success of the enterprises where they work.



Additionally, employee participation is a basic ingredient of workplace innovation, allowing companies to profit fully from workers' capabilities and their knowledge of production processes.¹

The report distinguishes two aspects of employee involvement, which refers to “opportunities for employees to take part in decisions that affect their work, either in their immediate job (task discretion) or in relation to wider company issues (organisational participation)”.

It also distinguishes between indirect employee participation, that is “the involvement of employee representatives (such as local trade unions or works councils) in decision-making processes” and direct employee participation, that is “direct interaction between employers and employees”.

¹ <https://www.eurofound.europa.eu/publications/report/2016/eu-member-states/employee-involvement-and-participation-at-work-recent-research-and-policy-developments-revisited>

2.1 GOVERNANCE PRINCIPLES

Social economy enterprises are by their nature participatory, since they have democratic constitutions which give each member equal voting power. They thus treat participation not merely as a matter of effective management, but elevate it to the level of corporate governance. They not only recognise the practical desirability and benefits of participation, but structure the whole enterprise around it.

In the bulk of social enterprises, workers are the key participating stakeholders, although the enterprises may also institutionalise participation by other stakeholders, notably users/beneficiaries. Workers thus play the role of employee and employer at the same time. Such enterprises practice not only direct and indirect participation, but direct and indirect democracy. These typically apply both to task

discretion and to organisational participation. Thus, governance and participation are at the heart of the social economy and social enterprises. Participation may be said to be the 'unique selling proposition' of the social economy: it is an expression of the principle of mutuality, that members both contribute to a common economic project, and benefit from it, in a fair way. Participation means playing an active role in creating something. It means more than performing a task or obeying orders, it means contributing energy, ideas, innovation – and it means sharing in the results.

The main legal forms taken by by the social enterprises studied by the project are co-operatives and associations, and both of these explicitly incorporate participation in their principles.

2.1.1 Co-operatives

Co-operatives operate according to the seven Co-operative Principles, which are updated and agreed periodically by the International Co-operative Alliance.²

1. **Voluntary and open membership:** open to all persons able to use their services and willing to accept the responsibilities.
2. **Democratic member control:** members participate actively in decisions.
3. **Member economic participation:** members contribute equitably to capital, and democratically control it; surpluses are allocated to development and dividend.
4. **Autonomy and independence:** from e.g. government and financial investors.
5. **Education, training, and information:** so that members, elected representatives, managers and employees can contribute to its development.
6. **Cooperation among cooperatives:** in order to strengthen the cooperative movement.
7. **Concern for community:** to further sustainable development of their communities.

Different aspects of participation are referred to in principles 1, 2, 3 and 5. These respectively mention:

- acceptance of responsibility
- participation in decision-making
- right to a dividend on each member's trade with the co-operative
- contribution to the development of the co-operative

2.1.2 Associations

Although associations do not benefit from such a coherent global set of principles, they do follow the first two of the co-operative principles, those of open and voluntary membership and democratic decision-making (one member one vote).³ These principles have been incorporated into the draft statute for a European Association.⁴

² <https://www.ica.coop/en/cooperatives/cooperative-identity>

³ https://ec.europa.eu/growth/sectors/social-economy/associations-foundations_en

⁴ <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=OJ:C:1993:236:FULL&from=EN>

2.2 IMPACTS OF PARTICIPATION

Social enterprises exist to satisfy social needs. They must thus seek ways to take into account the contributions from and benefits to people who are not formally 'members' of the organisation, and to create benefit for society in general. The value of participation to social enterprises is that it is the channel through which stakeholders can communicate the needs which they wish to be satisfied, and then organise among themselves to serve meet these needs. For instance the workers in a social enterprise may wish to have secure jobs, satisfying work, congenial colleagues, and/or flexibility to reconcile their working and family lives. Similarly the members of a consumer co-operative may wish their enterprise to provide high-quality and affordably-priced goods, to respect certain ethical standards (e.g. organic food, or avoiding goods from oppressive regimes), and/or to operate in disadvantaged communities. The users of a co-operative providing social services may wish above all for reliable care provided by a stable workforce.

Research shows that worker participation in enterprises overall – so-called 'high involvement organisations', is correlated with higher job security, lower pay and status differentials, more training (formal and on-the-job), more autonomy, group cohesiveness, formal grievance and conflict resolution procedures, and finally higher productivity. There is some research evidence that worker participation improves the economic performance of worker co-operatives.⁵ However much research on this topic is inconclusive.

The project examined four aspects of governance and participation in social enterprises: the stakeholders who are involved, how deeply they are involved, the tools and methods used to encourage participation, and clusters of governance models.

⁵ https://emes.net/content/uploads/publications/2455/ESCP-5EMES-39_Effects_workers_participation_governance_cooperatives_Dethier-Defourny.pdf

2.3 STAKEHOLDER ANALYSIS

Which people are affected by the operations of the enterprise, and how?

The term 'stakeholders' is defined as "People who are affected by the actions of an organisation or a policy, i.e. stand to benefit or suffer because of what it does". Stakeholders may be divided in to three categories:⁶

- **Primary stakeholders:** Those ultimately affected, in this case firstly the workers and the users/clients/beneficiaries, suppliers and customers, and people living where the enterprises are active.
- **Secondary stakeholders:** Intermediaries acting on behalf of primary stakeholders, such as trade unions on behalf of workers, NGOs on behalf of service users, local authorities on behalf of local communities, experts and the media.
- **Decision-makers:** Politicians and their advisers in social, environmental and enterprise policy, at European, national, regional and local levels.

The project focused primarily on:

- Primary stakeholders: workers/employees, volunteers, users/beneficiaries/customers, local community residents, suppliers and financial investors.
- Secondary stakeholders: trade unions, NGOs, local authorities.

⁶ Adapted from INBAS and Engender (2010) *Influencing Social Policy* http://www.engender.eu/wp-content/uploads/2018/01/study-stakeholder-leaflet_en.pdf

2.4 SPECTRUM OF PARTICIPATION

How deeply are the various stakeholders involved in the operation of the enterprise? The project looked at this through the lens of the 'spectrum of participation'⁷ devised by the International Associate for Public Participation (IAP2). This defines five degrees of participation, as follows:

SPECTRUM OF PARTICIPATION

Information	<i>one-way dissemination of information to stakeholders on a specific issue</i>
Consultation	<i>informing and getting feedback from stakeholders, a two-way information channel</i>
Involvement	<i>gathering stakeholders' views and ensuring that their concerns and views are understood and considered</i>
Collaboration	<i>working with stakeholders as partners throughout a process, including in analyses, development and decision-making</i>
Empowerment	<i>placing final decision-making in the hands of stakeholders</i>

⁷ https://cdn.ymaws.com/www.iap2.org/resource/resmgr/pillars/Spectrum_8.5x11_Print.pdf



These five degrees of participation are articulated in greater detail in the following table:

THE SPECTRUM OF STAKEHOLDER DIALOGUE AND INVOLVEMENT (IAP2)

INFORM	CONSULT	INVOLVE	COLLABORATE	EMPOWER
Purpose				
<i>To provide stakeholders with balanced and objective information to assist them in understanding the issues, opportunities and solutions.</i>	<i>To obtain feedback from stakeholders on the findings of analyses, options and/or decisions</i>	<i>To work directly with stakeholders throughout the process to ensure that their concerns and views are consistently understood and considered.</i>	<i>To collaborate with stakeholders as partners throughout the process, including in the analyses and development of solutions and in making decisions.</i>	<i>To place final decision-making in the hands of stakeholders.</i>
Promise to stakeholders				
<i>We will keep you informed (but we will not find out your views or take these into account in any decisions).</i>	<i>We will keep you informed, will listen to your views and will provide feedback when the decisions are made (but we do not guarantee that your views will influence the decision).</i>	<i>We will work with you to ensure that your concerns and views are directly reflected in the analyses and in the solutions developed, and we will provide feedback on how your inputs influenced the final decision.</i>	<i>We will give an important place to your views and experiences during the process, and will seek your suggestions and advice on solutions. We will take your views into account in the final decision, to the maximum extent possible.</i>	<i>We will support you in reaching a consensus and will implement what you decide</i>
Examples of tools				
<i>Newsletters Websites Information days</i>	<i>Focus groups Surveys Stakeholder meetings</i>	<i>Workshops Deliberative polling</i>	<i>Stakeholder advisory committees Consensus-building Participatory decision-making</i>	<i>Stakeholder juries Ballots Delegated decisions</i>

2.5 GOVERNANCE MODELS

The project looked for common features among the sample of enterprises, and grouped them into three clusters, practising representational democracy, collective democracy and proto-democracy.

SURVEY RESULTS

The following summarises some statistics about the sample of 26 enterprises.⁸

Date of foundation: The oldest enterprise in the sample was founded in 1854 and the youngest in 2016. Four were founded between 1940 and 1980, and the rest since 1990, with a cluster of 6 enterprises founded in 2010 and 2011. The average age is 26 years. They are thus somewhat older than the average small firm (only 39% are less than 10 years old, as against 51% of small firms)

Origin: As regards how they came into being, a large majority (61%) are spin-offs from existing voluntary associations, with only 26% being start-ups from nothing. There are also 2 public-sector spin-outs, and 1 take-over of a pre-existing businesses. This finding demonstrates the need to ensure that paths are open for transition between these different legal 'families' of the social economy.

Legal form: They are again equally split between those that are associations (or subsidiaries of them) and those that are co-operatives, with three being companies limited by shares.

⁸ In a small number of cases data has been estimated.

3

Activity: As regards their activity, they are evenly split between work integration enterprises – helping disadvantaged people to learn skills and find a job – and those providing social services. The remaining 3 of the sample are in the ethical trading sector, in fact in the food and financial services sectors. In addition one enterprise (Smart) falls into neither category, being a service co-operative for self-employed people.

Beneficiaries: By their nature, social enterprises serve more than one group in society. This may for instance be through the content of their economic activity, by giving meaningful work to disadvantaged people, through generating local development, or by devoting their surpluses to charitable ends. Nevertheless the main beneficiary groups of the sample enterprise may be summarised as follows: citizens/consumers – 7; unemployed – 5; mentally disabled – 3; children – 2; old people – 1; women – 1; physically disabled – 1; homeless – 1; farmers – 1, self-employed – 1; other – 3.

Geographical scope: Eighteen (69%) of the enterprises operate at local scale, 5 at national scale and 3 (Smart, Terre and Up) at multinational scale. Eleven of them (42%) work on spilt sites.

Urban/rural: 70% of the enterprises are located in large towns or cities (or in a number of cities), and 30% in small towns or villages.

Financial turnover: Turnovers range from less than €10,000 to €360 million. Five turn over less than €100,000, 5 between €100,000 and €1m, 9 from €1-100m and 4 more than €100m. The mean turnover is €18 million.

