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**THEORETICAL MODEL FOR IDENTIFY SOCIAL  
ENTREPRENEURSHIP. THE HOUSING CO-  
OPERATIVES IN SETÚBAL CASE STUDY**

**José Simões  
Boguslawa Sardinha  
Luísa Carvalho**

Escola Superior de Ciências Empresariais, Instituto Politécnico de Setúbal,  
Campus do IPS, Estefanilha, 2914-503 Setúbal - Portugal

E-mail: [jsimoes@esce.ips.pt](mailto:jsimoes@esce.ips.pt)

E-mail: [bsardinha@esce.ips.pt](mailto:bsardinha@esce.ips.pt)

E-mail: [lcarvalho@esce.ips.pt](mailto:lcarvalho@esce.ips.pt)

**Abstract**

*Social innovation is a fundamental issue of social entrepreneurship. Private and public organizations and civil society could organize themselves to solve their needs and cooperative sector has a particular role in this area. Sometimes, civil society creates associations to solve their particular problems, and their action has a large scope in social areas.*

*The aim of this paper is to show a theoretical model with a set of qualitative indicators applied to identify social entrepreneurship.*

*In order, to test this theoretical methodology, we would like to apply it to the cooperative sector as a case study. This case study has to do with House Cooperatives in Setúbal, Portugal.*

*Based on the experience and in the analysis of this case study, after evaluating it, we would like to consider the possibility of applying the current model to future situations elsewhere.*

**Key Words:** *Social entrepreneurship, Social Innovation, evaluation, Social responsibility indicators.*

**Introductory Note**

Nowadays Welfare State in Western Societies faced great challenges. At the moment, the rivalry among social protection and economic growth is being challenged. More than ever, there is the acknowledgment that social spending for some intention and/or in some forms will be able to improve both economic growth and social development. Reflecting on this, the best social policy alternatives imply social entrepreneurship, which can be the solution for many social needs.

The approach of this paper is to analyse social entrepreneurship and try to build a theoretical model with qualitative indicators in order to evaluate it, through the case study methodology.

**THEORETICAL APPROACH****1 Entrepreneurship and entrepreneur. Looking for a definition.**

The increase of studies about entrepreneurship, recognize their importance to the economic development. The literature shows any entrepreneur and entrepreneurship definitions, so can be useful to identify the approach followed in this paper. We follow Hayeck's approach (1974, quoted in Domínguez, 2002), he defines entrepreneur as someone who searches and uses data in order to meet new opportunities. According to Hayeck, the entrepreneur is the key to the economical growth.

We may consider two types of motivations:

- Extrinsic motivation: the one which leads (Harrison and Hart, 1983) the entrepreneurs to business, because they are unemployed or in risk of unemployment. This way, they could create a business of their own.
- Intrinsic motivation: the one, which leads the entrepreneurs to business, because the opportunities of self-employment are very attractive. As far as intrinsic motivation is concerned, economic cycles and the trust indicators are very important.

**2 Common challenges for Welfare State**

For the past two decades the Welfare State redefined their role. Huber and Stephens in a previous study (1998) make a quantitative and comparative case

study on Welfare State concluding that rollbacks and restructurings in Welfare State programs have been a universal phenomenon in the last two decades, some programs mainly public pension systems, have been significantly restructured of which the benefits have not been significantly cut but taxpayers have been increased to make the pension system viable.

In the United States, the reasons for the concern "are the threatening deficit in social security that may result from the retirement of the baby boom generation and the budget constraints arising from political decisions in the 1980s to cut taxes" (Huber, 1999, p 2)

In the last 20-25 years, Europe faced some alterations in its demography, economy and social fields, which implied profound changes in the role of Welfare State, essentially in social protection. The welfare state "should not only cover social risks, traditionally defined by unemployment, illness and disability and old age) it should also cover new social risks (lack of skills, causing long-term unemployment or poor employment single parenthood) and respond to new social needs (namely, the need to reconcile work, family life and education, and the need to be able to negotiate changes within both family and workplace, over one's entire life cycle)" (Carvalho, 2003).

