

Studies on Entrepreneurship, Structural Change
and Industrial Dynamics

María Isabel Sánchez-Hernández
Luísa Carvalho · Conceição Rego
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Entrepreneurship in the Fourth Sector

Entrepreneurial Ecosystems and
Sustainable Business Models

 Springer

Studies on Entrepreneurship, Structural Change and Industrial Dynamics

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Introduction



María Isabel Sánchez-Hernández, Luisa Carvalho, Conceição Rego, María Raquel Lucas, and Adriana Noronha

Abstract New entrepreneurship ventures have emerged from the fourth sector in the last years. This book aims to address the main characteristics and driving forces of this phenomenon, the strategic business practices, and the role of the social entrepreneurship in attaining a more harmonious and sustainable development.

Keywords Fourth sector · Entrepreneurship · Social economy · Hybrid business models · Sustainable development · Sustainability

New entrepreneurship ventures have emerged from the fourth sector in the last years. This book aims to address the main characteristics and driving forces of this

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phenomenon, the strategic business practices, and the role of the social entrepreneurship in attaining a more harmonious and sustainable development.

In particular, this book explores new business models, social innovations, marketing and strategy practices, governance issues, urban activism, and social movements along the fourth sector. It also embraces the emerging social and sustainable entrepreneurship phenomenon, with focus on urban and regional entrepreneurial ecosystems and structural change in society for a better future.

This comprehensive and timely publication aims to be an essential reference source, building on the available literature in the field of social and sustainable entrepreneurship and the scarce specific academic literature devoted to the fourth sector. This book aims to address a range of approaches including, but not limited to, the conceptual, theoretical, and case studies related to these developments. In a quest to present research related to the fourth sector, this book contains 15 chapters divided into three sections. The first section regards the conceptualization of the fourth sector, and it includes five chapters. The second section concerns the hybrid models of the fourth sector, and it contains five chapters. The third section offers insights and new trends on the fourth sector, and it also includes five chapters. The next paragraphs detail the book structure, meaning its sections and respective chapters.

1 Approaching the Fourth Sector

Second chapter, “The Fourth Sector: The Future of Business, for a Better Future,” written by Sanchez-Hernandez, Carvalho, Rego, Lucas, and Noronha, is an introductory chapter that aims to discuss the role of the fourth sector in shedding light on the new entrepreneurial ecosystems for new sustainable business models.

Third chapter, “Cultivating the Fourth Sector: Active Citizenship and Governance in Urban Change Process,” written by Gonçalves, presents the active citizenship in the context of the fourth sector and its role in a “collaborative society.” Additionally, this chapter argues the emergence of new values using the narrative of the formation and activity developed by the “Caracol da Penha” Movement.

Fourth chapter, “Municipal Policies in Spain to Promote Sustainable Development Goals (SDGs): An Approach to the Fourth Sector,” written by Gutierrez-Ponce, Chamizo-Gonzalez, and Cano-Montero, analyzes the behavior of different municipal budget policies and their relationship to the 2030 Agenda’s Sustainable Development Goals (SDGs). This study relates municipal budgetary actions to the SDGs and private companies that pursue social goals as well as economic benefit—that is, firms composing the fourth sector.

Fifth chapter, “Disability as a Driving Force of Sustainable Business Models in the Fourth Sector,” written by Alonso-Martínez, Jiménez-Parra, and Fernández-Gago, explores the case of the Spanish organization called “Solidaridad y Trabajo Virgen del Camino” (SOLTRA) as an example of an innovative experience in the fourth sector that has achieved the triple bottom line of sustainability: economic, social, and environmental performance.

Sixth chapter, “Reflections on Hybrid Corporations, Social Entrepreneur, and New Generations,” written by Rabazo-Martin and Rodriguez-Rivero, shows generational characteristics to glimpse as to whether they fit the type of person that these new formulas of social entrepreneurship require. It also discusses several aspects such as how generations Y and Z opt for hybrid structures and new business models.

2 Social Innovation: Hybrid Models in the Fourth Sector

Seventh chapter, “Social Innovation in Theory and Practice: European Policies, Strategies, and Experiences,” written by Mello, Pinto, and Pedro, explores the relevance of social innovation in a practical and a theoretical perspective. It presents several characteristics that frame this debate as well as examples of social innovation strategies, incentives and supports in the European Union and its member-states, with a special emphasis on Portugal’s Social Innovation.

Eighth chapter, “Social Innovation for Sustainability and the Common Good in Ecosystems of the Fourth Sector: The Case of Distribution Through Alternative Food Networks in Valencia (Spain),” written by Belda-Miquel, Ruiz-Molina, and Gil-Sauratries to address the diversity and complexity of a set of alternative food networks (AFN) for creating more sustainable communities, proposes a framework based on concepts from the literature on the fourth sector and on social innovation.

Ninth chapter, “Energy Cooperatives: Socially Innovative Cooperative Enterprises in the Spanish Renewable Energy Industry,” written by Perez-Suarez, Sanchez-Torné, Baena-Luna, and Garcia-Rio, provides empirical evidence on the peculiarities of national businesses among the energy cooperatives in Spain. The aim of this evidence is that of finding the social dimension of these social enterprises in the fourth sector. Spanish energy cooperatives can be included into the fourth sector and positively combine ecological and social aims with economic goals.

Tenth chapter, “The Case of “La Hormiga Verde”: Recycling Electronic Waste (E-Waste) as a Paradigmatic Example of a New Entrepreneurial Trend in the Fourth Sector,” written by Tato-Jiménez, Carrillo-Durán, and García-García, proposes an emblematic case study to analyze an entrepreneurial sustainable example in the fourth sector.

Eleventh chapter, “Managing Creative Industries Through Cooperation: An Evidence of New Business Models in the Fourth Sector,” written by Cerdá, describes the implementation of Lean Six Sigma methodologies in the context of the cooperation between several institutions, evidencing new business models in the fourth sector.

3 Insights and New Trends

Twelfth chapter, “New Trends in Marketing Aimed at the Fourth Sector in the Fashion Industry,” written by Nuñez-Barriopedro and Llombart Tarrega, presents the case of ECOALF, a company that implemented a marketing strategy that revolves around sustainable marketing.

Thirteenth chapter, “Effects of the Orange Economy on Social Entrepreneurship in the City of Medellín,” written by Malavera Pineda and Calle Piedrahita, identifies the effects of the orange economy on social entrepreneurship based on the fourth sector. The orange economy integrates actions into their business models to create positive social and economic impacts.

Fourteenth chapter, “Understanding Sustainable Entrepreneurship in the Fourth Sector Through Integrated Balances: The Case of Uruguay,” written by Ramos, analyzes the fourth sector in the light of Integrated Balance (IB). The author considered that IB constitutes an antecedent of a future development in the fourth sector, a driving force that will define its evolution in the near future. IB allows for a better understanding of how profits and real cost of production coexist and whether or not it is worth for traditional (pro-profit) companies to report IB.

Fifteenth chapter, “May ‘For-Benefit’ Businesses Help Sustainability in Future Healthcare Services?” written by Cunha and Dias, discusses a set of topics related to the impact of demographic changes in western societies, the progressive aging of the population, and the increased incidence of disabling chronic diseases, with a significant pressure on health systems that are demanding a new approach to healthcare. This chapter highlights the role of “for-benefit” businesses in framing the future of healthcare.

Sixteenth chapter, “Beyond Business: Understanding the Foundations and Practices of Corporate Activism,” written by Lopez-Aza, Pintado-Blanco, and Sanchez-Herrera, examines the emerging phenomenon of corporate activism and its relationship with the fourth sector. More specifically, it describes the ecosystem in which the companies performing activist practices operate.

This book allows an enlarged perspective, theoretical and empirical, on an issue that is still quite unknown in the field of social innovation, namely, the fourth sector, as it provides a set of perspectives related with conceptualization, hybrid models, and new trends on the fourth sector.

Part I
Approaching the Fourth Sector

The Fourth Sector: The Future of Business, for a Better Future



María Isabel Sánchez-Hernández, Luisa Carvalho, Conceição Rego, María Raquel Lucas, and Adriana Noronha

Abstract We are facing a new trend in doing business moving beyond corporate social responsibility where new hybrid business models are formed to address a variety of societal and environmental challenges. The fourth sector can be defined as the group of organizations, models, and practices whose objective is to solve the great problems of the twenty-first century, combining elements from the three traditional sectors: the public, the private, and the nongovernmental. The fourth sector is rising in different forms in this new entrepreneurial landscape such as social enterprises, business-owned enterprises, cross-sector collaborations, and B corporations. Businesses within the fourth sector are blended value organizations because they pursue social and environmental goals at the same time that they use business methods. This chapter disentangles the meaning of the fourth sector shedding light on the new entrepreneurial ecosystems for new sustainable business models.

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Keywords Fourth sector · Hybrid business models · Social entrepreneurship · Sustainability

1 Introduction

Sustainable entrepreneurship is not an option anymore. Today's traditional economic systems and business models have become outdated (Schweizer 2005). Although tremendous progresses have been made by corporate social responsibility (CSR) interventions—from public, private, and nonprofit organizations (Kleine and Von Hauff 2009; Aguinis and Glavas 2013; Jamali and Carroll 2017)—the scale and urgency of the world's biggest challenges have grown at an alarming rate, and the general call for action represented by the Sustainable Development Goals (SDGs) (United Nations 2015) needs new entrepreneurial ventures.

We are facing a new trend in doing business. There are so many expressions of this trend within the universe of knowledge created around the general term “sustainable entrepreneurship.” We refer, for instance, fair commerce, collaborative economy, microfinance, venture philanthropy, social enterprise, community development, and others. As this activity matures and grows up, it is becoming formalized as a fourth sector of the economy. We can say that traditional businesses are moving beyond CSR and the fourth sector is rising in different forms in the new entrepreneurial landscape (Kumar 2019a, b). Particularly in the exogenous context of uncertainty that covers the global economy and the existence of one crisis-prone world, the development and evolution of this fourth sector become more and more relevant and need more endurance (Bhattacharjee and Jahanshah 2020). The current coronavirus (COVID-19) pandemic is also a new contextual factor demanding more public-private partnership around the world (Evans 2020; Park and Chung 2020).

The examples of entrepreneurship in the fourth sector represent new ways in which societies address wicked problems. We are seeing a proliferation of new hybrid business models formed to address a variety of societal challenges. These businesses consciously or not blend characteristics from all sectors and are difficult to classify within the boundaries of any traditional sector. However, businesses within the fourth sector share two common characteristics: they pursue social and environmental goals at the same time that they use business methods. That could be resumed in a single feature; they are blended value organizations. Next sections will serve for disentangling the meaning of the fourth sector and shedding light on the new entrepreneurial ecosystems for new sustainable business models.

2 Disentangling and Shedding Light on the Meaning of the Fourth Sector

The traditional division of economic sectors into first, second, and third sectors is lightly out of date. The new socioeconomic landscape is characterized by entrepreneurial ecosystems looking for sustainability, and new goals emerge such as eradication of poverty, gender equality, social justice, and environmental protection. Accompanying this trend new business models appear that are difficult to classify into a traditional sector.

The first sector is the public sector (government) that protects and expands the principles of democratic freedom for both individuals and communities. The public sector has to protect the public interest, and at the same time it has to ensure a common framework of laws and rules and their enforcement at a scale that matches the scale of human activity and prosperity. It is presumed that the public sector has the responsibility to provide security and to make decisions to promote the best interest of society. However, public-private partnerships (PPPs) are recently attracting the attention of academics and practitioners as promising organizational solutions to pressing societal problems that demand for the comparative advantages of not only government but also of business and civil society (Brinkerhoff and Brinkerhoff 2011).

Today, the public sector faces not only a number of challenges such as efficiency and transparency but also a certain market discipline to be competitive.

The second sector is the private sector (business) that creates and distributes goods and services driven by revenue and growth. However, that should generate economic development and prosperity, enhancing the quality of life of individuals. This sector should spur innovation, reward entrepreneurial effort, provide a fair return on investment, and constantly improve performance responding to market feedbacks. This sector should draw on the skills, talents, and efforts of workers, to share with them the economic value created by the enterprise.