Number of workers: The enterprises each employ between 0 and 14,000 people. Seven of them employ less than 10 people, 5 between 10 and 50 people, 6 between 51 and 250, 6 between 251 and 1,000, and 2 more than 1,000. Total employment is 21,847. The mean workforce is 840 and the median workforce is 88.

Share of workers who are members: Data on this question is available for only 9 enterprises out of the sample of 26 (35%): out of 3,312 workers, 1,573 or 47% are full members of the enterprise and have a vote at general meetings. This relatively low figure results from the fact that half the sample are incorporated as associations rather than co-operatives.

Gender: Women make up a high proportion of the employees of the sample enterprises, and are in a large majority in 8 cases (31%).

Tools used to promote participation: The ways in which participation takes place are many and various, and a range of tools and methods are used to incentive participation. these include newsletters, informal departmental meetings, specialist committees, induction training and in-service training events, study visits, social events, meetings with stakeholders, and holding meetings in paid time.

Corporate social responsibility: At least 10 enterprises in the sample (38%) carry out socially beneficial projects outside their main business activity, and three have set up independent foundations to which they donate profits.

SURVEY RESULTS

The following table summarises the degrees to which the different stakeholder groups participate, and the main tools used to facilitate that participation.

DEGREES OF STAKEHOLDER PARTICIPATION AND TOOLS USED TO PROMOTE PARTICIPATION

Stakeholder group	Spectrum of participation	Tools and methods used
<i>Workers/employees</i>	<i>Collaboration (codesign) Empowerment</i>	<i>Works councils, safety committees, focus groups, internal meetings etc. – direct and/or representative Employees elected to the board of directors General meeting vote Management training Bonus on wages/profit share/dividend</i>
<i>Volunteers</i>	<i>Empowerment</i>	<i>General Meeting vote Training</i>
<i>Users/beneficiaries /clients</i>	<i>Collaboration</i>	<i>Satisfaction survey Continuous dialogue, focus groups</i>
<i>Public authorities/ customers</i>	<i>Collaboration</i>	<i>Contract monitoring discussions</i>
<i>Local community</i>	<i>Collaboration</i>	<i>Public meetings</i>
<i>Suppliers</i>	<i>Varies</i>	<i>Continuous dialogue</i>
<i>Investors</i>	<i>Empowerment (sometimes)</i>	<i>'Investor member' status – limited voting power</i>

DISCUSSION

4.1 TRANSNATIONALITY

Three of the sample of enterprises operate across borders (Smart, Terre and Up), but the legal provisions for European Works Councils are not applied.

4.2 LEGAL FORM

Legal form not an overriding issue: the bulk of the sample is split quite evenly between co-operatives and associations, with additionally several share companies. The choice of legal form depends to a large extent on national history, legislation and institutions. For instance the social co-operative is well-established in Italy, and a system of consortia exists which favours the creation and growth of social co-operatives. On the contrary in ex-communist countries, the reputation of co-operatives suffered from instrumentalisation by the state under communist rule, and so has been discredited as a vehicle for member-controlled enterprises. In Britain, the creation in 2005 of a new legal form, the community interest company (CIC), offers the principles and safeguards (asset lock and cap on the distribution of profits) which enable social enterprises to work using conventional share company structures. In some countries, associations are not permitted to engage in permanent trading activity.

4.3 WHO PARTICIPATES?

Workers are the key stakeholders and exercise voting control in almost all enterprises in the sample. Other stakeholders (especially users) are rarely

formally involved, but are consulted informally. This accords with the academic observation that multistakeholder co-operatives are rare, although there are major exceptions such as Eroski, Consum and Espriu in Spain. Multistakeholder structures are possible in social co-operatives in Italy, but do not appear in our sample. Johnston Birchall and Silvia Sacchetti discuss this in a 2017 paper⁹ and adduce that though workers control the enterprise, they must take account of users' welfare because this welfare is the explicit object of the co-operative, as set out in Italian law 381/91. They quote research by in 2011 by Borzaga, Depedri and Tortia showing that 10% of social co-operatives include users as well as workers in their membership.

Despite the lack of formal representation of users, most enterprises in the sample think of themselves and describe themselves as serving multiple stakeholders.¹⁰ The few examples of formal multistakeholder membership in the sample are that L'Innesto, a community co-operative, includes workers, volunteers, users, supplier and one investor (Coopfond which has a €400,000 shareholding), and Caritas Šabac has citizen members.

Users come in second place, although they often do not participate in the formal organisational structures – they are involved through co-planning exercises, continuous dialogue, or periodic satisfaction surveys. In two cases (GLL and Dobrze) the members are the customers – but in Dobrze they also work for 3 hours a month (and the workers have only a consultative role) while by contrast in GLL the board is made up of workers.

⁹ https://www.euricse.eu/wp-content/uploads/2017/09/WP-95_17-Birchall-Sacchetti.pdf

¹⁰ However several do not: Concordia, Agro Iris, U Mandeliku, Suma, CDS, GLL.

As an alternative to treating users simply as customers or beneficiaries, several ways of institutionalising user involvement are possible, which possibly merit further investigation:

- Users along with workers as general members
- Users and workers and users forming separate constituencies, each of which elects a quota of directors
- User representatives on a supervisory board or stakeholder council
- Users able to attend and speak, but not vote, at general meetings

Apart from workers and users, which other stakeholders are involved?

- **Suppliers** in the case of L'Innesto
- Even trade **competitors** in the case of Stara Roba (in this case antique dealers who buy the best pieces at higher prices)
- **Local authorities** are important stakeholders for enterprises such as L'Innesto, SAS, Caritas Šabac and GLL
- **Citizens** for L'Innesto and Caritas Šabac¹¹
- Mention should also be made of the role of **associations** and NGOs in sponsoring social enterprise spin-offs from their work (Humana Nova, Stara Roba, U Mandelíků) and of development NGOs in sponsoring their growth (Agro Iris). This shows the values base of these economic activities.
- ... and of **public funds**, whether European, national or municipal, in supporting economic development, local development and work integration.

There is no evidence of conflict among different stakeholders. Theoretically, such conflicts might arise for instance where higher wages for worker members would imply higher prices or consumer members. However in practice this issue does not appear to arise.

Breadth of participation: However democratic control by the workforce is far from total: across the sample the share of the employees who are members of the enterprise's legal structure (whether co-operative, association or share company), and hence have votes, varies from 100% down to 25%. For those 9 enterprises (35% for which data is available, the average is just under half, at 47%. This results from the fact that the sample is evenly split between those that are co-operatives and those that are associations, and in the latter the main membership constituency is not workers.

Trade unions are supportive, but inactive across almost the sample. They are formally involved in the French and one of the Belgian cases.

¹¹ One (Stara Roba) extends the principle of transparency to the extent of allowing members of the public to attend its general meetings, with a right to speak (but not to vote).

4.4 RESULTS OF GOVERNANCE ARRANGEMENTS

To summarise, the governance arrangements used:

- treat stakeholders, and above all employees, as rounded human beings who have intrinsic as well as extrinsic motivations. What they get from work comprises not only an income and a pleasant working life among colleagues they like, but also a feeling of community, being part of a group pursuing a common project;
- give workers much greater control over their working lives, at all levels:
 - in determining their own working conditions to fit in with other commitments such as family
 - in co-organising operations (at departmental meetings)
 - in setting the business's strategy (at general meetings)
- practice direct democracy and combines this with representative democracy once a manageable size (about 20) is exceeded (some are using theoretical models such as sociocracy, the viable systems model and design thinking to understand how to do this)
- one case (Agintzari) is coping with the issue of maintaining democracy in large organisations by adopted a 'modular' strategy of spinning off new sub-co-operatives under an umbrella co-operative (Bogan)
- bring different benefits to different stakeholders, through social innovation: stable employment, higher incomes, social integration, new social services, healthy food...
- prove perfectly capable of:
 - coping with multi-site working
 - managing complex public-sector contracts for different authorities
 - serving the needs of the most various groups in society, from fruit farmers to families to homeless people
 - integrating severely disadvantaged people into a fulfilling working life
- bring different benefits to different stakeholders, through social innovation:
 - providing stable employment
 - tripling the income of Serbian fruit-growers
 - integrating homeless people into society
 - bringing healthy food to communities
 - bringing dental services to homeless people

Social impact measurement: Several enterprises in the sample (GLL, Humana Nova, L'Innesto, Redes and Spazio Aperto) carry out an audit of their social impact.

Policy impact: A number of the sample have had an impact on public policy: Redes on child poverty, Humana Nova on sustainable public procurement, Caritas Šabac on municipal welfare strategy, deinstitutionalisation and work integration L'Innesto on local (tourism) development and depopulation, Inserfac on the operation of Hygiene, safety and working conditions committees.

4.5 ARE THERE DISTINCT MODELS OF GOVERNANCE?

As might be expected given the 26 very varied enterprises studied, which range in size from 0 to 14,000 employees, the sample embraces the widest possible range of governance arrangements. These cover deep-rooted egalitarian collectivity, conventional hierarchical management tempered by voluntary participation in thematic working groups, and simple informal decision-making.

If we are to talk about models of governance, the first thing to say is that every one of the sample practices **direct democracy**, in that members can attend general meetings and cast an equal vote (and meetings are often held 2, 3 or 4 or as many as 10 times a year to encourage dialogue). However as concerns employees, it is a fact that not all workers are members – the average in those enterprise in the sample for which data is available is 47%. This results from three factors:

- with the use of **probationary period** (typically of one year) for new workers before they qualify to become members
- the rapid **turnover** of trainees in integration enterprises – they are not permanently present in the enterprises
- the fact that in some social enterprises the member are not the workers but users/customers; these may also admit workers to membership, but some do not.

We can therefore group the cases into the following three clusters:

1. Representative democracy

The vast majority of the sample use hierarchical operational management, but with democratic policy oversight by the workers. They feature:

- a larger size
- direct democracy in general meetings/assemblies
- **representative** democracy through committees; maybe worker directors
- but also collective thinking through departmental or thematic working groups or task forces
- possibly a supervisory board (ŠENT, Humana Nova, legal obligation >20 workers)

2. Collective democracy

A small number practice **collective** management. They have:

- A small size
- may include expert mentors/advisers
- may have equal pay (Dobrze¹²)

3. Proto-democracy

A number of recently-established social enterprises, particularly in the Balkan countries, have not yet established any meaningful democratic governance structures. They may, like Prádelna U Mandelíků or Agro Iris, be a project of a larger association, which is itself democratically governed.