State must be preventive, not only engage in a social spending but also in social investment (like education and training).

But, state can not solve the several problems of the population, so social enterprises have a fundamental role in this area.

**3 Social Entrepreneurship as a strategy to improve welfare society**

Social entrepreneurship "means the possibility to do something (in social field) using the innovative way, which brings permanent results to the people with special social needs" (Carvalho, 2003).

Consequently, we may state that all social agents (State, Social Enterprises, Enterprises and Households) may also be social entrepreneurs. Each one of them can make decisions, according to this role, helping to improve Capabilities (Sen, 1979).

According to Dees, social entrepreneurs play the role of agents of change in social sector by: "Adopting a mission to create and sustain value (not just private value); Recognizing and relentlessly pursuing new opportunities to serve mission; Engaging in a process of continuous innovation, adaptation and learning; Acting

boldly without being limited by resources currently in hand, an exhibiting senses of accountability to the constituencies served and for the outcomes created." (Dees, 1998, p 4)

We can state that social entrepreneurship could have similar characteristics to public goods. Two features characterize public goods:

1. Non-rivalry: Goods that can be consumed concurrently by more than one individual;
2. Non-excludability: Goods that can be accessed freely.

Social Entrepreneurship "improves welfare society, everyone could enjoy his or her benefits. Those with the special social needs can be helped in the solution for their problems. For the other ones, social entrepreneurship might be a benefit in order to sustain a status quo society and social order (minimize social risks, like criminality, gangs)" (Carvalho, 2003).

The inter relation between the four social agents can originate social innovation, in particular, social solutions to solve social problems, in a period of historic transformation of the Welfare State.

#### 4 Social Innovation

Social entrepreneurship is directly related with social innovation. We may define social innovation as "the development and application of new or improved activities, initiatives, services, processes, or products designed to address social and economic challenges faced by individuals and communities" (Goldenberg, 2004, p.1).

This issue has particular importance in the non-profit sector. This sector plays fundamental role to help vulnerable people, and to solve social needs. Today, non-profit sector develops strategies in order to improve well being and quality of life, particularly in the regional communities. The sector was considered as one whose promote the social innovation.

Chaland, quoted by Goldenberg (2004), argued, "Grassroots community organizations represent a major infrastructure for innovation at the local level. They make use of the expertise an commitment of local citizens, mobilizing them to contribute to their communities" (p.2).

#### 5 Social Responsibility Indicators

In the last years the definition of social responsibility has been changed. Initially, to be socially responsible would implies only an economic vision. Today, this concept includes also social and environmental dimensions.

Friedman (1970) defines social responsibility as: "there is one and only one social responsibility of business—to use its resources and engage in activities designed to increase its profits so long as it stays within the rules of the game, which is to say, engages in open and free competition without deception or fraud." Keith Davis, argues (1960), "Business social responsibilities refer to the businessman's decisions and actions taken for reasons at least partially beyond the firm's direct economic or technical interest". However, the majority of the definitions describe Corporate Social Responsibility as a voluntary integration of social and environmental concerns by enterprises in their interaction with internal and external stakeholders.

