

# NEW TRENDS IN THE CREATION AND MANAGEMENT OF SOCIAL ENTERPRISES CASE STUDIES

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## Fundació Ared: An Example of Adaptation to Social, Economic and Legislative Changes

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## **Goals, Fields of Knowledge and Objectives of the Case Study**

This case study has three main goals. Firstly, it reflects on the need of entities to adapt to social, economic and legislative changes. Secondly, it opens a debate on the information the entity can contribute and where it stands in the social impact chain. Lastly, it opens the possibility of using the Common Good Balance Sheet as a management and communication tool for the company, with all its advantages and drawbacks.

This case study could be useful in subjects that address social enterprises, work integration enterprises, the social impact value chain or the Common Good Balance Sheet. It would be suitable for both, undergraduate and postgraduate students.

## **Introduction**

Fundació Ared was officially founded in 1994. The seed for this entity appeared several years earlier, in the Wad-Ras women's prison, located in the Poblenou neighbourhood in Barcelona.

A group of women attending a tailoring workshop in the prison expressed their concern over their ability to reenter the job market once they had served their sentence. Maria Teresa Rodríguez, who was in charge of the workshop, noted down these concerns and, together with other people, decided to create a space for training women serving sentence to facilitate their transition to life outside of prison and in the job market.

During its more than 25 years in operation, Fundació Ared has expanded its training capacities. This has been possible thanks to the successive extensions to its facilities, more support staff and volunteers, as well as increases in their funding. These changes have allowed them to raise the number of users that can benefit from the service, beyond the penitentiary environment.

Although, today, the part concerning the integration of women in prison is a small percentage, this collective is still considered to be the spirit of the foundation. It is also worth underlining that working with women in prison means taking on a long-term training commitment that may last between one and two years and which is difficult to compare with more specific, short-term training programmes. In Table 1 it can be seen that the number of female prisoners in Catalonia ranges between 400 and 600. Today, out of the 477 women serving sentence, 199 receive 3rd grade treatment, which often means they are allowed regular leave from the centre.

**Table 1.** The Evolution of the Number of Women in Penitentiary Centres

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Preventive	176	219	187	164	158	180	158	121	88	99	113	96
Sentenced	432	475	542	577	591	559	507	523	546	510	479	477
3rd grade	158	160	160	185	225	209	217	176	188	188	186	199

Source: Justice Department, Catalan Government

Although the number of women in penitentiary centres has not significantly lowered in recent years, it is worth pointing out that the support and training being offered in these prisons has improved.

In its beginnings, the training that Fundació Ared offered was exclusively in the textile sector, but the long crisis that this sector has suffered meant that this training was not the most suitable for favouring work integration. For this reason, different training programmes have been added over the years which increase the chances of obtaining employment. As of 2001, training began to be offered in catering. And today, there is also training for bakers and healthcare workers.

In 2016, the Fundació Ared created the work integration enterprise Salta<sup>1</sup> with the goal of helping some of the users who have received training from the Fundació Ared to find employment. To this end,

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1. To learn more about work intergration enterprises in Catalonia and their characteristics visit the following link: <http://treball.gencat.cat/ca/ambits/insercio-laboral-rmi-i-discapacitat/empreses-insercio/>

the company offers personalised support and structures adapted to their needs. Salta has two lines of activity: textile and catering.

## Activities of the Foundation

Below is a summary of the information that Fundació Ared, together with the work integration enterprise Salta included in their 2016 report and which serves to outline their activity.

The Ared team comprises 33 technicians, 64 hired employees in the work integration enterprise Salta and 63 volunteers. Therefore 379 families, live from the income that at least one member of the family brings home. If we add to this number the 64 people under contract with Salta, this brings the total number of families to 443.

The social support given to the students is undertaken through two figures, a social worker and a trainer, to ensure comprehensive support for each user, which goes beyond professional training alone.

- Training programmes. Over the years, 12 courses have been offered, which have been attended by 232 students.