¹² Suma, also practices equal pay, even though it has 300 workers

4.6 NON-PARTICIPATION

It's also important to say that there are also some features that are **rare** or **absent**:

- **Financial participation**

Most of the sample have either zero shareholding (associations) or a token shareholding (share companies with a £1 share). While most never pay out a dividend on shares, several may distribute profit in the form of a bonus on wages. In at least one case (Redes), this 'internal flexibility' works also in the other direction, with wages being reduced when times were hard, to avoid lay-offs.

In one case, financial investors have a formal place in the structure. L'Innesto, a community co-operative, has organised two public share offers, which have crowdfunded €700,000. L'Innesto makes use of a provision in Italian co-operative law that allows a place to 'investor members' so long as their voting power is limited. The Coopfond investment fund makes use of its status as a member as part of the sound monitoring and management of its funds.

- **Trade union participation**

We cannot say that the sample are small enterprises, but they have mainly sprung up from non-unionised environments (often associations). Where unions are present to a significant extent (CDS, Inserfac, Suma, Terre, Up) membership is optional. Suma has its own trade union branch, of which three-quarters of workers are members.

Nevertheless the social enterprises do take employee information, consultation and welfare very seriously indeed, and **relations with the trade union movement, if they exist, are good**. Employment conditions are usually **better** than in conventional firms. A number of firms in the sample are proud that they offer flexible working conditions, which are especially attractive to workers, particularly women, with caring responsibilities.

And social enterprises have introduced **innovation** in the trade union movement: Inserfac, a work integration enterprise in France, has helped to develop a new model for Health and Working Conditions Committees which includes trainees as well as permanent workers.

Terre institutionalises practices such as accompanying workers in their interviews with managers (e.g. recruitment and evaluation), so that their rights as workers are safeguarded. Its meetings are held in paid time. Workers are included in the recruitment of managers.

Several of the sample offer employees free counselling (for instance from a psychologist) or access to social services (Quid) and even social housing (Concordia).

CONCLUSIONS

5.1 CREATING SOCIAL VALUE

THROUGH PARTICIPATORY GOVERNANCE, SOCIAL ENTERPRISES BUILD SOCIAL CAPITAL

Social enterprises exist to satisfy social and societal needs. They must thus seek ways to take into account the contributions from and benefits to people who are not formally 'members' of the organisation, and to create benefit for society in general. The value of participation to social enterprises is that it is the channel through which stakeholders can communicate the needs which they wish to be satisfied, and then organise among themselves to serve meet these needs. For instance workers in social enterprises may wish to have secure jobs, satisfying work, congenial colleagues, and/or flexibility to reconcile their working and family lives. Similarly the members of a consumer co-operative may wish their enterprise to provide high-quality and affordably-priced goods, to respect certain ethical standards (e.g. organic food, or avoiding goods from oppressive regimes), and/or to operate in disadvantaged communities. The users of a co-operative providing social services may wish above all for reliable care provided by a stable workforce.

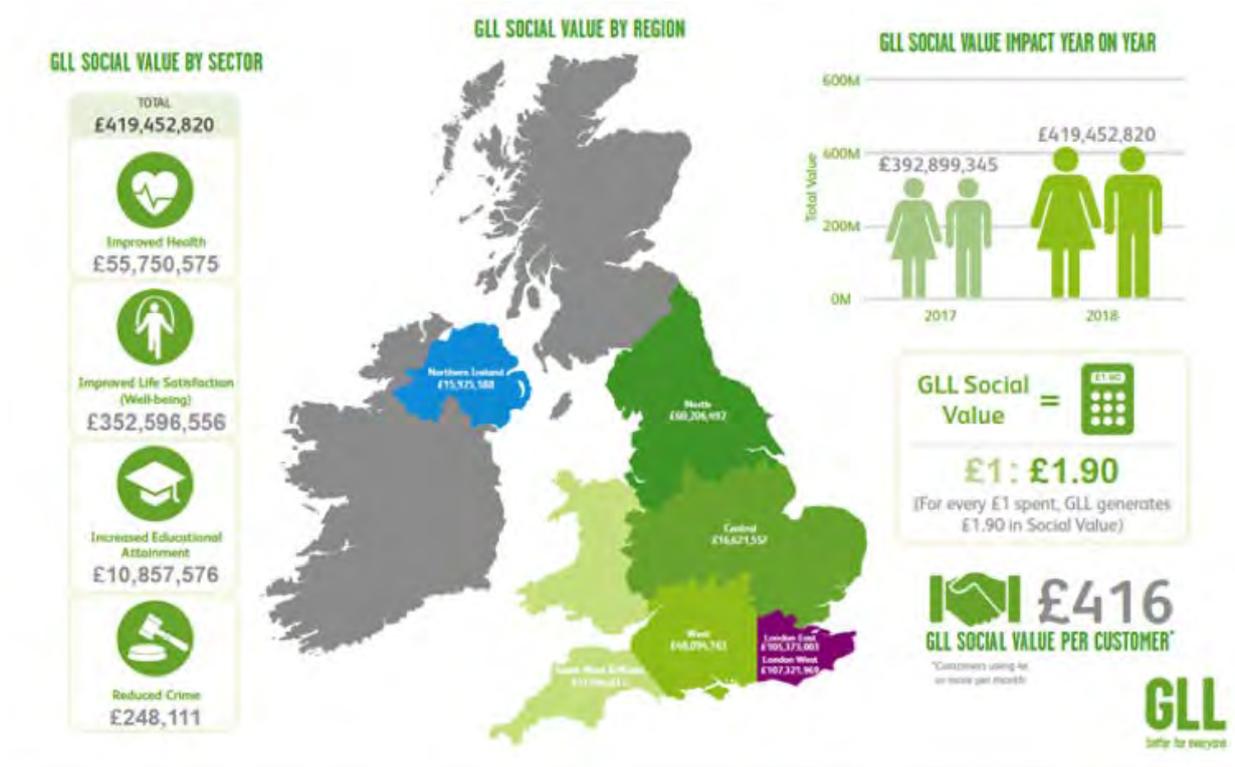
Social enterprises are developing increasingly sophisticated methods to measure the different impacts they have on various stakeholders. Among the enterprise studied, Humana Nova, L'Innesto, Redes and GLL all audit their social impact and generally publish the results.

HOW GLL MEASURES SOCIAL VALUE

GLL is a social enterprise managing leisure facilities on behalf of 50 UK local authorities, and social value is at the heart of its key impact measurements. GLL uses Data Hub's Social Value Calculator,¹³ developed in partnership with Sheffield Hallam University and Experian, which monetises the value of societal improvements and provides a clear link between physical activity and health. For every euro spent, GLL generates €1.90 in social value measured in improvements to health and wellbeing, educational attainment and reduction in crime. This totalled €485m in 2018.

GLL is active in some of the country's poorest postcode areas, providing a measurable and positive contribution to the local community. GLL was awarded Best Social Enterprise winner at the UK Business Awards 2017 and numerous other awards recognised by its sector peers.

¹³ <https://web.datahubclub.com/social-value-calculator/>



UP'S ANNUAL SUSTAINABLE PERFORMANCE REPORT

The Up Group was set up as Chèque Déjeuner in 1964 to promote social progress by providing luncheon vouchers, and has since expanded into domestic service vouchers, culture vouchers and other products. Its turnover in 2017 was €165 million. The group now has 1.1 million clients and over 28 million beneficiaries (employees and citizens). It employs over 3,600 people in 20 countries.

Up publishes an annual sustainable performance report, which is independently audited. It aims to coordinate a virtuous ecosystem which improves living conditions by addressing five societal issues: a healthy diet for everyone, a society where everyone has a place, a more balanced life, we are all actors in our consumption, and culture without limits or discrimination. It operates five Corporate Social Responsibility programmes in governance, economic, social, societal and environmental areas.

Its philanthropy policy is now operating in 10 countries, and aims to create social bonds and to prevent exclusion. It supports projects lasting three years or more in four areas: food as a vector for social bonding, housing, health, and education and culture. It is organised through the Up Foundation and a group of 24 philanthropy contact people, with the participation of organisations in the social and solidarity economy. In 2018 the group supported 34 projects worth €236,000. Twelve percent of employees make charitable donations through their paycheques.

The group also practices environmental responsibility, and in 2018 the carbon emissions of the main French companies were offset.

SOCIAL ENTERPRISES CAN HAVE AN IMPACT ON PUBLIC POLICY

Several of the study sample have had an impact on public policy, for instance Redes (Spain) on child poverty, Humana Nova (Croatia) on sustainable public procurement, Caritas Šabac (Serbia) on municipal welfare strategy, deinstitutionalisation and work integration, L'Innesto (Italy) on local (tourism) development and depopulation, and Inserfac (France) on the operation of hygiene, safety and working conditions committees.

ANG SPÓŁDZIELNIA – THE LOUDEST VOICE CAMPAIGNING AGAINST FINANCIAL MISSELLING
ANG Spółdzielnia is a worker co-operative of 818 ethical personal financial advisers, and is Poland's third-largest financial broker. It was set up specifically to challenge the widespread misselling of financial products in Poland. It sells the best products available, does not sell unnecessary products, and informs clients of all the risks involved in their transactions. It is the loudest voice campaigning against the misselling of financial products in the media – for instance in television debates – and at industry events. It raises issues of ethics through its websites, a newspaper, books and an annual conference. In 2013 the ANG Group set up the Będe Kim Zechę (I'll be who I want) foundation which builds social capital by organising workshops on responsible entrepreneurship and financial basics, especially for children.



PARTICIPATORY GOVERNANCE IS FLEXIBLE AND CAPABLE OF COPING WITH GREAT COMPLEXITY AND MEETING THE NEEDS OF MANY GROUPS IN SOCIETY

Social enterprises bring different benefits to different stakeholders, through social innovation. They may provide stable employment, higher incomes, social integration, new social services, the continuation of essential services that are no longer provided by the public or private sectors, healthy food, and many other social benefits. They prove to be perfectly capable of dealing with the complexities of multi-site working, coping with different – sometimes opposing – stakeholders’ interests, managing complex public-sector contracts for different authorities, serving the needs of the most various groups in society, from fruit farmers to families to homeless people, and integrating severely disadvantaged people into a fulfilling working life.

AGRO IRIS TRIPLES FARMERS’ INCOMES

Agro Iris in Šabac, Serbia, functions as an agricultural marketing co-operative. It provides mobile dryers and professionalises the processing and marketing of fruit. This allows the 20 co-operating farmers to capture a much higher share of the added value of their production by comparison with selling the fruit straight off the tree.

Each year, farmers sign a contract with Agro Iris which specifies the prices that will be paid, quantities to be delivered, roles and responsibilities. Both parties share the responsibility for quality, sales and turnover. This motivates the farmers to involve themselves in the decision-making process. Each year Agro Iris returns 70% of its profit to its suppliers. The farmers are thus sub-contractors to the enterprise, but are not formally members of it.