The third sector is the social sector (nonprofit) that works to ensure that all people have adequate necessities of life, an equitable share of wealth and resources, and opportunities to develop their full physical, mental, and spiritual potential. The third sector helps to protect the environment and works to ensure that human capacities, technologies, and organizations sustain and support the Earth, its diversity of life, or the ecological systems that support life. The nonprofit sector is separate from both the public and private sectors, but it may collaborate with either of them at any given time. Basically, the third sector has characteristics that link it to both the public and private sectors. Third sector organizations have a private origin (in companies or groups of citizens) but do not seek profit. The missions of these organizations are comparable to those of public institutions and often replace these entities in regions or sectors of activity where the state is unable to reach. Therefore, they have a special relationship with the state; for example, they benefit from a more favorable tax regime. The main purpose of a nongovernmental organization (NGO) is to help the public in some ways, so profit is not a governing factor. The organization must seek a

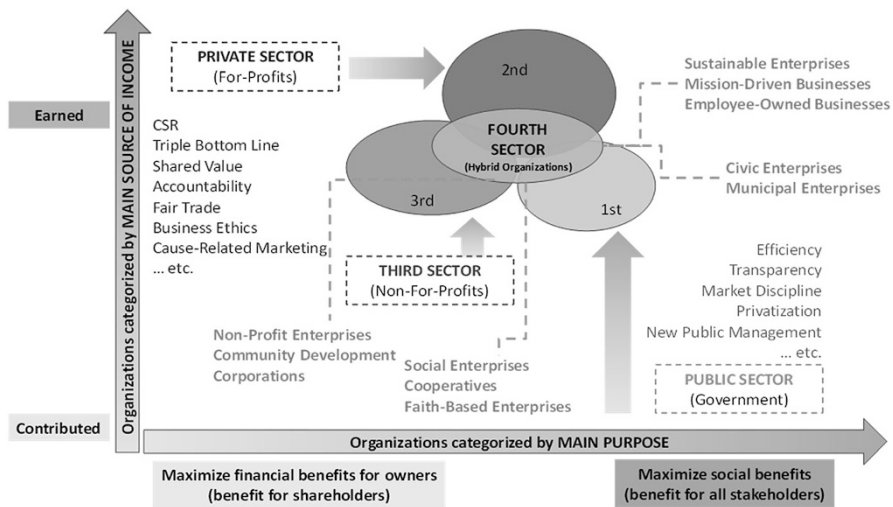


Fig. 1 Emerging organizations in the fourth sector. (Source: Author’s elaboration based on Sabeti and Ponting (2017))

balance between expenditures, time, and expertise in its charitable initiatives while making sure there are enough funds to keep working.

However, over the past few decades, the boundaries between the three traditional sectors have been softened as many entrepreneurial and innovative organizations have been including social and environmental purposes with economic business approaches.

According to Sabeti (2009, 2011), the fourth sector is defined as a new sector of organizations at the intersection of the public, private, and social sectors. The fourth sector is a relatively new sector that consists of for-benefit organizations that combine market-based approaches of the private sector with the social and environmental aims of the public and nonprofit sectors. Companies in the fourth sector can be defined as the group of organizations, models, and practices whose objective is to solve the great problems of the twenty-first century, combining elements from the three traditional sectors: the public, the private, and the nongovernmental (Jiménez Escobar and Morales Gutierrez 2011); the importance of sustainability in this process is observed. These emerging kinds of organizations, which are not purely for-profit or purely not-for-profit organizations, but rather a blend, are positioning as the future of sustainable business (Sabeti and Ponting 2017).

In line with Sabeti and Ponting (2017), Fig. 1 tries to represent the emerging fourth sector as a complement of the other traditional sectors extending their capabilities to drive a positive change in society in the near future looking for sustainability.

For the private sector, the fourth sector’s development will bring access to new and expanded markets and new business models for attending new customers, experimenting new investments, and reaching never imagined opportunities. The

fourth sector gives the private sector the opportunity to go beyond shareholder satisfaction to enhance stakeholder engagement, strengthen supply chains for reinforcing market competitiveness, and improve reputation, productivity, and business performance.

For governments, the growth of the fourth sector will bring increased revenue and greater private investment, and it will stimulate job creation and general economic growth while reducing the liabilities linked to social and environmental degradation. According to Alessandrini (2002), the rise of the fourth sector is probably a direct consequence of the impact that neoliberalism is having on organizations from the third sector. The author argues that civil society has been traditionally composed of organizations covering an infinite range of topic areas, ranging from self-interest to charitable service-oriented bodies, whose activities were usually highly specific and based on a single characteristic, such as race or shared cultural interest. However, globalization and the introduction of neoliberal policies and market mechanisms in social welfare areas in so many countries are causing shortfalls in public sector budgets (Alessandrini 2010).

To fill these gaps, the fourth sector brings the possibility to develop entrepreneurial civic services, driven by goals of social responsibility and humanism and sometimes by religious convictions but provided by new social entrepreneurs and organizations that are in many respects indistinguishable from commercial businesses. In general terms, and for the third sector as a whole, the emerging fourth one brings new contracting and partnership opportunities, increased philanthropic resources, and the opportunity to build market-oriented solutions, potentially self-sustaining and scalable.

To sum up, the fourth sector is intrinsically linked to the concept of social innovation that has been defined as new ideas (products, services, and models) that simultaneously satisfy social needs and create new social relationships or collaborations. In other words, the fourth sector promotes innovations that, at the same time, are good for society and increase the capacity of society to act (Bignetti 2011).

3 New Ventures Between Private and Public Entities

The fourth sector promises to unleash a new wave of entrepreneurship based on social innovation that can deliver scalable solutions to the current global challenges. Its growth can accelerate a transition toward more inclusive, sustainable, and resilient economic systems. New entrepreneurial ventures between private and public entities are emerging as described as follows.

3.1 Sustainable Enterprises

Corporate sustainability is the name given to the set of actions adopted by companies with the aim of acting consciously and always combining respect for the environment and the society in which it operates. In other words, an organization can be considered sustainable when three aspects are taken into account: economically viable, socially fair, and environmentally friendly. According to Rubio-Mozos et al. (2019), these organizations, in addition to seeking their economic survival, consider that it is important to generate benefits for society as a whole. Therefore, the development base of these companies takes into account the sustainability process.

Gazzola et al. (2018, p. 28) have stated that “sustainable enterprises respect for human and workplace rights is engrained in the company culture and guides the interactions with employees, partners, suppliers, customers, consumers, and the communities they serve.” Thus, companies or organizations in the fourth sector have corporate sustainability as one of the pillars in the creation and management process. In addition to being of great social and environmental importance, corporate sustainability helps the company to positively position itself before its consuming public. But it is important to understand how sustainability should be adopted and implemented considering aspects of the context in the fourth sector. It must allow the business to be able to sustain itself and survive by acting in a sustainable manner.

Edgeman et al. (2016) present the nature of sustainable business excellence, that is, its facilitators and specific manifestations. In addition, the authors present a comprehensive model of excellence, resilience, and robustness of the sustainable company, together with its facilitators. Among the facilitators are proficiency in the supply chain, vertical trust, distributed leadership, and neuropsychological measurement.

3.2 Mission-Driven Business and Cross-Sector Collaborations

Some companies are the result of perceived opportunities for organizations to recover or build their legitimacy in addressing the main problems of society, such as the increase in inequalities and climate change, which are often considered to be driven by “unrestricted capitalism” (Wilburn and Wilburn 2014; George et al. 2016). The business organizations are aware that the objective is not to obtain image gains, revitalize the brand, or increase market share in short term but to change their behaviors and improve their well-being.

Mission-driven business practices or inclusive businesses (Lashitew et al. 2020) and business cross-sector collaborations are implicit references to the global sustainable development agenda and its approach to SDG 17, “partnerships for the goals.” These cross-sector (public and private) partnerships have emerged as

promising means for addressing complex sustainability challenges—or “grand challenges” (Gehman et al. 2018) that fall between the capability and responsibility of different societal sectors (business, government, and/or civil society) (Koschmann et al. 2012). They also regard the capability for innovation and multi-stakeholder engagement/alignment to face the manifold social challenges of the world (Velter et al. 2019).

Despite the promise and potential of mission-driven business, there are some difficulties in aligning different (public and private) interests (Clarke and Crane 2018) as well as inequality between organizations (related to an unequal share of resources or misallocation of costs and benefits), which can lead to struggles over power and influence (Austin and Seitanidi 2012), or cultural differences that involve communication problems and/or lack of trust (Fobbe 2020).

3.3 Employee-Owned Business

There is a growing sense that the traditional business governance system has to move to new means of governing the economy and workplace (Souleles 2020). The system needs to support more inclusive and sustainable forms of development, providing people with a meaningful voice (Thorpe 2020).

Employee-owned firms are clearly gaining momentum. They are seen as an alternative and flexible business model that aims to establish itself as a third alternative, different to conventional private firms and public enterprises. The employee-owned firms hold “dual stakeholders” as both owners and workers induce a better economic performance when compared to conventional firms due to their greater incentives to maximize it (Fernández-Guadaño and López-Millán 2019).

The businesses owned by employees are managed through workplace democracy, the workers or their representatives have direct influence over business decision-making, and there are no strict hierarchies (Thorpe 2020). Generally, the decisions are made through a system of self-managed work teams, which are small enough to secure ownership in collective decision-making and the free flow of information and knowledge (Kokkinis and Sergakis 2020). Especially during economic recession periods, with depressed employment markets, employee-owned businesses become a defensive measure to retain the employment (Fernandez-Guadano 2015; Wren 2020).

An employee-owned business can take different forms such as: (i) employee share ownership plans, a typical form that is popular in the USA, although not used much in Europe; (ii) savings plan with contributions from the employee and/or employer as it is most common in the UK and Ireland; (iii) producer cooperatives, in which all the firm’s shares are collectively owned by its workforce; and (iv) producer cooperatives resulting from employee buyouts, under which the company’s shares are purchased exclusively by its individual employees.

3.4 *Civic Enterprises*

The incapacity of the state to respond to the increasing population needs is often a consequence of decisions to resize (downsize) public intervention as well as greater restrictions on the public budget available. In this context, civic enterprises are, in general terms, a community initiative that arises to answer personal or collective needs whose satisfaction was usually carried out by the state. Civic enterprises can also be designated as “business community,” “business for social purposes,” “community wealth company,” and “social enterprise,” among others. Civic enterprises put together nonprofit objectives with the implementation of innovative proposals in terms of organization, financing, and governance and aim at the common well-being.

The main characteristics of these companies can be defined around economic and social criteria (Reficco et al. 2006). In the economic domain, civic enterprises are characterized by (i) sustained activity (not sporadic) aimed at production and services; (ii) high degree of autonomy; (iii) significant level of risk; and (iv) minimum level of paid work. As social characteristics, these enterprises present (i) explicit objective of benefiting a community; (ii) initiative initiated by a group of citizens; (iii) decision-making based on the capital property; (iv) participatory nature in decision-making, democratically intervening all parties with interest; and (v) limited distribution of earnings (Reficco et al. 2006: 406). This way of social participation is described by several authors as more innovative and democratic: “Citizens and residents find themselves drawn into policy making as well as practical delivery, linking policy and action in a much more intimate way than is common in standard models of “public participation” in formal planning processes” (Wagenaar et al. 2015:557). The activities of civic enterprises are mostly small in size and carried out in close proximity, in order to solve a problem, or a need, in a specific context. Wagenaar et al. (2015:558) describe many examples of these activities: “looking after parks and playgrounds, organizing social groups for older people, running a festival or sports event, to running a significant business as a social enterprise, delivering housing or care services, investing in community sustainable energy provision or water management, regenerating a neighborhood or village center, or expanding work and training opportunities.”

3.5 *Municipal Enterprises*

Municipal enterprises have been defined as “those business-like activities of government that provides goods and services to customers on an exchange basis. They are usually considered to be largely self-supporting, removing the burden of providing specific goods and services from cities’ tax revenues” (Stumm 1997: 477). Municipal enterprises are an innovative way of reorganizing the public goods and services provision at a local scale in a context in which traditional public services are no longer able to provide a satisfactory answer to the needs of citizens and

organizations within the scope of the welfare state. Municipal companies all over European countries came up with objectives related to (i) the creation and maintenance of jobs; (ii) the development, by the public sector, of corporate organizational forms in order to improve public missions; (iii) the response to financial difficulties of local authorities; and (iv) the development of partnerships, involving municipal entities and private partners or other public.

Municipal enterprises have different characteristics and purposes in different countries according to the rules and the scope of the local public administration as well as the main areas with regard to the welfare state. For example, in Portugal, local enterprises are constituted according to the private companies' rules even though they are controlled and/or owned by municipalities, associations of municipalities, inter-municipal communities, or metropolitan entities (all public entities) and can exercise any functions of those that are legally assigned to municipalities. A large proportion of local enterprises are active in the production and distribution of goods and/or services with characteristics of "public goods" or private goods with positive externalities ("goods of merit"). These companies are located all over the country doing many activities as management of water networks, waste, industrial areas, exhibition parks or professional schools, social housing, and urban and inter-urban transport, among others.