- Public healthcare for people in social institutions (3 courses)
- Assistant in industrial clothes manufacturing (1 course).
- Basic cooking course (1 course).
- Basic cake-making course (1 course).
- Basic catering course (3 courses).
- Repairs and adaptation of textile and leather clothing items and accessories (3 courses).

- Work integration programmes. 1,161 people have attended these programmes, of which 379 have integrated into the job market - 52 of whom came from the penitentiary programme.

- Incorporate and Reincorporate Programme.
- Work Programme.
- Guidance and Support in Integration Programme.
- Active Integration Measures Programme (RMI - Minimum Integration Income)
- Comprehensive Youth Guarantee Programmes.

According to the 2016 annual report:

- People on the entity's courses/programmes: 1,270.
- People who have found work: 379.
- People coming from penitentiary centres who have found work: 52.
- Contracts from the work integration enterprise Salta: 63. Of these, 32 have tailoring contracts, 20 have catering contracts and 3 have bakery contracts. 70% were women of an average age of 47. The average age for men with contracts was 41.

The data from previous years is outlined below:

YEAR	2013	2014	2015	2016
Users	1.072	1.022	1.246	1.270
N° of work integrations	315	337	319	379
Percentage	29,38%	32,97%	25,6%	29,84%

The report also gives emphasis to the *Seed Project* managed jointly with the Daughters of Mary Help of Christians, an international religious congregation with a focus on education for young people. the *Seed Project* was used by 20 people and 300 family members of these users and a further 600 people in group activities.

The report also provides information on the events and visits that have taken place.

## Financial Data

Regarding Salta, the work integration enterprise, financial data for both its branches of activity are provided:

- Salta textile has worked for 62 clients and produced 40,000 units (bedclothes, work uniforms, etc.).
- Salta Catering has worked for 326 clients and provided 1,500 services, which have served 700,000 diners. Client satisfaction is very high.

	2012	2013	2014	2015	2016
Turnover (in thousands €)	750	800	1.000	1.100	1.400
Workers hired	50	49	64	54	64

Finally, the foundation published the consolidated and audited Balance Sheet and Profit and Loss Accounts, which are laid out below:

	<b>2016</b>	<b>2015</b>
Non-current assets		
I. Intangible fixed assets	1.975,10 €	2.821,76 €
II. Material assets	953.298,05 €	1.033.039,28 €
III. Long-term investments	5.600,00 €	5.600,00 €
Current assets		
I. Stock	95.475,55 €	141.016,30 €
II. Debtors and clients yet to pay	1.556.622,93 €	1.342.233,74€
III. Short-term financial investments	300,00 €	680,00 €
IV. Accruals	1.059,38 €	2.443,06 €
V. Cash and liquid assets	122.245,31 €	79.161,15 €
<b>Total Assets</b>	<b>2.736.576,32 €</b>	<b>2.607.885,29 €</b>
A) Net worth		
A-1) Own funds	574.014,39 €	356.825,82 €
A-3) Subsidies, grants and donations received	1.560.612,93 €	1.642.547,74 €
B) Non-current passive		
II. Long-term debts	118.688,27 €	145.830,32 €
C) Current passive		
II. Short-term debts, other accounts to settle	335.662,85 €	276.805,51 €
<b>Passive Total</b>	<b>2.736.576,32 €</b>	<b>2.607.885,29 €</b>

	<b>2016</b>	<b>2015</b>
1. Net turnover		
Sales and services rendered	1.388.036,40 €	1.173.406,23 €
Regular income, promotions, collaborators	462.705,88 €	468.009,54 €
Official subsidies and grants	307.221,26 €	357.745,35 €