The farmers who market their produce through Agro Iris achieve higher prices – often up to three times what they would receive selling individually. This increases rural incomes, promotes local development, and reduces rural depopulation. Agro Iris co-operates with 20 farmers, which represents a beneficiary group of 100 people including their families.

Agro Iris also provides packaging work for 19 disabled people working for the work integration social enterprise Novitas Consult Šabac.

PUBLIC AUTHORITIES CAN USE PARTNERSHIP WITH SOCIAL ENTERPRISES AS A WAY TO IMPROVE PUBLIC SERVICE PROVISION

The participatory governance practised by social enterprises, is responsive both to the needs of local populations and to employee development. Coupled with their non-profit-distributing status, this makes social co-operatives and community benefit societies the perfect vehicle for delivering public goods such as employment, inclusion, health and local development, through partnerships with public authorities. The employee loyalty and stability they inspire is a particular asset when delivering services with a high relational content. They can also step in to take over essential services when conventional businesses fail.

AGINTZARI – IMPROVING SOCIAL SERVICES IN THE BASQUE COUNTRY

Agintzari is a social co-operative based in Bilbao which provides social services in four areas: community intervention, fostering and adoption, residential care for minors and domestic violence. It is the Basque Country first social co-operative and is recognised by the government as being of public utility. It has achieved a leadership position in social services in the Basque Country, and in 2017 served nearly 29,000 people – nearly 59% of all women and minors in the population. Over the last ten years the number of jobs it provides has risen by 228% from 222 to 728, and working conditions are better than the collective bargaining agreement (as regards salary, social benefits, work-life balance etc.) The co-operative's economic impact has also multiplied, with turnover having risen by 264% from €7 million to €25 million over the same period.

GLL A REPLICABLE MODEL FOR PUBLIC LEISURE SERVICES

GLL is a social enterprise managing leisure facilities on behalf of 50 UK local authorities. Its mission is “to make community services and spaces better for everyone and to improve the health and wellbeing of local communities”. It now employs 14,000 people, has 54 million user visits each year, and turns over €360,000 annually. It has 850,000 user-members, who elect the board of trustees, which scrutinises management decisions and contains a majority of employees. It was founded in 1993 when the London Borough of Greenwich was facing austerity in public funding and needed to find a new way to run its leisure centres. Together, the staff of the leisure centres and council came up with a ground-breaking social enterprise model for public services and Greenwich Leisure Ltd (GLL) was born.

It is now the largest UK-based charitable social enterprise delivering leisure, health and cultural services, managing over 270 public sport and leisure centres, 113 libraries and 10 children’s centres in partnership with 50 local councils, public agencies and sporting organisations.

THE PARTICIPATION OF WORKERS IN SOCIAL ENTERPRISES, AND THEIR CLOSE LINKS WITH USERS, MAKES THEM FERTILE GROUND FOR SERVICE INNOVATIONS PROPOSED BY WORKERS.

Associating service providers together in the governance process increases the guarantee that the service provided will be adequate to meet beneficiaries' needs. This increases the quality of the service, but also ensures that the service keeps pace with the evolving beneficiaries' needs.

COMMUNITY DENTAL SERVICES MAKES EMPLOYEE-LED SERVICE INNOVATIONS

The employees of Community Dental Services have proposed a number of innovations to improve inclusive access to oral health. These include the 'dentist at home' service, the presence of a 'comfort dog' which nervous patients can pet, and the provision of oral health advice to homeless people.

5.2 IMPROVING WORKING CONDITIONS

WORKER PARTICIPATION IS CORRELATED WITH BETTER JOB SECURITY AND WORKING CONDITIONS

Research shows that worker participation in enterprises overall – so-called ‘high involvement organisations’, is correlated with higher job security, lower pay and status differentials, more training (formal and on-the-job), more autonomy, group cohesiveness, formal grievance and conflict resolution procedures, and finally higher productivity. There is some research evidence that worker participation improves the economic performance of worker co-operatives.¹⁴ However much research on this topic is inconclusive. A report published by Eurofound (2019) “Co-operatives and social enterprises: Work and employment in selected countries”¹⁵ affirms that “cooperatives demonstrated not only resilience but also the ability to flourish since the economic crisis” and “there has been a clear overall preference for creating and retaining full-time, permanent jobs, the ‘standard employment’ model which often used as an indicator of good-quality jobs”. It reports also that “workers in the case study organisations rated job quality highly, both in absolute terms and in comparison to similar organisations. They also gave high ratings to the social environment, voice and representation in the workplace, work-life balance and task discretion. (...) Skills development and job security were strong and there was significant intent to provide workers with career opportunities within organisations. (...) Many of the dimensions of job quality were integral to organizational objectives and, thus, were prioritised in workplace practices”.

¹⁴ https://emes.net/content/uploads/publications/2455/ESCP-5EMES-39_Effects_workers_participation_governance_cooperatives_Dethier-Defourny.pdf

¹⁵ <https://www.eurofound.europa.eu/publications/report/2019/cooperatives-and-social-enterprises-work-and-employment-in-selected-countries>

Based on 20 case studies (15 cooperatives and 5 non-cooperative social enterprises), the report tends to explain why co-operatives could perform well. According to the report, this is due to internal factors such as good management, governance and internal decision-making structures and processes, reinvesting (or at least not extracting) surplus value, prioritising jobs over wages and profit, the ability to share risks and rewards, a long-term focus and shared values among members, workers and, in many cases, customers and clients. These factors

are indeed inherent specificities of the co-operative model. The report also explains that there appears to be a sort of 'virtuous circle' within cooperatives and social enterprises by which internal human resource practices generate positive organisational performance that, in turn, provides positive employment outcomes, thus reinforcing the practices. This feature gives co-operatives a particularly important role in preventing a 'race to the bottom' in falling working condition for self-employed workers.

SMART – GIVING FREELANCERS SECURITY AND CONTROL OVER THEIR WORKING LIVES

Smart is a co-operative of freelancers engaged in all sorts of activity, which supports them by providing a secure framework which simplifies the administrative and legal burdens and frees them to develop their professional lives autonomously. Through its online platform, users can declare their contracts, manage their expenses and invoices, and pay their salaries.

It offers a double solidarity system. Firstly, Smart provides the members with the status of salaried workers, which entitles them to full social protection. Secondly, members mutualise means and risks. It has developed a mutual guarantee fund that pays freelancers within 7 working days, an insurance against accidents at work extended to private life (in order to protect freelancers even when they are not under contract), training, co-working spaces, tailor-made advice and thematic events at which they can exchange experience with their peers.

Smart Belgium now has 25,000 users with short-term contracts, 30 users employed on permanent contracts, and 190 permanent employees. Annual turnover is €150 million. Smart also exists in eight other countries: Austria, France, Germany, Hungary, Italy, the Netherlands, Spain and Sweden. It has offices in 40 cities across Europe and serves altogether over 120,000 users.

Smart in Progress (SIP) is a tool, a continuous process to involve stakeholders to participate directly in the evolution of the co-operative. Each year three or four working groups are set up to discuss specific topics and make recommendations to the board of directors, which then validates or amends them before they are implemented.

TRADE UNIONS HAVE A VALID ROLE IN COLLECTIVELY-MANAGED ENTERPRISES

Trade unions are generally supportive of worker participation, and play a valuable role in ensuring that individual workers' rights are protected. In several cases trade unions play a structured role in governance.

TRADE UNION REPRESENTATION ON UP'S BOARD

In the Up Group, a worker co-operative that employs 3,600 people in 20 countries, the board of the controlling co-operative has 18 members, 12 of whom are elected by members at the annual general meeting, 3 represent the trade unions CFDT, CGT and FO, and 3 are advisory members from the company's economic and social committee.

THE STRONG BFAWU TRADE UNION BRANCH AT SUMA

Despite Suma's extreme empowerment of individual members, it is, unusually for a UK private-sector business, strongly unionised with some three-quarters of staff being members of the Bakers, Food & Allied Workers Union (BFAWU). A Suma personnel officer described the relationship as 'normally we and the union sit on the same side of the table but, when an individual worker is being represented, we move to opposite sides'. Thus individual worker rights are protected while Suma as a worker-controlled business gets the benefit of the union's industry expertise.

TRADE UNIONS AT TERRE

Based in Liège, Groupe Terre recycles paper, clothing and metals, as a way of carrying out work integration and financing development projects abroad. With 434 workers, the group now comprises 12 operating units, 4 of which are constituted as associations and 8 as limited companies. Groupe Terre ASBL is the majority shareholder of all of these subsidiaries.

Groupe Terre operates a system of direct worker democracy. All workers in any of the group's 12 operating companies are invited to join the general assembly.

The unions have organised their role in the company according to a well-defined model. They represent certain categories of workers in a works council and a committee for prevention and protection at work. They also deal with the defence of their workers through the trade union delegation. In this way, they participate in the management of the company as a counter-power vis-à-vis the employers' power. Their mission is part of the approach of control and consultation: they respect the hierarchical division of labour and let the employer assume the responsibility for strategic decisions, following the model of consultation that is enshrined in Belgian law.

SOCIAL ENTERPRISES CAN WORK WITH TRADE UNIONS TOWARDS THE MORE INCLUSIVE REGULATION OF WORKING CONDITIONS

Social enterprises already practice a comprehensive social dialogue, given that in most cases their employees have predominant decision-making power. In partnership with trade unions, they can serve as models to extend this dialogue, especially where social dialogue is underdeveloped.

INSERFAC EXTENDS SOCIAL DIALOGUE TO WORKERS IN INTEGRATION

Inserfac is a work integration social enterprise (WISE) in the French département of Puy-de-Dôme. It operates nine workshops which offer 66 integration places as well as employing 22 supervisors and administrators along with 17 volunteers.

In 2014 a change in French labour law meant that workers in integration enterprises had to be considered as employees. The resulting increase in numbers meant that social dialogue bodies had to be set up. The law demands that firms employing more than 50 people set up a Comité d'hygiène, santé et conditions de travail – CHSCT (Hygiene, safety and working conditions committee). Working within their collective agreement, Synesi, the employers' union of integration workshops, the trade unions and the workshops decided to adapt this model for use in integration workshops employing fewer than 50 people. The resulting model of the Instance Santé Conditions de Travail (ISTC – Health and Working Conditions Committee) goes further than the law requires by including not only permanent employees but also workers in integration. Social dialogue extended to include workers in integration promotes the two-way flow of information, allows a collective rather than a conflictual approach to the resolution of issues, and enhances skills and self-confidence among workers in integration.

SOCIAL ENTERPRISES CONTRIBUTE TO GENDER EQUALITY

Women make up a high proportion of the employees of the sample enterprises, and are in a large majority in a quarter of cases (in France 67%, in Belgium 66% and in Spain 50% of members of social enterprises are women). They also constitute a majority of users in many cases. This leads social enterprises to pay attention to women's needs when they design their working conditions and the services that they offer. For instance flexible working hours and part-time working are common.