In Finland, a municipal enterprise is a component of a municipal organization, and it is remarkable that local government legislation applies to its activities (Kuoppakangas 2014). These enterprises are not legally independent from the municipalities but register the accounts independently; they act like market-based organizations even if they do so in the quasi-markets. Traditionally, the activity of these companies has been concentrated in the water and energy sectors; currently, they are also privileging the healthcare sector. It has been considered that these companies have advantages in terms of transparency, decision-making, service provision and finances in publicly owned organizations, as well as downsizing of the bureaucracy vis-à-vis the traditional public local administration.

4 New Ventures Between Private and Nonprofit Organizations

Under the umbrella of the fourth sector, several new entrepreneurial ventures are emerging between private and nonprofit organizations as described as follows.

4.1 Social Enterprises

According to the Social Enterprises Alliance (SEA 2020), these enterprises span the spectrum of nonprofit to for-profit entities. Social enterprises are not silver bullet, but

they are a promising approach to fulfilling unmet needs and fostering the triple bottom line (Elkington 1998) because these businesses are simultaneously seeking profits, social impact, and environmental sustainability. We have identified four general social enterprise models:

- Opportunity employment: Entrepreneurial ventures that employ people who have significant barriers to mainstream employment such as people with disabilities
- Transformative products or services: Businesses that create social or environmental impact through innovative products and services
- Donate back: Organizations that contribute a portion of their profits to nonprofits that address basic unmet needs
- One-for-one movement: Business guided by the principle of one unit sold, one unit donated to someone in need (Sánchez-Hernández 2015)

4.2 The Social Cooperative Model

The traditional cooperative movement is growing, evolving, and expanding its branches creating new social models (Borzaga 2001). Cooperatives are first and foremost mutual interest enterprises, owned and democratically controlled by their members for their own noncapitalist interests. The new social cooperative model usually results from a move of mutual interest organizations toward a behavior giving more importance to the general interest. A good example is the case of short-circuit agricultural cooperatives, jointly created by producers and consumers of organic food. Another example is the renewable energy cooperatives, where members' interest is combined with environmental goals (Defourny and Nyssens 2017).

4.3 Faith-Based Corporations and B Corporations

The faith-based corporation is a relatively new concept for designing enterprises considering social responsibility as part of their legal business structure. According to the Benefit Corporation Network (2020), the statutory corporate purpose of these businesses is to create a material positive impact on society and the environment, taken as a whole, as assessed against a third party standard.

Benefit corporations are flourishing under the project called B-Corp. This movement was originally launched in the USA, but it has successfully started to spread worldwide. B-Corp is a legally recognized new corporate form of business certification awarded by a nonprofit organization called B-Lab. B-Lab was founded on the idea that the most challenging problems of society such as poverty and inequality cannot be solved by government and nonprofit organizations alone. Highlighting the power of business and vindicating the role of the private sector in society, B Corps

use profits and growth as the means to achieve the greater end of impacting positively their employees, their communities, and the environment. To date, this community includes over 3500 B Corps in 70 countries and 150 industries (Albright 2020).

One specific feature of B-Corps is that they include in their mission and statutes objectives related to corporate social responsibility apart from profit maximization. That is, these entrepreneurial initiatives are legally protected to take decisions considering the interests of all stakeholders beyond shareholders (Hiller 2013). Consequently, B-Corp firms are for-profit firms with private ownership and corporate governance and subordinated to free competition and market control, but, at the same time, B-Corps are responsible by their legal status. Thus, through innovative organizational designs and accountability mechanisms and acknowledgment of traditional businesses' weaknesses, B-Corps agree to add social and environmental goals to their economic goals (André 2012).

This movement is gaining recognition but not without criticism. There are some critics arguing that the benefit corporation form is likely to increase corporate greenwashing instead of solving social and environmental problems in the long term (André 2015), but the fact is that there are not clear evidences of such criticism and much research must be done to better understand this new social business model (Kurland 2017).

4.4 Nonprofit Enterprises

The essential characteristics of nonprofit enterprises are described in the earlier work of Hansmann (1980). The author suggested that they are barred from distributing its net earnings, if any, to individuals who exercise control over it, such as members, officers, directors, and trustees. However, they are not barred from earning a profit.

A categorization could be done according to the manner in which they are financed and controlled. Financing is characterized by donatives versus commercial sources. Nonprofit enterprises receive most or all of their income in the form of grants or donations. In terms of control, nonprofit enterprises are controlled by their patrons called "mutual" nonprofits.

Examples of nonprofit enterprises could be found in nurse care, education, or hospitals (Paula 2002). Hospitals are the most common example; in general, hospitals are nonprofit and receive income from payments made by patients either directly or through insurance plans for services served.

4.5 Community Development Corporations

Initially, community development corporations (CDCs) were regarded as organizations with a capacity to plan, develop, respond, and innovate in a context of

traditional community strategies (Shiffman and Motley 1990). Nevertheless, CDCs enlarged their scope and included economic development and social welfare objectives (Stone 1996). This approach endorses a proactive view of the social, structural, and economic aspects of community revitalization and allows to quickly solve problems and enhance community change (Baker et al. 1996). It is important to note that this kind of organizations seems to be more popular in the USA, and the literature about cases and examples in other geographies is still rare. Most of the CDCs are urban and involved in building and rehabilitating housing (Peirce and Steinbach 1987). Glikman and Servan (1998) proposed a classification for CDCs based on manageable elements such as the ability to generate and acquire resources from grants, contracts, loans, and other mechanisms and the ability to interact and work with other institutions, both within and outside the community. In general terms, the successful CDC has to have high political capacity and the ability to represent its residents credibly beyond the neighborhood.

5 Final Remarks

This chapter provides an overview of how entrepreneurial ventures serve for people expressing themselves and take part in societal processes of change. An important aspect is that such activities fall outside the traditional sectors, public, private, or nonprofit. The fourth sector is a relatively new sector that consists of for-benefit organizations that combine market-based approaches of the private sector with the social and environmental aims of the public and nonprofit sectors. To indicate new types of social entrepreneurial activities that do not neatly fall into the traditional sectors, the concept of the fourth sector has been introduced in different streams of academic research.

This chapter is the first contribution of this book that also examines trends in entrepreneurship in the fourth sector, describes specific ecosystems fostering new ventures around the world, and characterizes the most common and innovative business models, successful experiences, and paradigmatic examples.

A new wave of entrepreneurship based on social innovation has been gradually increased by the fourth sector. Its growth is accelerating the transition toward a more inclusive, sustainable, and resilient economic system. It is also promoting the creation of sustainable enterprises supported by the sustainability pillars which delivered scalable solutions to the current global challenges.

In this context, new mission-driven business and cross-sector collaborations, employee-owned firms, civic enterprises, and municipal enterprises are clearly gaining momentum. All of these can assume distinctive forms, models, and structures, which depend on the organizations' perceived opportunities to recover or build their legitimacy in addressing the main problems of society. Some difficulties showcased concern the alignment of different public and private interests, the inequality of resources, power dynamics, the spheres of market influence, cultural differences, and the consequences of communication problems and/or lack of trust.

Under the umbrella of the fourth sector, several new entrepreneurial ventures were revealed, such as social enterprises, social cooperative models, faith-based corporations, B corporations, nonprofit enterprises, and community development corporations. All of these are emerging between private and nonprofit organizations.

The fourth sector encompasses different levels of organization and stability. This is important to understand the potential stages and interfaces where more formal sectors might affiliate with the operations of the fourth sector. Due to its nature and characteristics, the fourth sector shows a high adaptation potential in order to answer to the societal needs, particularly in proximity contexts, attending the current challenges of sustainability, cohesion, and inclusion. Future research might advance comprehension of this distinctive emerging potential and governance challenges.

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Cultivating the Fourth Sector: Active Citizenship and Governance in the Urban Change Process



Jorge Manuel Gonçalves

Abstract The rapid generalization of a community based on sharing, collaboration, co-decision-making, and cooperation has given greater visibility to a range of activities and even social mechanisms in a paradigmatic transition toward what is becoming known as the fourth sector.

Active citizenship and the forms it has adopted fall into this new category. The renewed dynamism of civil society, led through properly organized citizen groups and inorganic and conjunctural social movements, can be interpreted in a number of ways, but perhaps that which fits best is the increasing delegitimization of formal power or, at least, the need to deepen the democratic system in an urban context. It is this dynamism that seems to transform collaboration as an emerging form of democracy, thus inscribing it within the set of dynamics that characterize the “collaborative society.”

All these urban transformation mechanisms become condensed in the transfer from a context of government, i.e., a formal system of articulation of actors in the public sphere, to a context of governance, i.e., an informal system, with variable geometry both in terms of scale and the nature of the actors involved. This is oftentimes a troubled process because it means an effective redistribution of power, something that is almost never peaceful or easy.

The discussion of the emergence of these new values is reflected in the narrative for the formation of, and the activity carried out by, the “Caracol da Penha” movement. The related challenge was based around a demand that a green space be built instead of a car park, which is equipped to serve not only the locals but also the entire city of Lisbon, Portugal.

Popular mobilization, the reversal of the decision by the Lisbon City Council, the use of participatory budget mechanisms, and the ability to produce and organize information and communicate it, to name just a few of the many other aspects, make

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this case emblematic for many other participatory processes and appear to have been a learning ground for all actors involved.

This process of reversing a unilateral decision already taken by a local power, thanks to the structured and dynamic mobilization of the local community, makes it possible to see in practice how the change of values in the power system is tending toward a more collaborative democracy in an urban context.

Keywords Active citizenship · Public participation · Public spaces · Urban policies · Urban governance

1 Introduction

1.1 *The Revolution in Power Values*

Camagni and Capello (2017) have pointed out that when wishing to correct the levels of efficiency, equity, and effectiveness that are involved in public policies, decision-making, and territories, the solution may indeed lie in a redistribution of power and, oftentimes, even in rethinking the modes in which the said power is exercised (Fainstein 2001; Charbit 2011). The new rationality in territorial management is marked by a persistent reduction in public resources and, perhaps precisely for this reason, by a search for greater efficiency and competitiveness through investment in a renewed look at endogenous development, innovation, and, in particular, the modalities of growth and governance (Camagni and Capello 2017).

The traditional model of exercising power in urban areas is characterized by formal and institutional governance; competition, exclusivity, and appropriation of resources; confidentiality and separation of the public and private spheres; specialization and professionalism; long-term affiliation and loyalty; and legitimization through representative democracy (Heimans and Timms 2018). These characteristics and their consequences justify the fact that the neoliberal system has seen in formal government an obstacle that penalizes economic growth (Krugman 1994). The legitimacy thereof was thus called into question.

Neoliberalism, in the context of urban territorial management, has always emphasized the need for international competitiveness, widespread commodification, and the city as a pivotal area for economic development and financial investment (Krugman 1994). These demands have far-reaching consequences for metropolitan management and the built environment. With the consolidation of neoliberalism, other topics of discussion also emerged, such as de-industrialization, entrepreneurship, smart city, global city, gentrification, socio-spatial fragmentation, creative city, and active citizenship (Larner and McLean 2020).

Proceeding from these new debates, and from the criticism of the welfare state that emerged during the post-war period, a new governance model was put forward in the 1980s, where the focus was placed not only on the issues of democratic representation, power, and decision-making but also on the regulation and control

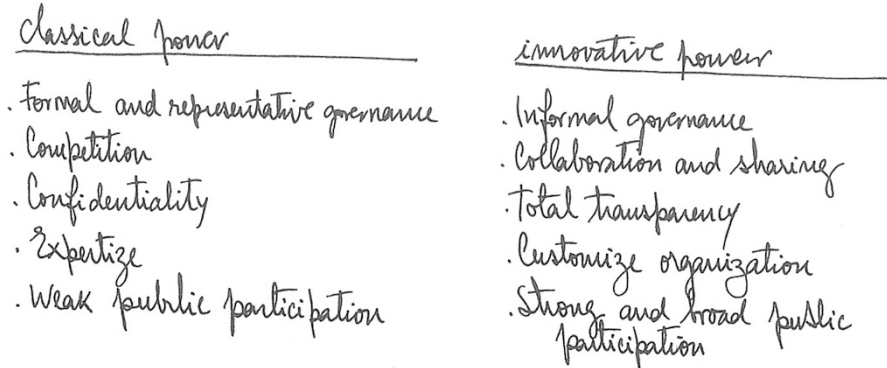


Fig. 1 Transformations in the power value system

systems of the economic and social system (Raco 2009). The widespread adoption of these principles fostered the idea of a minimalist state that favored public-private partnerships, active citizenship, and the gradually increased use of digital governance channels (Raco 2009). While representative democracy ceased to explore the universe of possibilities for democratic intervention, new and innovative forms of participatory democracy were proposed and tested.