Donations and other income	417.073,88 €	264.669,96 €
Other subsidies and grants transferred to income	717.532,27 €	431.190,97 €
2. Financial assistance awarded		
Social assistance, grants, meal centre	-193.309,43 €	-137.693,23 €
3. Stock variation		
Stock variation	17.674,93 €	18.357,07 €
4. Supplies		
Goods consumed, subcontracts	- 295.532,60 €	-279.195,95 €
5. Other income from activities		
Non-core income and management	194.327,56 €	186.794,41 €
6. Staff expenses		
Technical staff expenses	- 1.267.644,53 €	-1.211.350,79 €
Integration staff expenses	- 792.400,73 €	-790.086,56 €
7. Other operating expenses		
Rents, repairs, external services, supplies, insurance, course material, <i>Seed project</i> , etc.	- 688.161,56 €	-518.937,20 €
8. Depreciation		
Depreciation	- 140.450,39 €	-146.564,56 €
9. Grants related to assets		
Grants and capital donations	177.062,33 €	152.580,15 €
<b>Operating income</b>	<b>304.135,27 €</b>	<b>-31.074,61 €</b>
12. Financial income		
Financial income	0,15 €	13,46 €
13. Financial expenses		
Financial expenses	- 8.176,34 €	-10.795,77 €
18. Impairment losses or gains from sale of financial instruments		
Impairment losses or gains from sale of financial instruments	-16.492,28 €	
<b>Financial result</b>	<b>- 24.668,47 €</b>	<b>-10.782,31 €</b>
<b>Result before tax</b>	<b>279.466,80 €</b>	<b>- 41.856,92 €</b>
<b>Result for the financial year</b>	<b>279.466,80 €</b>	<b>- 41.856,92 €</b>

## Questions

The following questions, based on the data from the Fundació Ared's Annual Report, aim to encourage students to reflect on the entity's adaptative capacity and what can be ascertained from the published data.

### **How has the entity responded to changes that have arisen during its years in operation?**

- Considering the social impact value chain (annex 1), in what phase(s) would you categorise the information the entity provides in its report?
- With the information provided, answer the questions from annex 2 which enable an initial approach to drawing up the Common Good Balance Sheet.
  - In what areas is there a shortfall of information?
  - In what aspects do you think the entity's management and communication could be improved if you use the Common Good Balance Sheet?
  - How would you classify the information provided in the Common Good Balance Sheet within the social impact value chain?

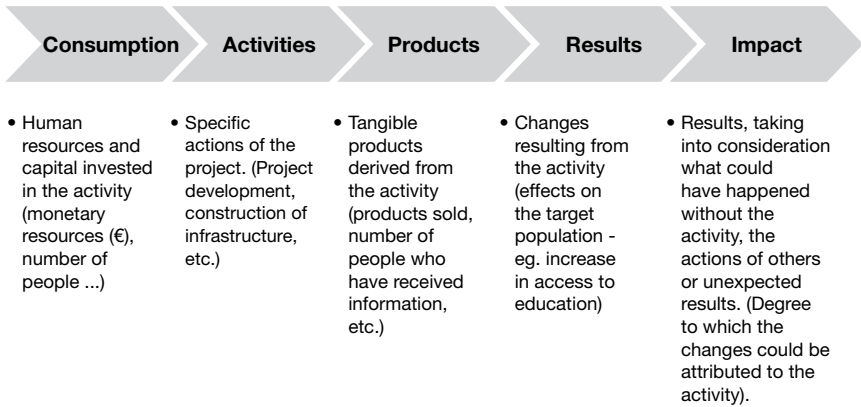
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Felber, C. (2015) "Economía del Bien Común: Un modelo económico que supera la dicotomía entre capitalismo y comunismo para maximizar el bienestar de nuestra sociedad". Editorial Deusto.

Fundació Ared. <http://www.fundacioared.org/es/memoria-anual/quienes-somos/34>



## Annex 1. Value impact chain



Source: AEF (2015)

## Annex 2. Quick Test for the Common Good Balance Sheet

Scoring:

- **0-2 No evidence**/isolated activity.
- **3-4 Some evidence**, but not integrated into the processes of the organisation.
- **5-6 Evidence of being integrated** in the processes **with lots of room for improvement**.
- **7-8** Evidence of being integrated in the processes with **some room for improvement**.
- **9-10** The evidence shows that the organisation is a **model example for the Common Good Economy**.