In a recent paper for the OECD,¹⁶ Marieke Huysentruyt looked at gender disaggregated data from the SELUSI study, and came to the following conclusions:

- Based on regression analyses of social enterprise revenue, gender has no effect on total revenue of social enterprises
- There is no evidence that women prefer to stay "small" when men and women-led social enterprises are compared within the same sectors
- Women social entrepreneurs are significantly more likely to engage in participatory management practices
- When it comes to new market creation, women social entrepreneurs are more innovative than male social entrepreneurs.

NITI – REVIVING TRADITIONAL CRAFTS TO CREATE WORK FOR WOMEN

Niti is a social enterprise in Bijelo Polje, Montenegro, which designs and produces woollen items such as socks, gloves, scarves, vests, blankets, rugs, souvenirs and decorative items such as children's seats in the shape of a sheep. It also carries out cultural projects such as 'Woollen Road', which animated interest in the woollen industry in the local community.

It makes use of wool which would otherwise go to waste, and sells its wares both to individuals and to domestic and international organisations putting on tourist fairs, foreign embassies etc.

The enterprise has no formal employees, but provides part-time paid work for local women who have difficulty finding jobs and who may be facing traumatic conditions in their lives. They also knit at home.

Niti gives its workers the opportunity to socialise, to connect with people who have problem similar to their own, and to reconceptualise their family and social situations. It also gives new knowledge and skills, and enables them to value those skills they already possess.

¹⁶ <http://dx.doi.org/10.1787/5jxzkq2sr7d4-en>

5.3 INVOLVING MULTIPLE STAKEHOLDERS

SOCIAL ENTERPRISES LED BY THEIR EMPLOYEES CAN OVERCOME ANY SECTIONAL INTEREST AND SERVE COMMUNITY WELLBEING, EVEN WITHOUT FORMAL MULTI-STAKEHOLDER GOVERNANCE

The vast bulk of the social enterprises studied are owned and controlled by their employees, and only a minority offer formal membership to other stakeholder groups such as users. However it is in their nature and their constitutions to serve social needs rather than private profit. They address this through various means such as co-planning exercises, continuous dialogue, by including in the governance public authorities or other social enterprises, or periodic satisfaction surveys. In some cases the users are the members, and the categories may be combined by requiring users to input some working time.

GLL – A MULTISTAKEHOLDER BOARD

GLL (Greenwich Leisure Ltd) is a non-profit social enterprise managing leisure facilities on behalf of 50 UK local authorities. It has 850,000 user-members, employs 14,000 people, and turns over €360,000 annually.

Users can become members of GLL by paying a £25 (€29) admission fee followed by a £1 annual subscription. Members elect the board of trustees at the annual general meeting. The trustees scrutinise the decisions of the executive directors and board, and comprise various interests, including local authorities, independent skilled professionals and the workforce. They number between 10 and 20, and include not more than 10 employees and 8 non-employees. In practice the majority of the trustees are employees.

DOBRZE'S CUSTOMERS ARE ALSO ITS WORKERS

Dobrze is a social enterprise in Warsaw selling healthy food. It is based on a win-win-win business model: it provides a stable and profitable income for farmers, better jobs for employees and healthy affordable food for customers. It opened its first shop in 2014 and its second in 2016, and employs 14 people: 6 cashiers, 7 coordinators and one evaluator/manager. Its annual turnover is €600,000. Dobrze operates as a co-operative although it is incorporated as an association, and has two classes of members:

- 300 full members, who pay a monthly subscription of 30 zlotys (€7), must volunteer for 3 hours' work per month, and can buy at members' prices (20% discount). They receive a monthly update on the co-operative's situation and may vote at the general assembly, which meets 3 or 4 times a year;*
- 100 supporting members: each full member can nominate one member of their household as a supporting member, who also has to do 3 hours' voluntary work per month and may buy at members' prices, but pays no subscription and has no vote.*

Workers may also buy at members' prices but have no vote. They are included in the decision-making process only when the issue is directly connected with their job. They are informed about the business situation, but less often and in less detail than the members.

Major proposals such as a new shop opening are considered by a task group consisting only of volunteers, which prepares a proposal for the general assembly.

Day-to-day management is in the hands of the board, which consists of five elected full members. There is no single leader of the board – all members are treated equally.

ANG CHAMPIONS ETHICAL FINANCE

ANG Spółdzielnia is a worker co-operative of ethical personal financial advisers. Its mission is “to provide people with the financial services they need, that they understand, at a fair price and that they can afford”. In a decade it has grown to be Poland’s third-largest financial broker, offering to individuals products such as mortgages and insurance in an ethical way. It has become famous as an opponent of misselling and a champion of responsible business, finance and consumption.

As the third-largest credit broker in Poland, in 2018 ANG made 14,381 credits and loans worth €800 million and sold 4,256 insurance products worth €590,000. Sales are growing fast, and in 2018 were up 48% on 2017.

AGINTZARI THE LUNDY MODEL OF CHILD PARTICIPATION+

In its work with children, Agintzari uses this model,¹⁷ which was developed by Laura Lundy, Professor of international children's rights at the School of Education at the Queen's University of Belfast. Her model provides a way of conceptualising a child's right to participation, as laid down in Article 12 of the UN Convention on the Rights of the Child. It is intended to focus decision-makers on the distinct, albeit interrelated, elements of the provision.

The four elements have a rational chronological order: space, voice, audience, influence. The Lundy Model of Participation was prominently featured and endorsed by the Irish Department of Children and Youth Affairs in their recent National Strategy on Children and Young People's Participation in Decision-Making (2015 – 2020).

¹⁷ <https://www.jstor.org/stable/30032800?seq=1>



MANY SOCIAL ENTERPRISES GROW OUT OF EXISTING VOLUNTARY ASSOCIATIONS

Social enterprises are the vehicle through which citizens can take their collective action onto a sustainable economic level. As regards how they came into being, a large majority (61%) of enterprises considered in this study were spin-offs from existing voluntary associations, with only 2 being ex nihilo start-ups, and 3 conversions of pre-existing traditional enterprises. This shows the connection between these two families of the social economy, and the need to ensure that legal pathways exist which allow associations to evolve into co-operatives.

PRÁDELNA U MANDELÍKŮ – A DEPARTMENT OF FOKUS PRAHA

In 2011, the Atlant association, which provides work and housing for mentally disabled people, contacted the mental health charity Fokus Praha to take over a laundry business which was no longer profitable. Fokus took over and renovated the premises, installed new equipment, and created a team comprising some of the existing employees along with some new members. The business now employs 14 people, of whom 11 have a mental handicap and two a physical handicap. It carries out washing, pressing, ironing and minor mending, catering both to the neighbourhood and also to customers further afield through a collection and delivery service. Trading income is €52,000 a year, which covers 47% of costs, with the balance being made up by €56,000 a year in support from the Job Centre.

CLOSE LINKS WITH THE COMMUNITY ARE A STRONG POINT

Co-operatives in which several different stakeholder groups are members, and which emanate from the community, can unite the forces of a locality to carry out local development.

L'INNESTO INVOLVES THE WHOLE COMMUNITY IN LOCAL DEVELOPMENT

L'Innesto is a community-based multi-stakeholder social co-operative set up in 1999 to develop the area of Val Cavallina, near Bergamo in northern Italy. It carries out social agriculture using traditional seeds and methods, maintains green areas, carries out environmental education and operates tourist facilities. Its work integration activities have countered rural depopulation by creating 100 jobs in health care, education, tourism and waste treatment.

Real and effective involvement of the 227 members is ensured through area and service meetings involving members working in a given area or service, informal meetings to involve the community, and training for members, managers and employees so that they can contribute effectively to its management. The co-operative has a good relationship with the trade unions, and supports their role in protecting workers' rights. Its close ties with the local community have enabled it to raise €675,000 through crowdfunding campaigns.

FINANCIAL INVESTORS HARDLY EVER PARTICIPATE IN THE GOVERNANCE OF SOCIAL ENTERPRISES

Most social enterprises have either zero shareholding (associations, companies limited by guarantee) or a token shareholding (e.g. co-operative societies with withdrawable par-value shares (in French parts). While most never pay out a dividend proportional to shareholding (ANG is an exception), several may provide limited compensation in the form of a bonus on wages. In at least one case in this study (Redes), this 'internal flexibility' works also in the other direction, with wages being reduced when times were hard, to avoid lay-offs. The enterprises' working capital is thus generally limited to retained earnings, any loans that may be taken on, and in some cases by public share offers (crowdfunding), which is facilitated by their close links with their communities. If the advantages stemming from their participatory nature are not to be stymied, their growth demands access to capital which does not demand control of the enterprise.

INVESTOR MEMBER IN L'INNESTO

In some cases, financial investors have a formal place in the structure. L'Innesto, a community co-operative in northern Italy, has organised two public share offers, which have crowdfunded €750,000 and enabled it to increase its membership to 227 people, bringing more of the local community on board. L'Innesto also makes use of a provision in Italian co-operative law that allows a place to 'investor members' so long as their voting power is limited. The Coopfond investment fund makes use of this, as part of the sound monitoring and management of its funds.

CO-OPERATIVE SHARE CAPITAL IN ANG SPÓŁDZIELNIA

ANG Spółdzielnia is a worker co-operative of ethical personal financial advisers, which in a decade has grown to be Poland's third-largest financial broker. People and companies who wish to become members of the co-operative apply to join, and their experience, track record and reputation are checked by the human resources team. They may then purchase shares, with a minimum shareholding of PLN 250 (€59). However many shares they hold, each member exercises one vote at general meetings, but profit distributions are proportional to capital invested. Co-workers who are not members have no vote, but may take part in decision-making by volunteering to work in task teams.

5.4 MANAGING DEMOCRATICALLY

PARTICIPATORY GOVERNANCE IS BASED ON DIRECT OR REPRESENTATIVE DEMOCRACY AND INDIVIDUALS' CONTROL OVER THEIR WORKING LIVES

Participatory governance arrangements:

- practice direct democracy and combines this with representative democracy once a manageable size (about 20) is exceeded
- treat stakeholders, and above all employees, as rounded human beings who have intrinsic as well as extrinsic motivations. What they get from work comprises not only an income and a pleasant working life among colleagues they like, but also a feeling of community, being part of a group pursuing a common project;
- give workers much greater control over their working lives, at all levels:
 - in determining their own working conditions to fit in with other commitments such as family
 - in co-organising operations (for instance at departmental meetings)
 - in setting the business's strategy (at general meetings)



SMART IN PROGRESS A CONTINUOUS PROCESS OF STAKEHOLDER INVOLVEMENT

Smart is a co-operative for freelancers of all sorts, whom it supports by providing a secure framework which simplifies the administrative and legal burdens and frees them to develop their professional lives autonomously.