However, these changes, while celebrated by many, are criticized by others. Advocates present these reforms as a vehicle for empowering communities and individuals. The classic hierarchies are being dismantled, and a virtuous circle emerges through active citizenship oriented toward participation and aimed at achieving autonomy from the state. Heimans and Timms (2018) propose a comparative framework that helps to understand what changes in the redistribution of the value system have started to affect power (Fig. 1). These new forms of exercising power are seen as confirming the emergence of participatory democracy, creating new space for the formal mechanisms of representative democracy (Ferrão 2013).

Critics, however, note that in this process of migration of values, while seemingly seductive, the emphasis on active citizenship has succeeded in transferring a share of the responsibility for solving economic and, sometimes, even social and urban problems to new interest groups but has failed to attenuate social inequalities and has even perhaps further distanced those who are almost always disenfranchised in terms of their ability to influence political agendas and challenge existing inequality relations. There may be a sense of false “greater representation,” but it is one that is mostly accessible to those who are the most socially mobile or connected (politically and socially). The sometimes-false perceptions of greater “democracy” or overarching inclusiveness can paradoxically render the excluded even more invisible and powerless. Those that cannot or do not wish to adopt new participation platforms, which are often controlled by private parties, can be prevented from taking an active role in collective decision-making and action. Swyngedouw (2005) has stated that in this unfulfilled promise of inclusion, he sees the double face of Janus.

At its best, though, this transformation of traditional power relationships through participation can have very positive results. Heimans and Timms (2018) use the interesting metaphor “The classic value of Power works like a currency. It is held by a few. Once acquired, it is jealously guarded, and the powerful have a substantial reserve to spend. It is closed, inaccessible, and oriented towards the leader” (Heimans and Timms 2018:6). The New Power “works differently, like a chain. It is done by many. It is open, participatory, and oriented by peers. Like water or electricity, it is more energetic when it goes up. The objective in managing this new energy is not to accumulate it, but to channel it” (idem, *ibidem*). This is the context that one considers to be the most appropriate for framing the most recent actions of opening up to models of urban governance, seeing them as a legitimate tool for encouraging competitiveness and active citizenship and for correcting inequalities and making better use of public resources. The best way seems to be to call on a civil society to collaborate with the state in this task. For this to work though, the risk of certain interest groups being able to hijack the decision-making process and, with it, the collective interest is something that has to be considered with great care and addressed.

1.2 The Production of Urban Green Spaces: A Barometer of Governance Quality

Urban public spaces have long been explored not only as a means to understanding the functioning and transformation of cities but above all to the functioning and dynamics of the communities living there. For this reason, authors such as Brandão (2002); Brandão and Brandão (2017), Madanipour (1999, 2003), Gonçalves (2006), and Gonçalves et al. (2015), among others, have explored and broadened the field of knowledge concerning urban public spaces with interesting viewpoints for urban reflection. Brandão and Brandão recall that

In both normative and prevailing practices, the needs covered by the space and the services it provides are not highlighted, and its evaluation is centered on the scope of “quality”, an attribute it must possess if it is to be successful. However, although the attention given to public space has positive effects, the predominant notions narrow the representation of the values in question, leading to an idea of public space focused on the primacy of its exceptionality and less on the perception of the factors relating to its production, use or meaning—(Brandão and Brandão 2017:9).

Indeed, concerns about public space have had more to do with the transformations that the city itself was undergoing and with the urban population itself. Madanipour (1999) warned two decades ago that a number of serious threats were endangering the notion of public space and seemed to indicate that it could be key to social integration:

Cities are threatened by social polarization and segregation, which are expressed in suburbanization and inner-city decay. As the state’s sphere of control has contracted over the past three decades, as part of a general trend of societal change, the balance of control and

production of urban space has favored private interests. Combined effects of privatization of space and the threat of social fragmentation pose a serious threat for the future of the city. The contribution of urban design to this problem has been the promotion of urban public space as nodes for social integration (p. 890).

Throughout history, urban public space has always played a central role in the social life of cities (Gonçalves 2006). But the advent of new urban models has also meant a weakening of their meaning, and they are no longer the main nodes of all social networks. Technological innovations and the hyper-specialization of uses and activities have led to a fragmentation of functions and an “un-spatialization” of the public sphere (Madanipour 1999).

The view of urban space as a commodity and the stratification of society have gradually led to socio-spatial segregation and the privatization of space. Treating urban design as a tool for an aesthetic experience and attracting more investments and tourists is in line with the recent marketing of cities. Nevertheless, public space can once again play an active role in urban life. Urban planners promote new spaces that accommodate a mix of people and activities. The creation of these inclusive territories can be a positive step toward reducing potential conflicts arising from different interpretations and expectations of urban space and promoting an urbanism of tolerance and social cohesion (Madanipour 1999).

It is, however, a challenging process. As Brandão and Brandão (2017) put it:

There is now a degree of some consensus in theory possible on the issues and problems that are important to discuss: What are the current motivations and models in the production of public space? What approaches and interactions can the public purpose of space reflect? How can the variability of contexts, the subjectivity of values and the multiplicity of actors and their interests be addressed? (p. 9).

1.3 Values of Power and Public Space

One is thus experiencing times of change in various dimensions, including that of the exercise of power and that related to the way urban public spaces are viewed. But, as with all paradigm shifts (Kuhn 2020), these are times of transition rather than times of disruption. And in the case of urban governance, the situation is no different, as change is pressured by the demand for greater protagonism on the part of those who are traditionally neither seen nor heard. Such demands are made only when there are elections at the end of each political cycle.

This society, which is mobilized around concrete projects, has devoted ample attention to its daily spaces and, in particular, to public spaces. In Portugal, this valuation has not always been present (Gonçalves 2006), but it should be recognized that the provision of public spaces has now become an important battlefield onto which social movements have now moved, arguing for the use of funding from participatory budgets or through other programs to speed up citizenship (such as the BIP/ZIP program in Lisbon).

It is precisely where these two dynamics meet that this text positions itself and reveal the deep connections between the two, so as to contribute to the formation and even strengthening of the fourth sector.

2 The Increase of the Fourth Sector

2.1 *Factors Encouraging Active Citizenship*

The concept of citizenship in modern societies has its origins in the understanding that individuals are members of a community, enjoying the legal and practical ability in a democracy to participate in the exercise of political power through electoral processes.

Dahrendorf (1994) considers that citizenship rights should not be seen so much in evolutionary terms as a pattern of concentric circles in which new rights come to the fore over a certain core of already established fundamental rights. On the inside, one has the civil rights, political rights, and social rights; on the outside, one has the emerging rights, the new rights that have been granted to citizens since the 1970s.

One can define these new rights as a set of measures on which public administration reforms and the modernization of services have been based; they can be grouped into four main aspects:

- Administrative simplification, which aims at optimizing the relations between the public administration and the citizens.
- Improving the qualification and motivation of the agents involved in the whole process.
- Changes in the structure of power and its organization, e.g., through decentralization and delegation of powers.
- The creation of mechanisms for citizen participation in public administration, providing greater proximity and an appropriate administrative response to certain problems. The individual thus acquires the ability to influence the diagnosis, the decision-making, and the way in which administrative measures are implemented (Mozzicafreddo 1997).

These changes can be seen as an extension of citizens' rights in a modern democracy. One is dealing with a more active citizen, with a more diverse range of participation rights, which could translate into the achievement of new citizenship rights (Dreyfus 1999).

This whole debate focuses on the idea of a fairer city which, beyond matters of living and other inert matters that serve as resources for urban development, requires governance that actively promotes citizens in the act of achieving their destinies. The aim is to reach a level where policies must promote social sustainability and respond to the inclusion challenges that are common to most cities, with successful communities even being expected to reinvent local citizenship (Ferreira 2015).

Araújo (2003) is of the opinion that the traditional conception of bureaucratic organization and hierarchical coordination is defined by the characterization of areas of action, relationships of the superior-subordinate type, and control and centralization of processes. Included in this model is the idea of power and authority, the amplitude of which varies and is distributed along the hierarchical chain. This set of ideas, common in modern societies, is called into question by the difficulties it presents:

- The reduced flexibility in the decision-making process
- The absence of incentives to control costs
- The lack of transparency
- The virtual absence of accountability and innovation associated with the development of a culture more concerned with procedures than with performance

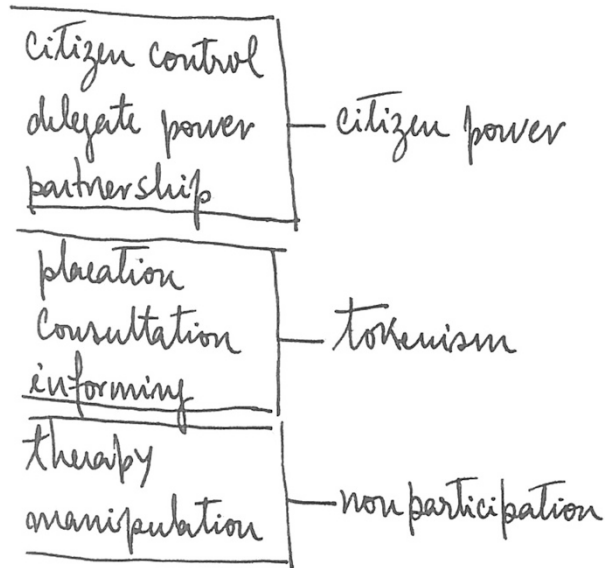
Recent developments in public administration organization show, however, concern with adopting alternative models of organization of activities and provision of public services.

There are three reasons for this change:

- Firstly, the strong influence of neoliberalism and economic currents that privilege market solutions, seeking to promote the efficiency and effectiveness of the economy, of which the multiple forms of outsourcing of services such as privatization are examples;
- Secondly, the increasing involvement of the individual citizen or organized citizen in the activity of public organizations. Citizens' access to culture and information has influenced their attitude to problems, with them seeking to participate in decisions, especially those that have the greatest influence on their daily lives;
- And finally, problems that are increasingly diverse, requiring more resources, new skills, new knowledge, and the pooling of efforts (Ferreira 2015).

But what has public participation got to offer in the current situation in which one finds oneself? Nunes da Silva et al. (2009) offer a means of integrating citizens' values, interests, perspectives, aspirations, and needs into decision processes that affect them; this helps to understand more comprehensively both the problems and the opportunities or possible options/alternatives in the urban space and improves the decision-making process—sustainable decisions require consensus and integration of the different facets of a problem—as it is not enough that the solution is technically feasible, but it must also be feasible from an environmental, economic, and social point of view. Public participation in its various modalities (Fig. 2) creates the conditions for a shared understanding of urban sustainability issues, as well as revealing the development alternatives that can be adopted.

Fig. 2 The different levels of public participation



2.2 Dynamics and Collaborative Processes

Today, it is impossible to avoid the trend toward having a greater number of actors present in decision-making processes related to urban space and, in particular, to public space, as a result of its growing importance among citizens. Of course, there is a huge gap between the acceptance of such changes and their realization, as it is still very difficult to surmount today. It is clear that this great difficulty still has to do with the inability of legitimately constituted formal powers to deal with the voices that want to be heard (Fung 2006). Fung (2006) also highlights the issue that, in the midst of the interests that want to be expressed, risks of manipulation of the collective interest arise if the state steps back from its role of arbitrator and democratic guarantor.

The need to involve citizens and to put the concept of governance and active citizenship into practice has been pointed out in several landmark documents and guidelines in recent years, at both national and international levels (OECD, UN, World Bank, and others).

This is why the need is felt for a change toward more stimulating governance, which takes advantage of the transformative potential of active citizenship. In the specific case of public spaces and more precisely green spaces, their physical diversity, the cultural diversity of citizens, their way of using and valuing these spaces, and the diversity of how they organize themselves are not compatible with generic policies of the “one-size-fits-all” type (Koontz and Johnson 2004).

In this construction of the new reality, the fourth sector—that of the active involvement of actors linked to the civic movements—there are contributions coming both from the side of the formally elected political power (Thomas 1995),

which seeks to systematize the various types of participation and public involvement, and from the side of active citizenship in the form of pressure.

Thus, collaborative processes manifest themselves in two different ways:

- The first is in the relationship that is established between citizens and their existing or trained organizations in order to address a specific topic. This plane could be called horizontal, as no hierarchical relations between its elements can be identified. Indeed, this seems to be the major asset for the success of such movements.
- The second is in the relationship between formal (elected, democratic, and also bureaucratic) power and the citizens and their representative movements. This can perhaps be referred to as the vertical plane, as the status of power of one of the parties almost always manifests itself (even if only through the ability to impose and finance). However, as will be shown below, this relationship may be more tenuous through processes of delegation of power from one party to another while maintaining supervisory responsibility.