AREA	GOALS	POINTS
Ethical contracting/ Purchasing policy	My entity applies criteria for prioritising the contracting of ethical/responsible suppliers: locally sourced, fair trade, suppliers from the social economy, ecological products, etc.	
Ethical contracting/ Selection of suppliers	My entity selects its suppliers with transparency and non-exploitative conditions: fair prices, payment conditions, etc.	

Financial management	The financial management of my entity is focused on and carried out with ethical, social, environmental and inclusive criteria.	
Use of financial services	My entity usually works with ethical financial services (Ethical Bank).	
Working conditions	My entity has the mechanisms to guarantee dignified working conditions and a stable, good quality work contract (definition of workplaces, flexible hours agreed upon by both parties, collective agreements, etc.).	
Work health and safety, wellbeing	My entity has the mechanisms to promote health and safety at work, favour a healthy working environment and prevent psychosocial risk factors.	
Conciliation	My entity has the programmes to foster the balance between the different areas of life: personal, work and family.	
Equal opportunities and non-discrimination	My entity has the mechanisms to guarantee equal opportunities and non-discrimination in all the processes of selection, promotion, mobility and payment, etc. for reasons of gender, age, race, religion, or any other reason associated with basic human rights.	
Foster the employment of groups at risk of exclusion	My entity takes into consideration the hiring of people or groups at risk of exclusion from the job market.	
Training	My entity provides training programmes to improve the professional development of its workers.	
Responsible consumption	My entity undertakes actions that promote healthy eating and responsible consumption among employees. It also fosters the reduction of packaging, and the recycling and reuse of consumed products.	
Responsible payment	My entity has a payment system that ensures that the lowest salaries guarantee a financially dignified life and that the differences in salaries are proportional to the levels of responsibility.	
Transparent payment	The payment system in my entity is transparent and shared.	

Participation in collaborative initiatives	My entity collaborates with other companies or entities to improve the contribution of its products or services to society (sharing information, knowledge, resources, volunteer work, etc.)	
Environmental management	My entity undertakes actions to minimise the negative environmental impact of its products or services.	
CO2 emissions	My entity measures and compensates for the CO2 emissions arising from its activity.	
Cooperation and solidarity	My entity undertakes actions of cooperation and solidarity, whether as an enterprise or by promoting volunteer work.	
Financial transparency	My entity provides transparent information regarding the generated financial value and how this is distributed among the different associated collectives.	
Access to information	My entity publishes periodic and transparent information about its contribution to the common good and facilitates its verification.	
Participation in the community	My entity participates with other organisations in initiatives that make contributions to the common good of the community.	
<b>Total score (absolute value)</b>		

The scale of the Economy for the Common Good is from 0 to 1,000, to align the scores take your total score out of 200 and multiply it by 1,000

### Annex 3. The Common Good Matrix

	HUMAN DIGNITY	SOLIDARITY	ENVIRONMENTAL SUSTAINABILITY	SOCIAL JUSTICE	DEMOCRATIC AND TRANSPARENT PARTICIPATION
Suppliers	A1: Ethical management of the supply chain				<b>90</b>
Financers	B1: Ethical management of finances				<b>30</b>
Workers (including owners)	C1: Quality of workplace and equality <b>90</b>	C2: Fair distribution of work <b>50</b>	C3: Promotion of environmentally friendly behaviour among the staff <b>30</b>	C4: Fair distribution of profit <b>60</b>	C5: Internal democracy and transparency <b>90</b>
Customers/ Products/ Services	D1: Ethical customer relations <b>50</b>	D2: Solidarity with other companies <b>70</b>	D3: Environmental approach to products and services <b>90</b>	D4: Social approach to products and services <b>30</b>	D5: Improve social and environmental standards in the sector <b>30</b>
Social environment. Promotion of common good values.	E1: Social effect/ Meaning of the product/ service <b>90</b>	E2: Contribution to the community <b>40</b>	E3: Reduction of environmental impact <b>70</b>	E4: Profits invested in the common good <b>60</b>	E5: Social transparency and participation in decision-making <b>30</b>



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### **Entitats col·laboradores**