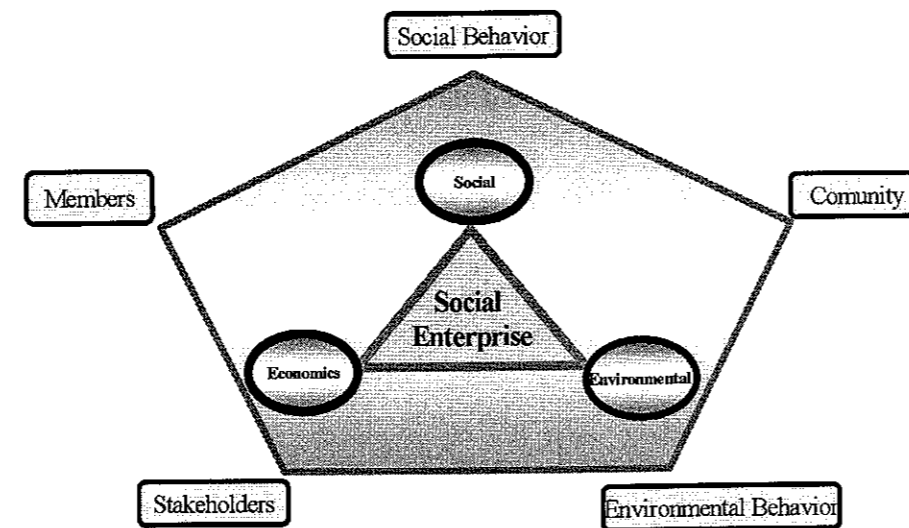
Nevertheless, the enterprises considering their social responsibility, in some cases it's necessary implement management skills which recognise this knowledge. This task only was doing through a long-term strategy.

There are several indicators to measure social responsibility. The performance indicators are grouped under three sections covering the economic, environmental and social dimensions. This grouping is based on the conventional model of Sustainable Development (GRI, 2002).

We decided to apply these indicators, because they allow the comparison between organizations around the world, in order to reduce the social marketing and increment relevant data.

#### 6 Theoretical Model to identify Social Entrepreneurship

A Theoretical model was built based on GRI indicators. However, the application of GRI indicators according to the above mentioned model to social enterprises implies an adaptation of general indicators to the specificity of this kind of enterprises. Among those indicators, we decided to select five dimensions: Social behaviour, Environmental behaviour, stakeholders, community and members. These five dimensions was crossed with the three pillars of social responsibility: Economics, social and environmental dimensions.



Source: Authors construction

Figure 1. Theoretical Model

## CASE STUDY: HOUSING CO-OPERATIVES "BENVINDA À LIBERDADE" SETÚBAL

### 1 General Characterization

The objective of the cooperatives is to provide dignifying lodgings especially to the lowest income people, in order to increase their quality of life through the housing cooperative strategy.

A cooperative is a group of people working together in a joint economic activity that is owned and operated by its members for their mutual benefit.

In a housing cooperative (or co-op), a housing development is jointly operated by its members. They own membership certificates in the corporation, giving them the right to occupy a dwelling unit and participate in the operations of the corporation.

The Co-operative "Benvinda à Liberdade" founded on the 13<sup>th</sup> of November 1976 is located near Setúbal and about fifty kilometres south from Lisbon. It was established by the local people, by migrants and with the support of local administration. The Co-op is located in the periphery of Setúbal, between an industrial area called Mitrena and estuary of Sado River.

This co-op came to exist due to the need to provide dignified housing to the population who migrated from rural areas to the city, zone increasing the demand for houses. This region had other problems like territory ordainment, basic infrastructures and clandestine housing. This was a very poor zone inhabited by factory and agriculture workers and by fishermen with a high rate of illiteracy (about 32% of adult population).

During almost thirty years of activity, the co-op produced a great impact on local community. First the attraction effect: when the cooperative started to operate, the village of Faralhão had below 500 population (150 cottages), now it has about 8.000. Co-op is the great constructor in the whole area with about 400 houses constructed. It's important to refer that the co-op constructs only cottages, in order to preserve natural characteristics of the region.

### 2 Policies, Principles and Mission

Considering the cooperative principles its role, its activity and the connection of the cooperative management to local communities and, considering also the knowledge of local problems, the cooperative is very efficient in getting solutions for many housing problems. All of the directors are elected from the cooperative membership, which means that every one can eventually become a cooperative director. The board is also responsible for the enforcement of cooperative rules and regulations. Since board members are also cooperative members, they must follow the same rules and regulations followed by everyone.