2.3 The Place of Urban Green Spaces in Urban Governance Processes

This whole environment of change that is felt not only in politics but also in society, the environment, and even the economy has had implications for the way territories are organized and managed, which of course includes urban green spaces. Daniel Innerarity (2016:2) puts forward two reasons why there is a crisis in politics:

- The first is that the policy is not playing its role well. At the most elementary level of unease, we are referring to a shortcoming, which can be corrected, and which does not question our vital orientations. Here are the reforms that improve existing policy and make it more effective;
- More complex are the problems resulting from a lack of suitability for the presence of new formats, unprecedented problems, common assets for which the public administration does not have an adequate or legitimate level of institutional decision-making.

And it is from here that, again according to Innerarity, the derivation of government (as a traditional way of dealing with problems, very hierarchical, very closed, etc.) to governance is born, the concept of which serves to “refer to the new ways of governing within and outside the state” (2016:6).

That is why one agrees with and adheres to the idea of Innerarity (2012) when he argues that

A reticular world demands relational governance. Networks require more complex instruments, involving trust, reputation, and reciprocity. These new constellations require institutional innovation in governance processes and go beyond classic administrative routines. The new governance aims for a form of coordination between political and social actors characterized by regulation, cooperation, and horizontality. In complex societies, the models and procedures for governing cannot claim a form of unity that annuls diversity; governing is managing heterogeneity (pp. 10–11).

Green spaces should be directly included in this discussion because, for various reasons, they have been the focus of many of the controversies in the urban context and have given rise to many of the initiatives and actions originating from civil society, either for social reasons (green spaces as places of leisure, conviviality, etc.), or for environmental reasons (green spaces as a strategic place for combatting the effects of the climate and its changes, an especially serious issue in an urban environment), or for financial reasons (since such spaces are almost always associated with an improvement in the urban image and the business of real estate development).

These aspects have led to the formation of several civic movements documented by the media and social networks that have gradually given visibility to these new dynamics. The creation of a number of gardens, the regeneration of others, the proposal of innovative green spaces, and the networking of these spaces, among other justifications, have so far had an important influence on this changing environment, materialized in what Heimans and Timms (2018) refer to as the transition from “old power values” to “new power values.”

This change, which is by no means easy, as manifested by the tension and polemics between those who wish to be heard and those who have the power to decide, is being intensified in many cases by the demands that the population is making for new public green spaces.

The transformation of an old power (authoritarian and closed) into one that recognizes people’s right not only to vote but also to participate in the decisions that affect them in their daily lives is slowly beginning to emerge. In other words, governance and green spaces have been a central tool for these achievements, which now involve new actors that previously were hardly to be seen. Molin (2014) illustrates well in Fig. 3 the complexity that can be seen today in dealing with urban public green spaces.

However, as Molin also points out, the inclusion of new actors in urban space matters cannot only mean demands for more and better; however, their accountability must also be integrated into the decision-making process, the solution found, and even in the eventual maintenance and management. This is what can truly be called a collaborative process, based on co-responsibility and co-decision, which are central aspects to the discussion of the role of the fourth sector.

3 Caracol da Penha Garden: An Exemplary Case of Contribution to the Fourth Sector

3.1 Justification

The Caracol da Penha, or rather the Caracol da Penha Garden (Penha de França civil parish council, Lisbon), is a perfect example of the subject matters that have been discussed in the previous sections (participatory citizenship and governance of public green spaces, among other aspects). It is also a very recent case and not yet

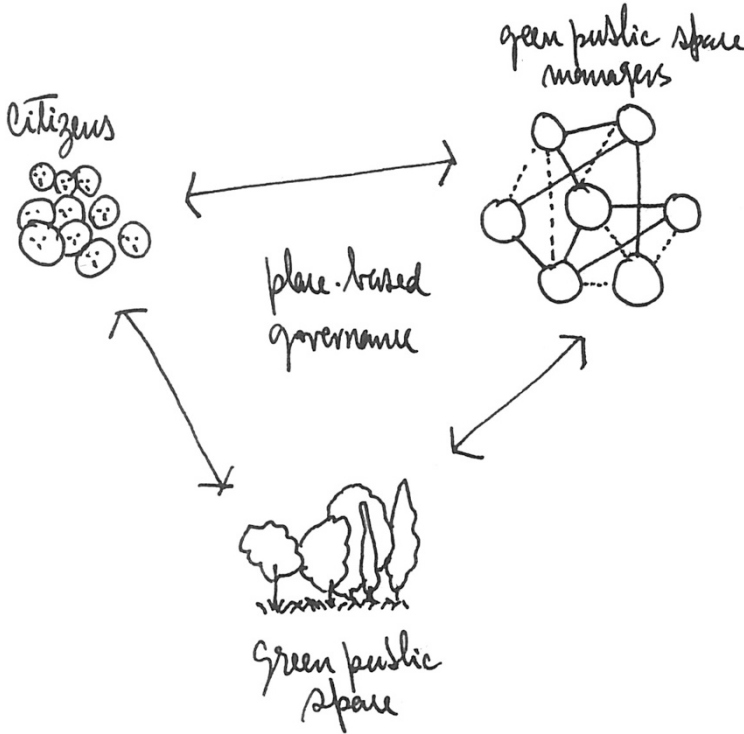


Fig. 3 The growing complexity in the governance of green spaces

completely closed, so there are some restrictions in terms of the description of the story behind the case; it can really only be told more impartially and with assuredness when there is greater historical distance.

Figure 4 shows the peaks of interest that the subject matter has triggered online since June 2016, when the EMEL parking dispute was first reported.

The popular mobilization, the reversal of the decision by the Lisbon City Council and Lisbon’s Municipal Mobility and Parking Company (EMEL), the use of participatory budget mechanisms, and the capacity to generate news and to organize information and how to communicate it, among many other aspects, make this case emblematic and an example for many others. It would also seem to form a learning curve for all the actors involved.

3.2 The Location

The plot of land where it all took place is located in Lisbon, near Avenida Almirante Reis, one of the city’s structural thoroughfares that leads directly to the city center—

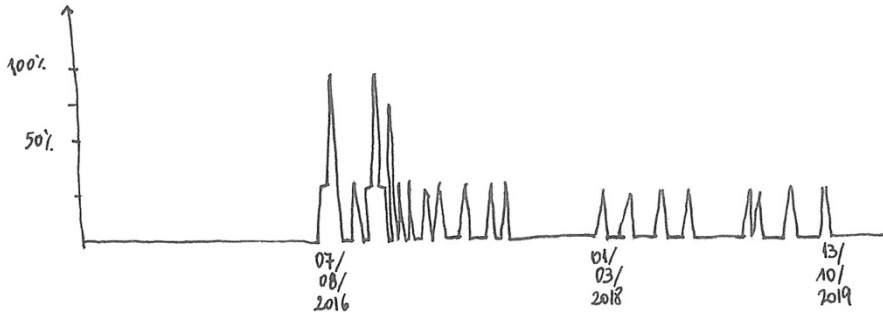


Fig. 4 Web searches for the term “Caracol da Penha” since June 2016

Martim Moniz and Praça da Figueira—where there used to be an important market. By the way, this avenue served as an entrance channel for produce coming from the rural periphery to the market at Praça da Figueira and has therefore had, until this day, a more popular profile than the other structural route in and out of the city center, which is Avenida da Liberdade.

Avenida Almirante Reis can be divided into three different parts: from Largo do Intendente to Praça do Chile; from Praça do Chile to Alameda D. Afonso Henriques; and between Alameda D. Afonso Henriques and Praça do Areiro.

The plot of land that generated the discussion is located near the first section of Avenida Almirante Reis, which was laid out in 1892:

It is the oldest part of the avenue, arising in an area that was a stream valley, tight and already full of pre-existences that conditioned the subdivision of the land into individual plots, which gave rise plots of irregular and differing geometry. The avenue was designed to replace an old access road into Lisbon. Thus, unlike the other avenues that today constitute the main thoroughfare in the center of the capital, Avenida Almirante Reis was designed with an essentially functional and practical objective in mind—(Appleton 2018:92).

The plot is owned by the Lisbon City Council and is located within a block. In terms of size, it is roughly 10,000 sq., m large; it is accessed, with difficulty, from Marques da Silva Street (Fig. 5).

3.3 *Beginning of the Process*

Using Google Earth’s “Chronology” tool, it was possible to reconstitute the history of Caracol da Penha from the year 2001 until the last day of 2019; there were no major changes over these two decades. The only exceptions were the demolition of a number of precarious structures located on the plot between 2007 and 2014 and some buildings that appeared to be more solid in structure, with the image of the site from 2016 giving the idea that its “clearing” was carried out very recently.

This minor change in 2016 was a sign that things were about to change for this historically neglected piece of land. The news on parking in Lisbon helps to explain

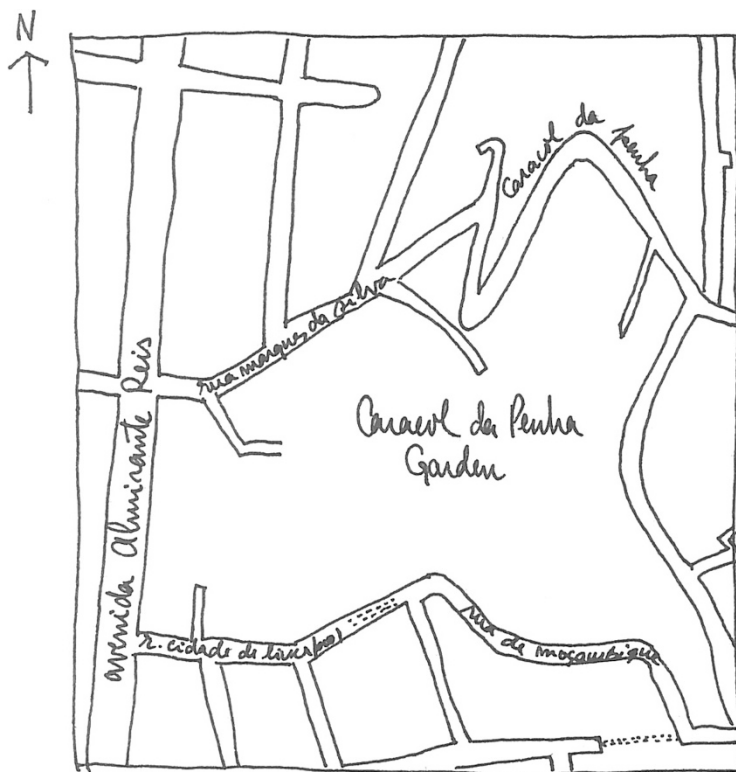


Fig. 5 Avenida Almirante Reis and the Caracol da Penha garden plot

the changes on the lot: “In 2017 the Lisbon City Council (CML) wants 30,000 more paid parking spaces on the public highway than there were at the end of last year” (EMEL).

There are two separate but complementary documents. The first provides for the number of parking spaces in the city of Lisbon increasing from 51,986 to 81,986 from the end of 2015 to the end of 2017. The second document implements the amendment, which had already been in public consultation, of the general regulation on parking and roadside assistance, making it possible to delimit paid parking areas anywhere in the capital, by means of public consultation, the opinion of the parish council in question, and Lisbon City Council’s (LCC) acceptance. According *Diário de Notícias* (DN) newspaper (April 13, 2016), any of them clarify in which areas this was to take place, but in January, when the amendment to the regulation for the area was submitted to public debate, Alvalade, Arroios, and Penha de França were some of the districts indicated by both Manuel Salgado, alderman for Urbanism and the designer of the project, and EMEL.

In April 2016, the parish of Penha de França was already referred to as a prime area where EMEL would extend its activity at the request of the residents. This

justification for the profound change in the parking management policy was also described in the news: “EMEL and LCC have had frequent requests from the resident population and parish councils to intervene in areas that are not covered by the current regulation,” explained the municipal company, pointing out that “the residents are the ones who suffer the most from the parking disorganization in areas that are not included in EMEL’s concession” (DN, 13 April 2016).

The clearing of the land (which was visible on June 19, 2016, in the satellite images) can now be better understood in the light of this news; the idea was to increase the number of regulated and priced parking spaces in some parishes, particularly in Penha de França. Once again, one can turn to the DN newspaper to better understand what contribution to the volume of regulated and paid parking in Lisbon Caracol da Penha would make:

The project in progress—which is the responsibility of the City Council, but will be implemented by the Lisbon Municipal Mobility and Parking Company—foresees the existence of three ‘levels’ on the street incline, where the slope is rather steep. The highest level one will be home to a crèche, a children’s playground, a kiosk, and a belvedere with café terrace. The lower two will be occupied by a car park, which will have a total of 86 places (initially 99 were planned). Also, according to EMEL, the new parking spaces should be available by the end of the summer 2016— (DN, 27 June 2016).