Smart Belgium now has 25,000 users with short-term contracts, 30 users employed on permanent contracts, and 190 permanent employees. Annual turnover is €150 million. Smart also exists in eight other countries and serves altogether over 120,000 users.

Smart in Progress (SIP) is a continuous process of involving stakeholders in the evolution of the co-operative. Each year, three or four working groups are set up to discuss specific topics and make recommendations to the board of directors, which then validates or amends them before they are implemented.

The SIP process was launched in 2015 through blogs, a forum, questionnaires, debates in local offices ('small talks'), written documents and four thematic working groups looking at:

- Becoming a co-operative: for whom and with whom?*
- Mutualist, redistributive, solidarity: a viable economic model?*
- Creating and developing your business: how? With what tools?*
- Is a shared and participatory enterprise realistic?*

Each of these groups debated its theme under the moderation of a permanent employee,

and with the presence of two board members and members of the community (member-users, clients, partner organisations). They could access the support of specialists (experts, researchers and study visits). Their mission was to deliver recommendations that would be submitted to the board and then to a vote of the general assembly, and then translated into concrete actions. Not only did the recommendations design the legal statutes of the cooperative, but they were also used to

define the 2020 strategic plan. The level of participation is high, with 800 users taking part in a survey addressing the quality of Smart's services which was presented to the 2016 general assembly. Since the start, 11 working groups have looked at such topics as ethics, representation, economic transparency, information technology tools, ecological purchasing, social impact and creating an economic value chain.

UP – CO-OPERATION GROUPS

Up is a French worker co-operative formerly known as Chèque Déjeuner which supplies meal and service vouchers and employs over 3,600 people in 20 countries.

To optimise daily management, between October 2018 and October 2019, 15 groups of 10 managers met monthly in co-operation groups facilitated by their peers. The groups discussed how to resolve various difficulties and built solutions together. Four months after the start, 25 topics had already been discussed and action plans had been formulated on topics such as employee motivation, responsibility, management/operations balance, teamwork and cross-functional working.

GROWTH IN SOCIAL ENTERPRISES DOES NOT NECESSARILY IMPLY THE ADOPTION OF HIERARCHICAL MANAGEMENT STRUCTURES

It is sometimes thought that large enterprises cannot be democratic, or cannot be “proper co-operatives”. Yet the evidence from the enterprises studied shows that democratic worker control can be preserved in larger businesses (8 of the sample enterprises (31%) employ over 250 people and the largest employs 14,000). They adopt a wide range of management systems, ranging from those that preserve a collective feel to those that balance quasi-conventional hierarchical line management with oversight by democratically elected bodies. They use a variety of tools to encourage workers to make an input into policy-making.



SUMA – RETAINING COLLECTIVE MANAGEMENT WHILE GROWING

Suma is a worker's co-operative in northern England employing 300 workers under a non-hierarchical collective management system. Turnover for 2018/19 was €65 million, reflecting a normal 10% per year growth rate. In 2019 Suma was voted 'Most Ethical UK Company of the past 30 years' by the readers of Ethical Consumer magazine.

Suma still pays an equal wage rate to all workers (which is double the industry average). There is no chief executive officer or managing director. Members practice multi-skilling and job rotation and all management is done consensually.

Its governance structure has similarities to the Basque Mondragón worker cooperatives.

The sovereign general meeting instructs and is informed by a board of nine elected directors with delegated authority to run the business. Sub-committees of the board oversee the activities of the 'company' officers (Personnel, Finance, Health and Safety, Facilities, Compliance) who have oversight of the entire operation.

Operations are managed as three largely self-managing 'zones', Commerce (sales and marketing activities), Business Support Services and Logistics. Each of these has a 'Leader' and officers responsible for people, strategy, compliance (legal, quality control etc.) within their zone. The zones are answerable to the board.

An elected Member Council of nine representatives exercises a scrutiny function to check that the board is acting in accordance with general meeting decisions, is consulting the membership properly and that the board and zones are acting in the best interests of the members.

Meeting time is paid and attendance at general meetings is compulsory for members. Suma operates open books management with all business information available to all members. Several user-controlled communication systems enable communications between members as well as communication both to and from the various management foci by individuals or groups. Formal and informal, online and face-to-face forums abound. Disputation, discussion, dialogue and debate about all aspects of the cooperative is normal Suma culture.

SOCIAL ENTERPRISES USE A NUMBER OF TOOLS TO RETAIN DEMOCRATIC GOVERNANCE AS THEY GROW

Inevitably, the way social enterprises organise themselves must be adapted as the number of people involved grows. The number of peer-to-peer relationships between the members of an enterprise increases quadratically as it grows (with n members it equals $n \times (n-1)/2$). So that while in a group of 5 people there are 10 relationships to be maintained, in a group of 100 this rises to 4,950. To ease the pain of transition and preserve members' voice, the enterprises in the sample use a wide range of tools, such as face-to-face departmental meetings to discuss operational issues, voluntary task-forces to analyse key issues, and online tools.

COMMUNITY DENTAL SERVICES – DEMOCRACY AMONG 320 WORKERS ON 38 SITES

Community Dental Services is an employee-owned dental company whose 320 workers serve patients at 38 clinics across seven counties in south-eastern England as well as in eight prisons. The company is fully owned by its employees. The board of 11 includes 4 elected employee directors, one of whom is also from the Representative Employee Group (REG).

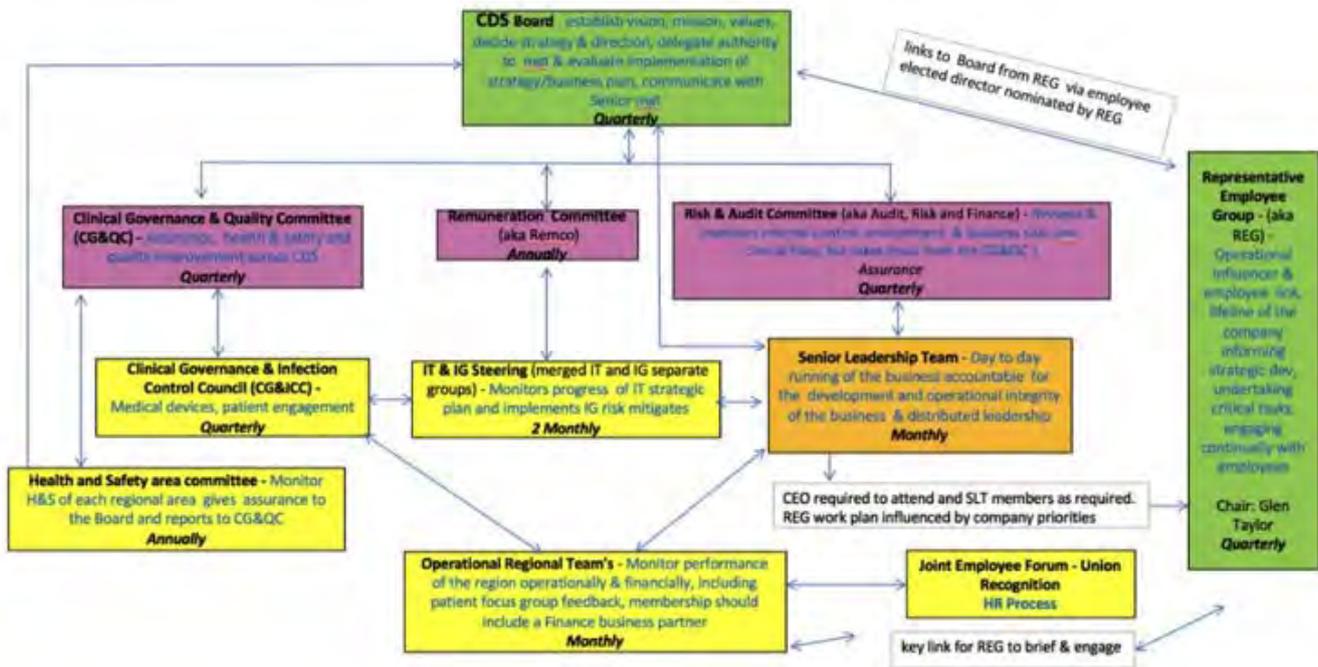
Operations are managed via a number of committees and working groups composed of employees. The committees exercise delegated authority of the board, and each must include at least one director. Working parties are subordinate to the committees. Each of the company's locations has a good deal of autonomy. Employees feel very empowered, and their voices are heard through their representative teams.

However one committee plays a particularly important role in the company's governance. The Representative Employee Group (REG) looks at the development of the business and how CDS can improve the wellbeing of its employees and patients. The REG also nominates one board member to represent the employees' interests.

SUMA – MULTI-SITE WORKING IN A COLLECTIVE

Suma is a wholefood wholesaler which operates collective management. Disputation, discussion, dialogue and debate about all aspects of the cooperative is normal Suma culture. Though most operations are on one site, approximately 10% of the 300 workers are based in a distribution centre in London, 330 km from its main site in Elland, Yorkshire. Their integration is assured through worker exchanges between the two sites and attendance at major social events.

CDS Committee and Working group organisational structure:



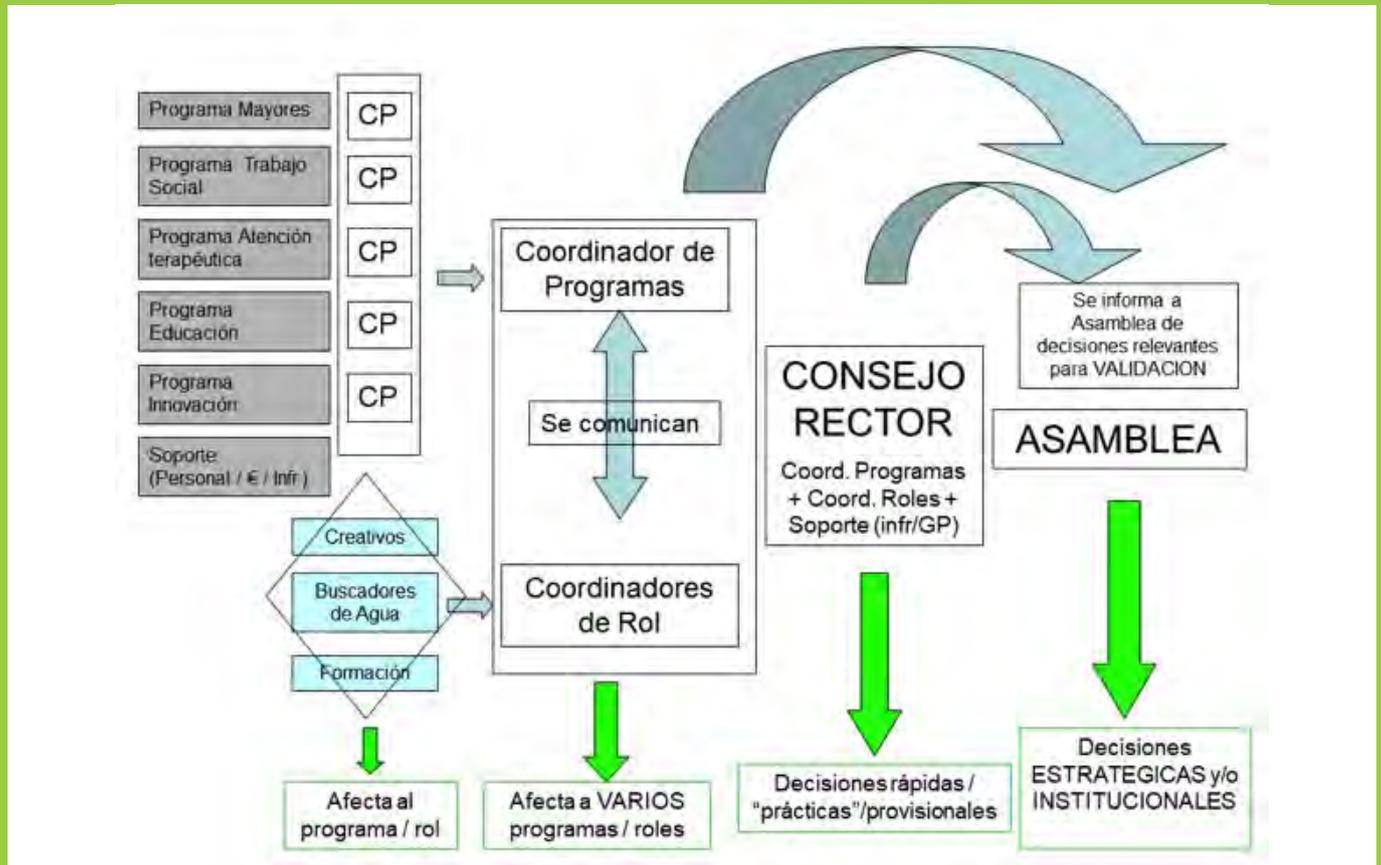
CASCADING OF INFORMATION IN REDES

Redes is a non-profit-distributing social intervention co-operative that provides care services in one of the most disadvantaged neighbourhoods of Madrid, Pan Bendito. It employs 49 people, of whom 17 are members, and has 1,000 clients.

Democratic functioning is ensured through a principle of transparency, ensured by the cascading of information between the four levels of governance. Strategic and institutional decisions are taken by the Assembly, which at present has 15 members, and meets 10 times a year.

Urgent practical or provisional decisions are taken by the Governing Council (board), which brings together representatives from all work units. It then asks the Assembly for its approval. Management decisions fall under two co-ordinators, the Programme Co-ordinator and the Role Co-ordinator. The heads of the six programmes report to the Programme Co-ordinator.

This decision-making flow is shown on this diagram:



Participation is enhanced through a system of committees which allow workers to contribute to specific areas of work. Information is shared with all Assembly members through a weekly newsletter. In 2013 the co-operative introduced Design Thinking techniques. Accountability is buttressed by an audit committee ('Intervention') appointed by the Assembly, which reviews the annual accounts and social and accounting documentation. A further level of control is the strategic plan, which is evaluated every three years.

PARTICIPATION FORA IN AGINTZARI

Agintzari is a social co-operative based in Bilbao which provides social services in community intervention, fostering and adoption, residential care for minors and domestic violence. Out of the current workforce of 728, 257 workers (35%) are members.

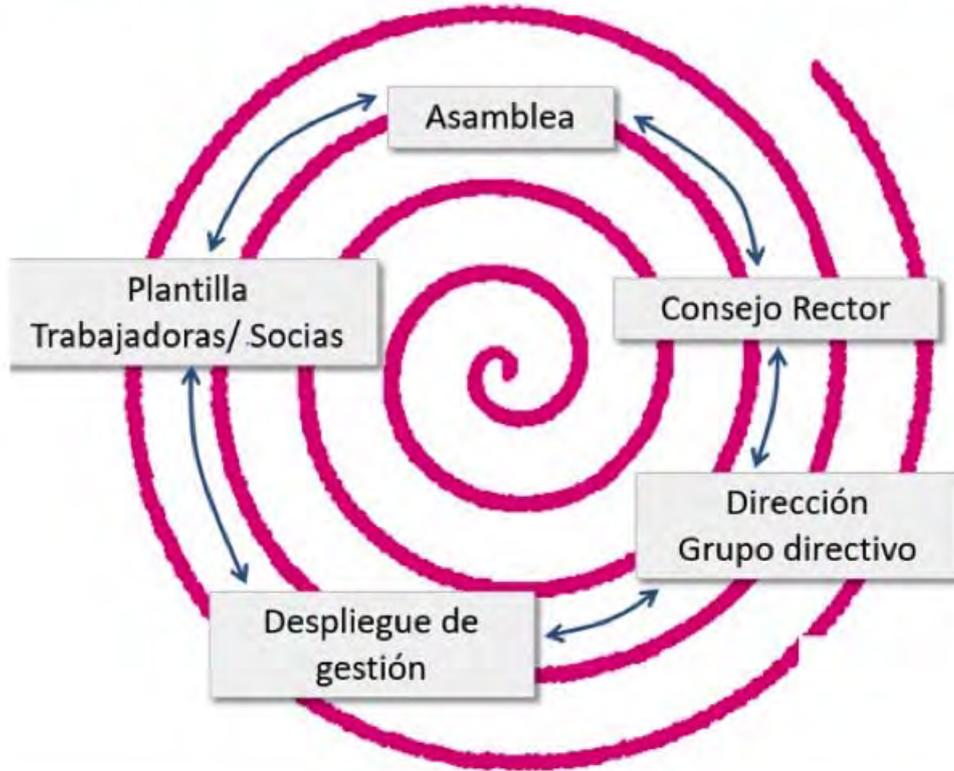
Horizontality and participation are core values of the co-operative. The governance model is based on three intertwined areas:

- values and culture: these include maximum co-operativisation, transparency and accountability, social commitment, social, economy, equality and interco-operation;*
 - governance and participation: all members spend at least 40 hours in each year in participation fora such as: 2 or 3 assemblies per year, for strategic decision-making; informal spaces open to all staff; the governing council, elected by all members, management teams, committees, projects teams, strategic think tanks, reflection and action groups;*
 - the management model: this is based on reconciling the needs of three groups of stakeholders: staff, users and public bodies. This relies on excellence, serving the collective interest, finding win-win solutions, and sharing commitment.*
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SPHERICAL ORGANISATION AT ANG

ANG Spółdzielnia is a worker co-operative. It uses a spherical, non-hierarchical organisational model, with a high degree of autonomy given to co-workers. There are no formal directors or managers: members of teams and departments share jobs and responsibilities, and decide for themselves how to fulfil them. It ensures democracy by consulting task teams on all important decisions, and conducts frequent surveys among its workers. About half of co-workers are involved in at least one task team, and 10% volunteer regularly. 91% of co-workers are satisfied with their jobs as against a 70% national average, and labour turnover is minimal. ANG has won the Polish Best Employer of the Year award four times in succession.

Governance and Participation



VIABLE SYSTEMS MODEL AT SUMA

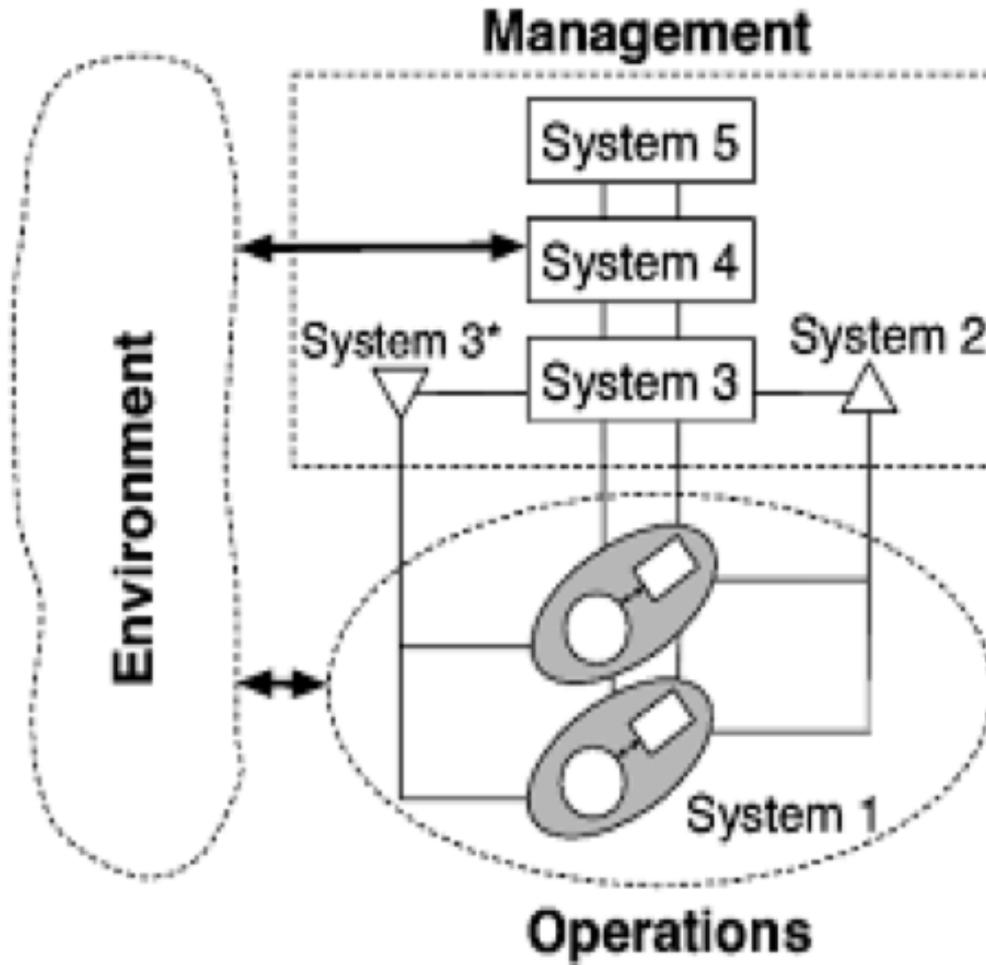
When it reached a size of about 35 people, Suma implemented the Viable Systems Model (VSM),¹⁸ a cybernetic tool developed by Stafford Beer and based on a study of how all living things survive. It holds that any organisation must structure itself to meet any possible changes in its environment (it must have 'requisite variety'). It must structure 5 'systems':

- 1. production/operations*
- 2. co-ordination/stability*
- 3. control/optimisation*
- 4. external view/planning*
- 5. policy/identity*

It is a recursive model (each sub-unit has the same systems as the whole enterprise). Each sub-unit is given total autonomy, limited only by the constraint that it must not disturb the equilibrium of the whole.