The cooperative principles are really important to and they define many c details of cooperative management.

The specific details are:

1. Principle 1: Voluntary and Open Membership
2. Principle 2: Democratic member Control
3. Principle 3: Member Economic Participation
4. Principle 4: Autonomy and Independence
5. Principle 5: Education, Training and Participation
6. Principle 6: Co-operation among Co-operatives
7. Principle 7: Concern for Community

*Principle 1: Voluntary and Open Membership*

"Membership of a cooperative is voluntary and without artificial restriction or any social, political, racial or religious discrimination. It is open to all persons who can make use of services and who are willing to accept the responsibility of the membership".

While open membership means that anyone who can use the co-op's services and fulfils its membership obligations may join, a person whose intent is to harm the cooperative may be barred from membership.

In cooperative housing it's possible to refuse the acceptance of members who live outside their trading area, or whom they cannot physically accommodate. For example, a housing cooperative can limit membership to the number of living spaces it has available.

*Principle 2: Democratic Control - One Member -- One Vote.*

"Co-operatives are democratic organizations, controlled by their members, who actively participate in setting their policies and making decisions"<sup>1</sup>

This principle, probably more than any other, insures the continuing cooperative character of an organization. An individual or small group can control an entire organization. The one-member-one-vote principle provides against control by a few, for the benefit of the few.

An individual member of a democratically controlled organization has equal rights, but also equal responsibility.

It is important for democratic organizations to remain open to new ideas, even opposing ones, as co-op philosopher Paul Lambers said, "The essence of democracy is that it makes it possible for any opposition to express itself at any

time." Welty translates Co-op Principle 2 into a personal ethical code: "As I share ownership of this cooperative: I shall grow into the responsibility of making my share of the co-op's leadership decisions in collaboration with other members, and I shall support others into their growth to leadership. I shall develop my skills in the art of democracy."<sup>2</sup>

*Principle 3: Member Economic Participation*

International Co-operative Alliance – ICA Rules Policies, Procedures & Standing Orders.- September 2003

"Member contribute equitably to and democratically control, the capital of their co-operative."<sup>3</sup>

Like other businesses, cooperatives need capital to work with. Members invest money in their co-op to provide it with the capital it needs to serve their consumer needs effectively and to support an organization whose goals they believe in. Such share capital should receive a strictly limited rate of interest.

The original Rochdale Society's bylaws read: "Returns on member investments shall not be more than the prevailing bank interest rates; dividends do not fluctuate; and co-op stock is not to be speculatively traded. Co-ops, which develop systems for member capitalization, are more likely to be able to provide the services their members expect. The stronger the structure of member ownership, the stronger the guarantee that the co-op will have a long and healthy life."<sup>4</sup>

*Principle 4: Autonomy and Independence*

"Co-operatives are autonomous, self-help organizations controlled by their members"<sup>5</sup>

*Principle 5: Education training and Information*

"Co-operatives provide education and training for their members, elected representatives, members and employees so they can contribute effectively to the development of their cooperatives"<sup>6</sup>

Co-op education is very important for their members. Co-ops frequently hire as managers or elect to their board of directors, people with good business training but no co-op experience.

When a co-op is honest and informative about the products it sells (houses), it provides a valuable service (in housing co-operatives it may: be repair houses and preserve housing services) for its members and, at the same time, establishes its own credibility as their buying agent.

Co-op education is also important to build more cooperatives and to prepare more people to conduct the destinies of co-operatives in the future.

*Principle 6: Co-operation among Co-operatives*

“Co-operatives serve their members most effectively and they strengthen the co-operative movement by working together throughout local, national regional and international structures”

It's usual to maintain cooperation with culture cooperatives and leisure co-ops and also integrate the shops of consumer co-operatives in housing cooperative's quarters.