Albeit with some minor differences (e.g., the nursery school has disappeared), that is exactly the features in the report on October 21, 2016, drawn up by the Lisbon City Council that defended the project in response to the residents’ petition 14/2016 entitled “A garden is what we need.”

At this time, the project was still not contested by the two parish councils affected – Penha de França and Arroios. The DN noted that “on the part of the two parish councils covered by this project, there were no amendments to be made. The chairman of Penha de França parish council argues that the intervention rehabilitates an area that was ‘totally abandoned, and completely no longer in public use.’” And if there were residents who contested the project, the mayor argued that “there are also many who prefer more parking.” This is a “compromise solution” for a space “that currently cannot be used by anyone.”

The president of the neighboring parish of Arroios also looked favorably on the changes to be introduced, which were to transform a “quiet zone, a land that was kind of being used as a garbage dump,” into a leisure space for the residents of both neighborhoods. “I was in favor of the project,” he told the DN, adding that he only asked the council for the space to be “closed at night” to avoid vandalism (DN, June 27, 2016).

Thus, based on what was said in the news, there was already a complaint from some residents. Nevertheless, the parish councils preferred to see value in what they said were the interests of the residents who demanded more parking spaces. However, no data was presented to support the importance of either.

For its part, the Lisbon Municipal Assembly, while recognizing the healthy exercise of active citizenship, recommended in its report on October 21, 2016, the rapid commencement of the building works in order to “satisfy the need for parking for residents and visitors.”

The strategy followed by LCC and EMEL and announced at the beginning of 2016 was the backdrop to the urban intervention carried out that June with a view to creating, with the support of the parish councils involved (and subsequently, as has been shown, Lisbon Municipal Assembly), 86 more parking spaces on an abandoned plot of land in Penha de França, which ended up triggering a local protest and the whole residents' movement for the Caracol da Penha Garden.

The lack of discussion of this project results in the inclusion of this beginning of the process within the scope of what one has designated above as "old power values." There were limited information available, an absence of discussion, and no consideration for the demands of the residents (as was clear in the report of the Municipal Assembly). It was the typical top-down imposition, where only government and no governance is observed. This situation thus triggered the Caracol da Penha movement and definitely made one more solid contribution to the implementation of the fourth sector.

3.4 *The Dispute*

An action is often opposed to by a reaction. On the movement's website, the group justifies its existence as follows:

The Movement for the Caracol da Penha Garden arose from the desire of the residents of the parishes of Arroios and Penha de França to see the birth of a real public garden in a green space that they already knew well, looking out through their windows (. . .). The Movement, as soon as it was born, grew. And it continues to grow! It brings together neighbors and friends, friends of neighbors and neighbors of friends! Now, people who didn't know each other, but walked the streets daily, are coming together to achieve a common goal for the community: they want a real public garden in an existing green space! They want the regeneration of this space and its opening to the public, for collective enjoyment.

The Movement for the Caracol da Penha Garden reflects the sum of people of all ages, from all levels of education, all professions and all walks of life. We are men, we are women, we are people of all genders, we are children, youths and old people; we reflect diversity as a whole.

The fact that less than one-fifth of the whole project area was dedicated to people, who lacked open spaces in a heavily densified and consolidated area, was enough to give rise to the challenge described on the Caracol da Penha movement webpage: "The LCC/EMEL project's mistake: only 17.81% of the existing space is reserved for people's enjoyment!" In a parish like Penha de França, where there is only 0.8 sq. m of space per inhabitant and Arroios where the ratio is 1.2 sq. m per inhabitant (they are two of the worst-off parishes in Lisbon in this respect), such a mistake could be fatal.

The following description details this "mistake" which would lead to the triggering of the whole process:

The sloping area at the top (. . .) has a very steep inclination (66%), which qualifies it as an ecological reserve; it indeed features retaining walls in the LCC/EMEL project (and is inaccessible to people). The upper level (A2), the narrowest part, is the space for people's

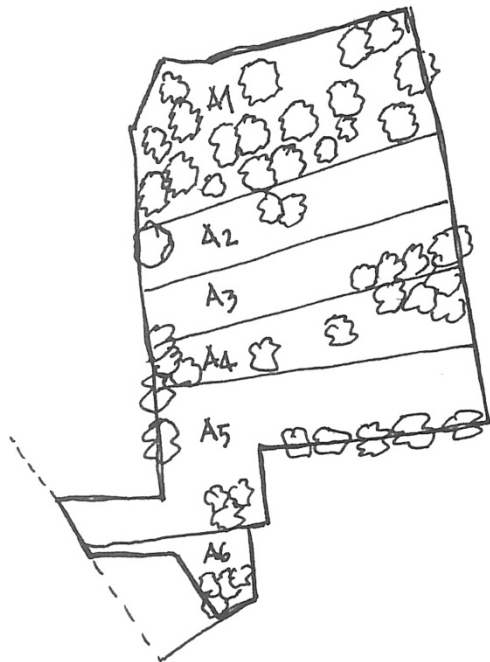
enjoyment: the design provides for a kiosk (Q) and a playground. For the garden area, on the top right, a kindergarten was planned. The intermediate level (A3) is, in the LCC/EMEL project, reserved for parking. The sloping strip between the parking levels (A4) is quite steep and the green area also features retaining walls in the LCC/EMEL project (and is inaccessible to people). The lower level (A5) is, in the LCC/EMEL project, reserved for parking. In a 2nd phase of the project, a small plot in the lower part of the land (A6) could eventually also be for use by the people—in Caracol da Penha movement webpage) (Fig. 6).

While the fundamental reason for challenging the project was the creation of 86 parking spaces, the arguments advanced by the planners using the guidelines imposed by the Municipal Master Plan (PDM) in force in Lisbon for this land were quite different:

With the growth of the city there is an increase in the surface area that is impermeable to water, which in turn leads to an increase in the run-off of surface water and, subsequently, the overflow of the drainage system, causing rupture and increasing the risk of major floods. These waters, which are then carried to the Tagus River—the closest open-air water line—are wasted: they are neither reused nor filtered and carry with them all the pollutants produced by human activity (such as car use). Another risk of impermeability is soil erosion and compaction, as the groundwater tables are no longer recharged, leading to the rupture of the soil, opening holes in the streets and causing landslides. Land and vegetation are the optimal solution to naturally retain and delay waters and to stabilize slopes—(idem).

This analysis concludes that “the terrain of the LCC, with its steep inclines, is classified as having a ‘moderate to high risk of mass movements’” (idem).

Fig. 6 Initial design for Caracol da Penha car park



Further to this issue of unstable slopes and soil sealing, the ecological structure was analyzed, as a natural way of combating these phenomena. Residents argued that

In the current Lisbon Master Plan, besides registering areas of vulnerability to flooding and areas of susceptibility to mass movements on slopes, other areas are also identified that can help to manage these risks, with the aim of reducing the opportunity for these occurrences.

This category includes the permeable green areas to be preserved and the green spaces (especially those that coincide with the areas of greater risk of mass movements on slopes, such as the green areas around the church and monastery of Penha de França, Monte Agudo, Nossa Senhora do Monte and the slope of the Monastery of Graça which, in an intelligent decision, was transformed into a new public garden for the city)—(idem).

Finally, a look at the PDM's Land Qualification Charter confirmed that the site was classified as a "Green Space for Recreation and Production." Indeed, as the residents argue,

There are photographic records, from the early twentieth century, showing intensively and orderly cultivated land here. Today, one can see, in other ways, that it remains a space of produce: besides the various existing fruit trees (plum trees, vines, peach trees, lemon trees, avocado trees, olive trees, banana trees, among others), there are still some vegetable garden spaces maintained by residents of the surrounding neighborhoods. The future, thus inscribed in the PDM, should protect this abundance and enforce this plan: to maintain the land as a true "green space for recreation and production"—(idem).

While these were tools for contesting the 86 parking spaces and the little attention given to the people, it was, however, never clear how the protest started, when and by whom. The protesters were certainly residents, not only supported by an excellent strategy for communication and dissemination of their initiatives, but also, as one has seen, supported by documents of good technical quality, which they used to present and defend their convictions.

3.5 The Reaction (Or How to Find Alternatives)

3.5.1 Proposal 180 of the 2016 Participatory Budget (PB)

Following the dispute, i.e., the announcement that the residents did not accept the project being imposed on them by LCC, EMEL, Penha de França, and Arroios civil parishes and even, later, by the Lisbon Municipal Assembly, an alternative proposal had to be arranged that would be viable and would serve as a basis for negotiation with LCC and not just as a means of continuing the dispute.

The petition "A garden is what we need" (14/2016) sent to the Lisbon Municipal Assembly on September 13, 2016, with more than 2600 signatures already contained not only a criticism of what the CML/EMEL intended to do on the site but also laid the foundations for the proposal of what the future of that space in the opinion of the residents should be. Basically, they wanted to replace a landscaped car park with a real garden. There were seven reasons for this:

(i) *Because the green space already exists*

It only needs to be regenerated and opened to the public.

(ii) *Because there is no real garden in this area anymore*

This is one of the most densely built areas of Lisbon and also one of the areas with the least green spaces, with no public garden that is set away from roads.

(iii) *Because it is the last chance*

There are no other large green spaces in this part of the city still free, and we do not want to miss this last opportunity to have a great public garden.

(iv) *Because the space already belongs to everyone*

The land in question belongs to the Lisbon City Council, so the process of creating a public garden is simplified and the costs are lower.

(v) *And nature is fundamental*

Contact with nature is fundamental to health and well-being. We want a space where children can run, play, and have fun in safety, youths can do sports in a relaxed atmosphere, and older people can spend some good free time and be close to home.

(vi) *Because imagination is the limit*

This part of the city has few public spaces that allow for outdoor living. This garden will enable residents—and not only residents—to think up new ideas and let their imagination run wild: community gardens, tai-chi exercises, sports competitions, swings, multipurpose spaces, terraces, picnics, trees, shade and birds, small concerts. . . .

(vii) *And a garden prevents flooding*

Flooding is a recurrent problem in Lisbon. A garden mitigates this (Petition 14/2016—“A garden is what we need”).

In addition to the arguments for a garden instead of a car park, the residents also attached weight to the results of previous editions of the Participatory Budget, as one can read in Petition 14/2016 “A garden is what we need” to the Municipal Assembly:

These arguments already heralded the strategy of submitting the Caracol da Penha Garden proposal to the Participatory Budget for 2016.

The “Caracol da Penha Garden” proposal, as an alternative for the regeneration of an abandoned space, was also accompanied by an intense promotion campaign for the participation of the population in the voting process. One of the standout examples of this took place on October 27, 2016, when residents and artists gathered for a cultural tour of Caracol da Penha Garden—“To the Caracol! - Cultural Roadmap for a Garden,” a program that included about 20 different performances during the afternoon and evening of that day. Street theater, yoga, music, and dance filled an afternoon, with programming for all ages.

As Público newspaper reported:

Those who want to sit in a café and practice creative writing are now invited to do so, or even listen on the steps of Rua Cidade de Manchester to the stories of Pedro Giestas. There is a drawing, serigraphy, and painting workshop in the street, open workshops, and various other facilities (. . .).

After the submission of a petition with 2600 signatures to Lisbon Municipal Assembly, the Caracol da Penha Garden project was included in the Lisbon Participatory Budget. Besides making the space known, the call to vote on project 180 is one of the objectives of this project—(Público, October 27, 2016).

And the positive result came with the additional fact that it was the most voted-on project ever in the Lisbon Participatory Budget (PB) scheme, totaling 9477 votes.

One of the most important aspects of the success story that is the movement for the Caracol da Penha Garden was its detachment from all political exploitation that political parties tried to make of it. The most obvious example was the reaction to the mural painted by the Bloco de Esquerda party at one of the entrances to the space; the party even sent its only LCC councilor at the time.

The collage was denounced on the Facebook page of the movement: “We feel that this action of the Bloco de Esquerda party constitutes an attempt to appropriate the movement in order to obtain greater media projection and electoral gains; this weakens us and therefore we repudiate it,” the group of citizens said in a message. They also added: “We are involved in politics because we defend a vision for our neighborhood, but we are not guided by any party-political calendar. Render unto the social movements what is of the social movements. Render unto the political parties what is of the political parties.”

The winning project for the Caracol da Penha Garden movement had raised 500,000 euros and was to stay in existence for at least months.

The next step was, of course, to define the landscape design that would meet the expectations of all those who voted and mobilized in favor of the garden. For this reason, the movement for the garden of the Caracol da Penha launched a participatory process to define the future space. They asked, “How do you imagine the garden of the Caracol da Penha?” and everyone could send in suggestions in images, documents, or links that would clarify what they wanted.