The use of the VSM enabled Suma's members to understand the importance of taking a structured approach to participation. It has now been superseded by a management system similar to that used by the Mondragón Group.

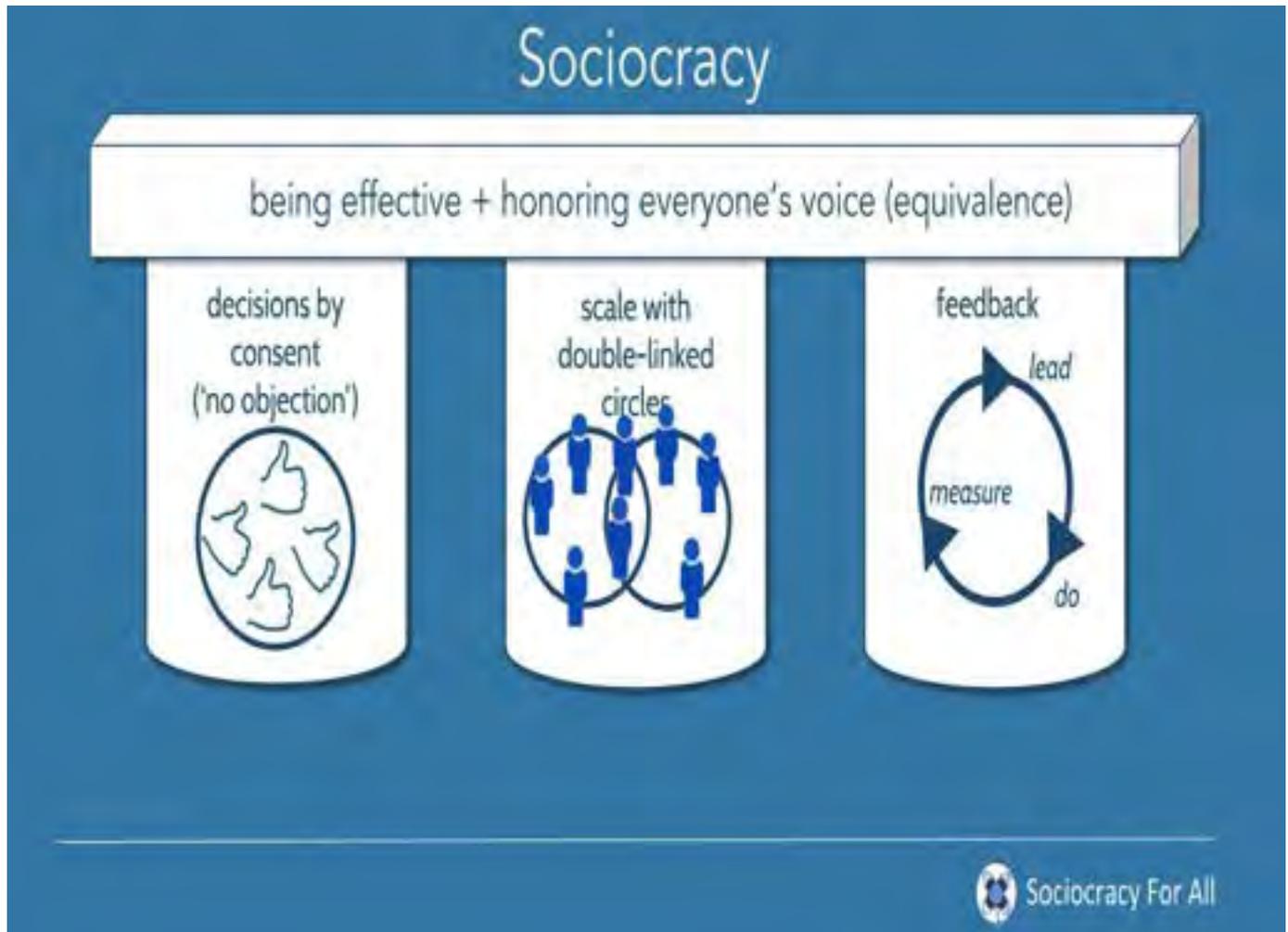
¹⁸ https://www.esrad.org.uk/resources/vsmg_3/screen.php?page=2_2cs2



CONCLUSIONS

It is also worthwhile to consider existing models of participatory governance such as **sociocracy**,¹⁹ developed by Kees Boeke, which is based on the following principles:

- Consider interests of all members and the whole
- Consent – everyone must accept decision – i.e. no objections
- All members must accept these unanimous decisions
- Group size less than 40. Delegate to representative group if needed



¹⁹ <http://sociocracyforall.org/sociocracy/>

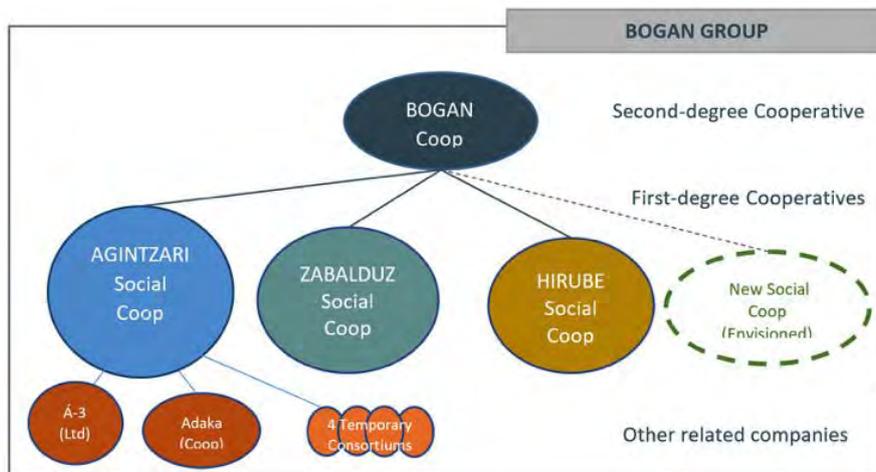
THE BENEFITS OF SOCIAL ENTERPRISE CAN BE EXTENDED BY SETTING UP UMBRELLA CO-OPERATIVES AND CONSORTIA

Social enterprises can benefit from economies of scale, for instance in purchasing, but without losing their individual characters and specialities, by forming secondary co-operatives or consortia. Because they are controlled from the bottom up, these structures preserve democratic control by the members of the original enterprises.

BOGAN – A SECONDARY CO-OPERATIVE TO TURN ROUND COMPANIES IN TROUBLE

As a result of the economic crisis of 2008-14, Agintzari faced the threat of for-profit companies moving into the Basque social services market. Agintzari's response to this has been to develop a modular growth model – to divide into several separate but co-ordinated companies. Its aim was to occupy all the niches of the market, while maximising agility, flexibility and innovation capacity. Its strategy is based on taking over and turning round social service companies that are in trouble, by transforming them into worker co-operatives.

To co-ordinate the actions of the various co-operatives, in 2019 it has established an umbrella co-operative called Bogan. The co-operative group also includes a number of smaller complementary co-operatives and companies. The group now turns over €25 million a year.



RECOMMENDATIONS

An important role for trade unions: Social enterprises should recognise the role trade unions can play in ensuring their employees' individual and collective rights. Trade unions should support the democratic practices typical of social enterprises, which act as role models for deeper and more inclusive social dialogue. The recognition of social enterprises in the Social Dialogue, already a reality in many Member States, should be given further value. Social enterprises and trade unions should strengthen their cooperation to improve workers' rights and preserve jobs through supporting worker buyouts of firms in difficulty, provided the necessary conditions are met.

Development of participatory governance models: Social enterprises should consider establishing umbrella and consortium structures which allow for scaling-up and growth, while preserving horizontal governance. The social enterprises sector should share its experience of the use of participatory governance models more actively, so that existing successful models can be replicated and adapted.

Multi-stakeholder governance: Social enterprises should consider various ways to better involve users in their governance. Provided that legal frameworks allow it and as an alternative to treating users simply as customers or beneficiaries, several ways of institutionalising user involvement are possible, such as:

- Users along with workers as general members

- Users and workers and users forming separate constituencies, each of which elects a quota of directors (as in multi-stakeholder co-operatives, where associating service providers/workers and service beneficiaries increases the quality of the service itself and its relevance)
- User representatives on a supervisory board or stakeholder council
- Users able to attend and speak, but not vote, at general meetings

The need for a supportive ecosystem: Social enterprises result from identifying possible solutions to social and societal problems. A range of different stakeholders (government, finance, culture, business, trade unions, civil society) must come together to formulate these solutions and give their support. One very good way to structure this support is through a supportive ecosystem linked through structures such as federations and consortia, which build the capacity of social enterprises to drive their own development. Such ecosystems consist of five main components:

- The legal and regulatory framework, which brings clarity, visibility and recognition
- Access to finance, which should be of a range of types and sources
- Access to markets, particularly through public procurement
- Business support structures, both generic and specialist, and catering for both start-up and growth
- Training and research, including the co-construction of policy through partnerships²⁰

²⁰ <https://www.oecd.org/cfe/leed/CBS-ecosystem-22-23-Apr15-Sum-report.pdf>

A recognition of the value of social capital: Social enterprises are founded to address social problems on the basis of strong values, which motivate stakeholders and give rise to the formation of social capital. This is a crucial asset in social enterprises' success, growth and resilience. Local and national authorities should recognise the potential of social enterprises to meet societal needs, improve public service provision, and reduce poverty and exclusion, while stimulating entrepreneurship.

Availability of appropriate finance: Sources of capital should be developed which are oriented to the long-term benefits of social enterprise success, and do not demand either immediate financial returns or control of the enterprise. These may be public funds, sometimes supported by European Union Structural and investment Funds or EaSI, or private social investors. Ethical stock exchanges such as Ethex²¹ in the UK can open up a market for such investments.

A growth path from voluntary to professional: As voluntary organisations providing services grow and mature, and require a sustainable legal structure, the association and co-operative families should work together to ease the passage from a voluntary to an enterprise mentality. Legislators should ensure that voluntary organisations (NGOs) are able to engage in trading as they work towards this transition to economic sustainability.

Social impact measurement: Social enterprises should make more use of social impact measurement and reporting as a way to publicise their values and achievements, to demonstrate to public authorities the social value that can be created through policies that support social enterprises, and to influence the behaviour of business more generally.

²¹ <https://www.ethex.org.uk/>

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RIGHTS TO GROW
information consultation
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help social enterprises grow



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