*Principle 7: Concern for community*

“Co-operatives work for the sustainable development of their communities through polices approved by their members”<sup>7</sup>

Co-operatives do they work on this issue on housing cooperative, teaching their members the importance of sustainability and preservation of territory in order to maintain the quality of life on co-operatives quarters.

**3 Social Responsible Actions**

In order to identify the best practices of the “Benvinda à Liberdade” co-op, we applied our theoretical model, designing a table where we identify the best practices.

Table 1. The best practices of “Benvinda à Liberdade” Co-operative. Applying theoretical Model to the case study

	<b>Economics</b>	<b>Social</b>	<b>Environment</b>
Environmental behaviour	With municipal licence to build houses of up to four floors. However, in order to preserve the environment, the option was for cottages even if it meant an increase in building prices.	The building tried to keep the characteristics of the rural residents, with a kitchen garden	The cottages were built according to the local community characteristics
Social Behaviour	Assurance and Security Plans for the employees (Building industry)	- Nursery - Voluntary actions - Employment given to people with disabilities - Cooperation with arrested people for their social integration	Improvement of the environment and of standards of life by pressuring enterprises to reduce pollution and to avoid river dumping
Community	Bank filial	- Monetary help to temporary unemployed persons (with a flexible payment plan) - Promotion the quality of lives on coop quarters. Culture groups like: Coral Group “Os Unidos do Alentejo”; Theatre, Music, Salon dance, Cyclist group, and dancing parties especially for the elderly <sup>8</sup>	- Creation of picnic parks - Preservation of indigenous vegetation - Biological farm and camping - Active participation on “Esteiros” Association. This association promotes the environmental preservation of Sado Estuary <sup>9</sup>
Stakeholders	- Employment creation <sup>10</sup> (About 200) - Training Centre (painting, locksmith's workshop, carpentry, furniture). They didn't outsourcing, and	Social entrepreneurship (The 355 housing for members)	Friendly relations with NGO's

	building with best quality and lower costs.		
Members	Investment in housing preservation, through the maintenance and conservation fund; - Management to ensure economic sustainability	Social integration of rural people coming from other region (Alentejo)	Environmental Education Projects

### Concluding remarks

Sustainability objectives are sometimes viewed as difficult or contrary to the current interests of business and the economy. In all sectors of the economy and government, however, examples abound where sustainability objectives have simultaneously led to economic, environmental and social benefits.

The cooperative is also a great school because their new members are able to learn how to handle business transactions and management of a housing Co-operative and learn to work with fellow members toward the common good of all concerned. The member also must learn how to manage property together with all the other Co-operative members.

We may consider Benvinda à Liberdade Housing Co-op as one of non-profit organization that's playing a key role in fostering social innovation in Setúbal region, and also as an example of a social entrepreneur.

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## Endnotes

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<sup>1</sup> International Co-operative Alliance – ICA Rules, Policies, Procedures & Standing Orders – September 2003

<sup>2</sup> Quoted by <http://www.unh.edu/gbfc/history/principles.htm>

<sup>3</sup> International Co-operative Alliance – ICA Rules, Policies, Procedures & Standing Orders – September 2003

<sup>4</sup> Quoted by <http://www.unh.edu/gbfc/history/principles.htm>

<sup>5</sup> International Co-operative Alliance – ICA Rules, Policies, Procedures & Standing Orders – September 2003

<sup>6</sup> idem

<sup>7</sup> idem

<sup>8</sup> The co-op give financial and logistics support for all this groups and also financial support for participation of those groups on national meetings and contests.

<sup>9</sup> From a natural point of view, this protected area presents a huge ecological importance with vegetation extending as far as the salty water at the river mouth, marshes, loan which comes and goes with the tide and many species contained there.

<sup>10</sup> The employment creation has two types:

1<sup>st</sup> services supplied by co-op to the community (post office, entertainment room, offices, training canter)

2<sup>nd</sup> Building industry (they build the houses)