The idea was that after gathering these contributions through the Facebook page or in “suggestion boxes” which were spread throughout the shops and schools of the parishes of Arroios and Penha de França, the design team would propose an initial version of the garden, which was then to be discussed publicly (in <https://www.caracoldapenha.info>).

It is interesting to note that on March 3, 2017, just over 6 months after the petition was submitted to the Lisbon Municipal Assembly, it was still possible to see gatherings of both many of those who fought for the garden and many of those who resisted the idea of the garden and favored a gardened car park. The website of the Lisbon City Council reported:

Caracol da Penha Garden—citizens called to decide. The process of popular participation to define what the future Caracol da Penha Garden will look like commenced in an initial session that took place on the site, on March 3rd, with the presence of the mayor, Fernando Medina, the Aldermen Duarte Cordeiro and Manuel Salgado, the chairpersons of the parish councils of Penha de França and Arroios, and the representatives of the citizens’ movement that fought for the creation of the garden—(LCC, March 3, 2017).

The organization of the participatory process for the definition of the Caracol da Penha Garden project sought to:

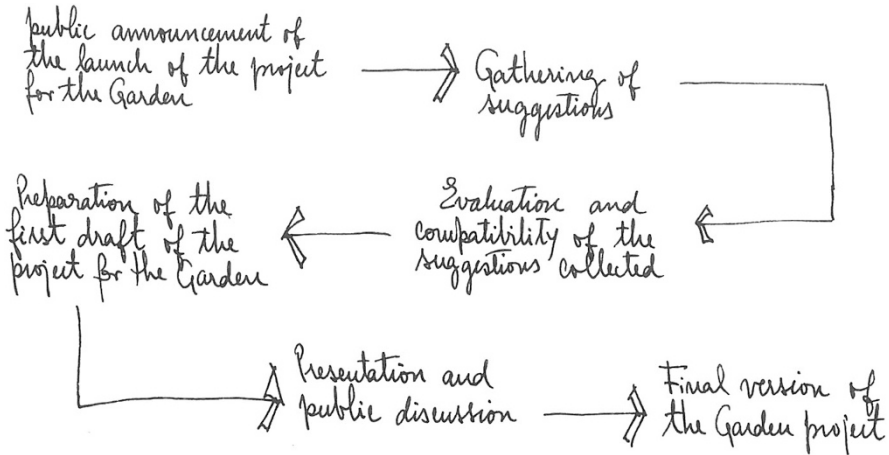


Fig. 7 Stages of the process of participation in the definition of the garden project

Involve the population in the final definition of the garden project and listen to the community so that the public garden that is to be created can be a garden for all: inclusive and cheerful. Any person or organization can participate in this process, and all suggestions will be considered. The suggestions submitted may or may not be accepted, and if accepted, they may be adapted or integrated with others in order to build a coherent project. All suggestions submitted, as well as the documents attached to them, become the property of LCC. The movement for the Caracol da Penha Garden will act in this process as a mediator between the aspirations demonstrated by the population and the design team. The final decision on the project lies with LCC (Fig. 7).

The process of governance was thus crystallized by involving citizens in a participatory process, the movement bringing together and systematizing suggestions by promoting dialogue with the designers (another element of governance) of the garden. The Lisbon City Council was another relevant actor as it was not only to finance the design project and the works but also to validate the solution found within the framework of the collective and more global interests of the city of Lisbon.

4 Conclusion

This section is not intended to add much to the reflection made at the beginning and to the description of the emblematic case of the movement for the Caracol da Penha Garden. It is worthwhile, however, to underline the mechanisms by which the change of values in the exercise of power took place.

In this case, the decision to assign a certain use to a public lot was taken in a conventional way, i.e., top-down, arguing in such a way that it turned out not to be

completely serious, as it was never shown that it even arose out of requests from residents for more parking space (at least throughout the process, these never manifested themselves).

This classic form of decision-making was challenged by residents who questioned the use attributed to the space by suggesting another use. At first, the local administration rejected this suggestion, and an organized, creative, dynamic, and constructive civic movement was needed to reverse the initial decision.

What this chapter also intended to demonstrate is that the paradigm shift in the exercise of power identified by Heimans and Timms (2018) and discussed herein at the beginning, in the demonstration of importance given today to public spaces, and in the emergence of governance processes in land disputes, with greater protagonism for the classic formula of territorial governance, is already quite visible in the urban and metropolitan context in cases associated with public spaces or even associated with urban transformations derived from urban redevelopment and regeneration processes that still appear as disruptive to the dominant framework.

But this contribution also makes it clearer that there is a process underway toward a more collaborative and, at the same time, more accountable and involved society, as Heimans and Timms (2018) describe it.

The enormous energy needed to reverse a decision already taken, driven by a community-based domain normally excluded from decision-making processes, shows how much one is still at a stage where the classic system of power only accepts that it should revise its positions under great pressure. However, each time it does so, it brings us close to the citizen power rung on Arnstein's Ladder of Participation (1969).

Far from revealing the political crisis of which Innerarity (2016) speaks, these spontaneous, temporary, and focused movements could be key to tackling and fighting the negative externalities generated, in the form of abstention or populism. But while a catalyst for this movement has been technology—the use of digital platforms, social networks, etc.—it can also be used in a pernicious way, so it is important to continue to study how smart governance can be a fundamental process for the survival of collaborative democracy in the future.

In other words, what one must take away from this process is that the construction of the fourth sector does not follow a ballistic trajectory that is free of difficulties, and advances and setbacks, largely arising from the inertia that exists in formal political and administrative structures.

The final configuration of the fourth sector is still unknown, but it is with cases like the Caracol da Penha Garden that one can help it to achieve greater protagonism.

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Municipal Policies in Spain to Promote Sustainable Development Goals (SDGs): An Approach to the Fourth Sector



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Abstract This chapter analyzes the behavior of different municipal budget policies and their relationship to the Sustainable Development Goals (SDGs) established in the 2030 Agenda. Starting from a general focus on the relationship of SDGs to public spending policies (known as spending programs) in local entities, this chapter examines companies that can sign contracts with public administrations under Public Administration Contract Law. Our study aims to relate municipal budgetary actions to the SDGs and to private companies that pursue social goals as well as economic benefit—that is, firms composing the fourth sector. Characterization of the local public sector’s contribution to sustainable development through budget policies focuses on the autonomic (regional) level. The methodology is based on the information in the budgetary settlements of Expenditures and Income presented to the Spanish Court of Accounts for the period 2010–2018 in over 8000 municipalities and other Spanish local entities. The database (big data) of over 2,000,000 records was processed using data mining techniques to extract a set of indicators based on the expenditure level of each local entity and other indicators. The results also indicate the spending policies/programs related to the SDGs and the economic nature of spending with companies in the fourth sector. The results thus provide a geographical view of how local spending is distributed in Spain in absolute terms (millions of euros), per capita, and in terms of local entities’ spending on SDGs and fourth-sector companies across the different regions.

Keywords Sustainable development · Municipal management · Budgets · Fourth sector

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1 Introduction

Social responsibility (SR) in public administrations assumes an ethical commitment to citizens, involving local administrations' development of a culture of SR reflected in delivery of services in harmony with the policies on which the Sustainable Development Goals (SDGs) are based. At the same time, sustainability of the services that municipalities and local administrations deliver over time requires a combination of expenditure control policies, financial strengthening, and assurance of the efficacy of these services. A new model of governance is thus imposed that develops a type of economic-financial management of public resources—especially budgetary resources—to generate relevant economic-financial, social, and environmental information that can be evaluated in terms of efficiency. According to the United Nations (UN) annual report (United Nations 2020), this model stipulates that sustainable development strategy is to be aligned with governments, civil society, and the private sector to further fulfillment of the SDGs in terms of SR and governance. So-called fourth-sector firms embrace sustainability as a goal, conceiving it as threefold—social, environmental, and economic—and prioritizing the social and environmental over the economic. In the Spanish context, insofar as such firms can be considered to act in the general interest, public administrations (especially local ones) can include financing of specific activities or investment in these firms in their expenditure programs.

The SDGs establish the UN 2030 Agenda for Sustainable Development. Ratified by the General Assembly in Resolution 70/1 on September 25, 2015 (United Nations 2015), they reaffirm the international community's past efforts articulated in the Millennium Development Goals. In contrast to the aims of the Millennium Development Goals, however, the 2030 Agenda seeks comprehensive development on a much more ambitious scope. While maintaining “classic” priorities of development, such as eradication of poverty and improvement of health and education, the SDGs add a wide range of economic, social, and environmental goals to shape a world fully committed not only to unwavering respect for human rights and dignity but also to the rule of law, justice, equality, and nondiscrimination.

The year 2015 was thus a year of consensus on initiating a new agenda that defined the path for cooperation over the next 15 years and a road map that was both universal—including all actors whose activity forms part of our world, who belong to the public, business, and academic sectors, nonprofit organizations, and civil society—and global, since the scope of the goals to be fulfilled includes the whole earth, both developing and developed countries.

This extensive post-2015 agenda is composed of 17 goals, known as the SDGs, divided into 169 targets. Given this high number, the UN Statistical Commission saw the need to create the Inter-agency and Expert Group on SDG Indicators (IAEG-SDGs), composed of some UN member states and regional and international entities acting as observatories, to develop a global framework of 230 indicators to measure the extent to which the agenda's goals and targets were being fulfilled globally.

At national level, governments are responsible for choosing or composing the entity to carry out the process of implementing, monitoring, and fulfilling the SDGs. This entity is responsible for formulating the targets and indicators in each country according to the main needs of each society and monitoring and reviewing progress made toward the targets and indicators, both global and local. This process requires collecting quality data and information in a timely way. It is especially important for all countries to create the capabilities and initiatives that point the country in this direction. At the same time, consumers increasingly value organizations that adopt decisions and policies favoring sustainability of the planet and the 2030 Agenda—organizations and firms created not only to obtain economic benefit but also to fulfill social goals. It is within this framework that the fourth sector was born, uniting private, public, and social entities in a single organization with far-reaching ethical values that go beyond those of corporate social responsibility (CSR).

The participation of public administration, the private sector, and civil society is crucial to attaining the targets defined by the 2030 Agenda. Also essential are tools and indicators that measure the impact not only of firms' actions but also of public administrations and nonprofit organizations to enable evaluation of their operating capability, efficiency, and efficacy, while also helping to identify their strengths and areas for improvement. These tools and indicators must help to unify the terminology used in discussing sustainability.

The budget is the primary financial management tool for expenditure used at the international level. The document "Promoting Performance: Using Indicators to Enhance the Effectiveness of Sub-Central Spending" (Mizell 2008) thus presents this experience in the form of indicators to improve management in various countries. In Spain, the law regulating the bases of local regimes (*Ley reguladora de las Bases del Régimen Local 7/1985*) (LRBLR) (España 1985), which was developed by the law regulating local tax offices (*Ley 39/1988 Reguladora de las Haciendas Locales*) (España 1988) and amended by Law 2/2003 (España 2003), establishes the foundations for local budgetary regulations. The General Budgets for Local Entities thus constitute the systematic, complete, calculated expression of the *maximum* financial obligation that an entity and its autonomic entities can incur, the receivables that the entity expects to settle in the following fiscal year, and the estimates for income and expenditure from the mercantile societies whose social capital belongs entirely to the corresponding local entity. At the end of the tax year, the local entities must settle the budget. They must then send a *copy* of the budgetary settlement to the national and autonomic governments by the end of March of the following tax year. The state of the budget settlement thus forms part of the local entity's annual accounts, making it possible to determine how the entity spent its budgetary income and what income was received during the year.

The current Spanish legislation requires municipalities and local administrations to render accounts and balance their budgets. The entity responsible for monitoring economic-financial management of the public sector is the Spanish Court of Auditors, which audits the budgetary settlements of Spain's approximately 9500 municipalities and local entities.

Within this context, the goal of this study is to relate the municipalities' actions, as reflected in the budget items, to the SDGs defined in the 2030 Agenda and to the private firms composing the fourth sector, that is, firms that pursue both economic benefit and social goals. We can thus characterize the local public sector's contribution to sustainable development through its budgetary policy of support for practices of and investment in fourth-sector firms. The specific objectives proposed are as follows: to provide a geographic view of local expenditure in Spain and to determine a geographic view of how local entities distributed by territory are spending both on SDGs and on the fourth sector in the different geographic areas in Spain—that is, in the autonomous communities (ACs).

This study is organized into a brief introduction and an overview of SR in the public administration vs. the fourth sector, followed by expenditure policy related to the SDGs and the main results and conclusions.

