

## Chapter 84

# Social Entrepreneurship in Sheltered Employment Centers: A Case Study of Business Success

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### ABSTRACT

*Sheltered Employment Centers (CEE) are part of the social economy companies, based on the primacy of people over capital, social benefits and solidarity. Its aim is to carry out productive work and they are a means of integration of the greatest possible number of disabled people. There is a growing interest in this type of business, because its number has increased considerably. The objective of this chapter is to give academic visibility to CEE due to its great contribution to the social corporate responsibility, and to encourage the so-called social entrepreneurship. The reasons for creating social firms are analyzed and the characteristics that can contribute to the success of this type of companies are studied. Using the case study methodology, a CEE is analyzed in depth showing the main features of social economy business by means of a specific case and the key variables that has conducted to its success.*

### 1. INTRODUCTION: SOCIAL ECONOMY

The financial crisis started in 2008 has highlighted the need for a revision of principles that guide businesses. Concretely, in Spain the unemployment rate arose more than 25% and GDP annual variations have been negative since 2008. However, in a capitalist context, there is a growing interest in businesses whose main objective is to serve a collective or the society in general. The so-called ‘social economy’ sector and the principles on which it is based are becoming more and more important, representing around

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12.5% of GDP in Spain<sup>1</sup>. The legal framework in Spain for this sector is the Law 5/2011, March 29<sup>th</sup>, on Social Economy. This regulation defines social economy as the private set of economic and business activities that pursue the interest for a particular collective or the general economic and social interest. The principles that guide this type of companies are based on the primacy of people over capital, the social and equitable sharing of benefits and solidarity. Moreover, the development, promotion and encouragement of social entities are considered as a general interest task. Article 5 of Law 5/2011 considers that social insertion enterprises, cooperatives, worker-owned companies, mutual companies, foundations and sheltered employment centres (CEEs) are part of the social economy. Yet, the European Commission declares that “social enterprises devote their activities and reinvest their surpluses to achieve a wider social or community objective either in their members’ or a wider interest. Therefore, there is a social dimension to its initiatives, that is: an initiative launched by a group of citizens, a decision-making power not based on capital ownership; a participatory nature, which involves the persons affected by the activity; limited profit distribution and an explicit aim to benefit the community (work integration, personal services and local development disadvantaged areas).”<sup>2</sup> Taking into account the European Commission criteria, social enterprises would be the insertion enterprises, sheltered employment centres and social initiative cooperatives (Triper, 2015).

In Spain CEEs are socially responsible companies because they play an important role for society in helping people with disabilities to enter the labour market but also in a normal life. A sheltered employment centre is a business in which at least 70% of its workers are disabled people (with an official certification of disability degree higher than 33%) and because they are being responsible companies, they receive public financial aid for their creation, for business payments, for social security, for maintenance of jobs, etc. (Royal Decree 2273/1985 of 4<sup>th</sup> December). Therefore, the creation of social enterprises, in general, and a sheltered employment centre, in particular, involves a new kind of entrepreneurship and the emergence of the figure of social entrepreneur.

The aim of this paper is to characterize the social entrepreneur profile in a CEE giving academic visibility due to its great contribution to the social corporate responsibility and to encourage the so-called social entrepreneurship. Therefore, the reasons for creating social firms are analysed and the characteristics that can contribute to the success of this type of companies are studied. Using the case study methodology, a CEE is analysed in depth. A case study is also important for building theories (Eisenhardt, 1989). This CEE was founded ten years ago and, at present, it is in an expansion process.

The principal contribution of the paper is to show the main features of social economy business by means of a specific case and the key variables that have led to its success. In particular, we show that CEEs are profitable firms if managers run them in a professional way. In our case, a solid financial situation with high solvency ratios, a good financial leverage and low level of short-term debts are fundamental for success. Its high gross margin is due to this company having used the official subsidies for promoting disabled employees to get an advantage in its labour cost structure. There is a tradeoff between possible workers’ inefficiency (because they have a disability) and their lower labour costs. Additionally, in our case study, there is also a positive return for the Public Administration with CEE because they give more than they really receive. This means that these business tactics have the potential to increase overall social well-being and the creation of value for the company. Moreover, external and internal managerial competences are part of the success of the CEE analysed, apart from the established strategic plans and training programs as main tools in its management system. Professionalization is essential for its survival in the market and for its sustained growth, without forgetting the manager’s discipline with work, along with the inspiration, initiative and humility. Thus, we can learn from this case the viability of social firms,

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