2 CSR in the Local Public Administration and the Fourth Sector

SR in public administrations assumes an ethical commitment to citizens, including commitment to social, economic, labor-related, environmental, and human rights in perfect harmony with all stakeholders (Van Winden 1999; Epstein and Mealem 2009); Horgos and Zimmermann (2009); Vélez and Cano 2016). At the level of local administration, we cite studies by Browne (1978), Menzel (1990), Cooper et al. (2005), and Ortiz-Rodríguez et al. (2018). We also find studies that advocate tools to identify appropriate indicators on matters of sustainability (Poza-Vilches et al. 2020), as well as the impact of SR of the local administrations on citizen participation (Sánchez-Hernández et al. 2020). Local administrations must thus develop a culture of SR that involves delivering services according to policies on which the SDGs are based. At the same time, they must ensure sustainability of the services over time, such that the variables of efficiency and expenditure control, accompanied by financial strength, enable sustainability of the services the municipalities and local administrations deliver. A new model of governance is imposed that develops a form of economic-financial management of public resources—especially budgetary resources—to generate significant economic-financial-social-environmental information that can be evaluated in terms of efficiency.

In Spain, concern to achieve responsible public management materialized in the legislative development of the law for sustainable economy (*Ley 2/2011, de 4 de marzo, de Economía Sostenible*) (España 2011) and the law regulating public sector contracts (*Ley 9/2017, de 8 de noviembre, de Contratos del Sector Público*) (España 2017), whose fundamental goal is to make budgetary management more efficient and management of expenditure more responsible and transparent. Next, Art. 137 of the Spanish Constitution (España 1978) established division of Spain's geographic territory into municipalities, provinces, and ACs. In 2005, the Spanish Good

Governance Code for the General Administration of the State and the Spanish Federation of Municipalities and Provinces (FEMP) ratified its own Good Governance Code in 2009, proposing that municipalities adopt two types of measures (FEMP 2015):

- A. Measures to improve management and quality of municipal democracy by creating commissions to monitor public contracts and transparency in granting aid, while also promoting citizens' electronic access to public services
- B. Measures to promote participatory democracy, which complements representative democracy and fosters relational administration

Municipal administration is the smallest administrative unit. Its organ of government is the city council, led by the mayor and councillorships. City governments deliver a series of basic services to members of the community, such as urban planning and street cleaning. They usually also develop policies to advance the economy, job creation, and social services.

Provincial administration in Spain includes 50 provinces, each composed of groups of municipalities. Some provinces are governed by provincial governments (diputaciones), whose function is to manage the province's economic-administrative interests and collaborate in managing municipal activity. There are currently 43 provinces with provincial governments. Seven of the provincial governments are integrated into or merged with those of the AC because the AC has only one province, as in the case of Navarra. The provincial governments are responsible for delivering services such as waste treatment in municipalities of under 5000 inhabitants and preventing and extinguishing fires in municipalities of under 20,000 inhabitants when the municipalities themselves do not perform these services. Not all ACs function in the same way, however. The LRBRL (España 1985) establishes that the historical territories of Álava, Guipúzcoa, and Vizcaya exercise the competences granted to them under the Basque Statute (Estatuto Vasco) and the AC's internal legislation.

The ACs are political-administrative entities constituted to guarantee the autonomy of Spain's various historical and regional nationalities. Spain has 17 autonomous regions and two autonomous cities, Ceuta and Melilla. Each AC has its own Statute of Autonomy (Estatuto de Autonomía), which stipulates its competences and the organization of its institutions: government, parliament, and court of law.

With the entry into force of Spain's law regulating public sector contracts (Ley 9/2017, de 8 de noviembre, de Contratos del Sector Público) (España 2017), which transposes the Directives of the European Parliament and of the Council 2014/23/EU (European Union 2014a) and 2014/24/EU (European Union 2014b), of 26 February 2014 into the Spanish legal code, this law regulates social and environmental aspects of public contracts more intensively. The main goals of this law are, first, to guarantee transparency in all contracts at all stages and, second, to use procurement strategically to advance public policies on social and environmental matters, as well as on innovation and development of procurement with small and medium-sized enterprises. The procurement entities were to detail specific measures in their bid specifications to guarantee integrity in their procurement procedures and to use

strategy in their contracts to employ the resources they manage through contracts to implement national and international policies on social and environmental issues, promote innovation, and foster the participation of Small and Medium Enterprises (SMEs) in public procurement. As Gutiérrez-Ponce et al. (2019) indicate, public administrations are increasingly aware of and concerned about issues of transparency, SR, and sustainability. In Spain, we see many administrations embracing the commitment to engage in socially responsible procurement.

Gutiérrez-Ponce et al. (2019) relate the budget items in municipal budgets to CSR. Their study establishes correlations between budgetary stability, municipalities' financing systems (MFSs), and social expenditure policies as fundamental elements defining an indicator of the CSR attributable to Spanish municipalities. The study measures each municipality's behavior in matters of CSR based on the volume of expenditure on functions and programs and their relation to the variables that determine the way these functions and programs are financed (taxes, revenue transfers, and other means). The study shows that the municipalities' size, different forms of financing, volume and type of expenditure, and net variation in financial liabilities (increase or decrease in financial debt) affect the budgetary results (deficit or surplus). The results are in turn directly related to expenditure policies, forms of financing, and the situation of surplus or deficit in the Spanish municipalities.

As Trujillo et al. (2011) indicate, SR as an unquestionable value for both public administrations and private organizations raises the need to develop management based on principles and values that support an ethical and transparent relationship with internal and external actors from organizations. Municipal budgetary policies can thus be an important indicator for measuring good practices and their sustainability to enable fulfillment of the development goals defined in the 2030 Agenda. Many studies, both theoretical and empirical, have been performed by interest or pressure groups. Among these, we cite Winden (1999), Epstein and Mealem (2009), and Horgos and Zimmermann (2009) for their contributions to this field. At the level of local administration, we note Browne (1978), Menzel (1990), Cooper et al. (2005), and Gutiérrez Ponce et al. (2018).

Although the alliance between governments, enterprise, and civil society has the potential for success in its ability to tackle social problems and improve quality of life, it has been the exception rather than the rule thus far. This leads us to the fourth sector. As "The Emerging Fourth Sector" indicates (The Fourth Sector Group 2020), fourth-sector organizations share a common denominator in their joint goals of social and environmental benefit and economic sustainability.

Both public and private or social organizations can come together in this sector, but such convergence requires a change of goals. Public organizations must shift their focus solely on economic issues to focus on economic sustainability, and private organizations must maximize social rather than economic benefit. Ultimately, the fourth sector includes all types of organizations that encompass practices, strategies, and systems of business management to balance economic, social, and environmental issues in accordance with the goals of efficiency, efficacy, and sustainability. This sector seeks organizations with a business culture and incentives that support the goals of efficiency, efficacy, and solidarity.

Implementing the 2030 Agenda for the general framework, goals, and targets of SDG 12 (Target 12.7) promotes measures to use the potential of public procurement to support the SDGs. There is a clear need for private investment and a transition to business models and strategies that generate social and environmental as well as financial value. Target 12.7 is to “Promote public procurement practices that are sustainable, in accordance with national policies and priorities.” During the period in which this action plan is in force, this key target must be fulfilled to achieve SDG 12, “Ensure sustainable consumption and production patterns.” The Spanish law regulating public sector contracts (*Ley 9/2017, de 8 de noviembre, de Contratos del Sector Público*) (España 2017) promotes measures that aim to use the potential of public procurement to support environmental, social, and innovation policies. The SDGs will be incorporated as the general framework of goals, targets, and criteria in this context.

3 SDGs and Expenditure Policy in Spanish Municipalities

According to the European Commission (2019), achieving the SDGs requires working from different angles: education, finance, companies’ SR, and governance, among other angles. As to education, the EU (2015) argues the need to have appropriations for this endeavor, since investing in education assumes sustainable economic growth, improving stability, which in turn influences health, equality, peace, and job opportunities. These ideas are reflected in Goal 4, “Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all.”

In matters of finance, the goal is to achieve a gross national product (Sustainable Development Solutions Network & Bertelsmann Stiftung 2017) that can translate into budgetary support, but no consensus exists on the criteria to apply in different countries. Measures have been proposed for Official Development Assistance (ODA), but the different financing needs and configuration of different countries require measurements (Center For Global Development 2017; Publish What You Fund 2016). To measure the different countries’ degree of fulfillment of the goals, one must have good indicators, taking into account the concern for issues related to governance and efficacy, among others.

According to the UN’s annual report (United Nations 2020), sustainable development strategies accrued to encouraging governments, civil society, and the private sector align to contribute to the achievement of the SDGs in terms of SR and governance. In the action plan to implement the 2030 Agenda, expenditure policies and programs are established to develop this achievement, which enables allocation of resources to SDGs. Currently, much of the public investment and expenditure—as well as social expenditure on education or healthcare—are oriented to reaching and maintaining the achievements on some SDGs included in the annual report. Achieving the SDGs, as well as monitoring them, requires the corresponding budget items. This reports include the differences in progress among countries.

If we examine the 17 SDGs (**Appendix 1**), management of implementation, monitoring, and achievement of results is delegated to the governments of each country. Specifically, the report on the SDGs (United Nations 2020) indicates the efforts being made globally, although the results in some areas still leave much to be desired in matters of food insecurity and deterioration of the natural environment. These problems have been aggravated by the global COVID-19 pandemic, which has contributed to the worsening of some of the sensitive areas, affecting the poorest.

The pace of achieving these goals is unequal for various reasons, depending on the country in question. Local governments try to provide the services needed using the resources available. Sometimes, however, they face problems such as corruption, or inefficient management or economic capability. Civil societies are in contact with the real problems and in general have good capability, but the lack of resources sometimes limits their action. As to the private sector, prioritizing the economic goal (maximization of profits) often clashes with social and environmental goals.

As to Spain, the action plan prepared by the government to implement the 2030 Agenda includes actions for the administration to follow concerning governance, monitoring, rendering of accounts, and evaluation. The ACs, local governments, and civil society have especially prominent roles. More specifically, the report on the SDGs in 100 Spanish cities (Sánchez de Madariaga et al. 2018) reports progress in the application of the sustainable development agenda throughout the country. The report shows the efforts and progress made. One example is cities like San Sebastián, which has for some time been developing active policies for sustainable growth with good results. Others—such as Madrid, Barcelona, and Valencia—are also making progress along these lines. As to the results achieved on the SDGs, Spanish cities achieve their best results on SDG 16 (peace, justice, and strong institutions) and SDG 3 (good health and well-being), followed by SDG 6 (clean water and sanitation) and SDG 7 (affordable and clean energy). The SDG with the worst results is SDG 8, on decent work and economic growth, which presents great challenges: a total of 16 cities receive low scores on this goal.

Fulfilling the SDGs in the public administration is tied both to specific services and, in turn, to budgetary management. Without good budgetary allocation, the development of SDGs is unviable. This does not lead us to consider administrations' budget as the financial tool most used for the management of expenditure at international level. Here, the document "Promoting Performance: Using Indicators to Enhance the Effectiveness of Sub-Central Spending" (Mizell 2008) presents the experience in indicators to improve management in different countries. Along these lines, the OECD report (2015) insists on the need to support budgeting with pillars of public governance, such as transparency, integrity, openness, participation, rendering of accounts, and strategic focus for planning and achievement of national objectives.

In Spain, the LRBRL establishes the fundamental premises of local budgetary regulation and includes the competence of the environment as a compulsory service in all municipalities with over 50,000 inhabitants. Management of public services can be performed directly by the local entity itself or by a local autonomous administrative division, a local public business entity, or a local mercantile society.

Management of these services can also be performed indirectly under the Law of Public Sector Contracts. More specifically, the competences for management of services in Spanish municipalities are regulated in Art. 25 of the LRBRL (España 1985). Some studies that analyze public expenditure per capita focus on one or several specific budget items in the expenditures indicates. For example, studies of the expenditure per capita on culture or the environment include Benito et al. (2013) and Stastna (2009). Among studies of fiscal interaction are Ermini and Santolini (2010) and Deng et al. (2012). More recently, López Hernández et al. (2015) also focused their analysis on budget items for expenditure on culture, the environment, and sport. Their conclusions demonstrate that the structure of the population, fiscal policy of the municipality, and program of the governing political party are variables that influence determination of the expenditure per capita for these specific budget items.

At the same time, the Law on Sustainable Economy (Ley 2/2011, de 4 de marzo, de Economía Sostenible) (España 2011) establishes the measures for streamlining and containing expenditure, as well as increasing fiscal transparency of public administrations. Efficiency is one of the important elements, as evidenced in Art. 32.4, that “every expenditure will be evaluated according to the principles of efficiency and simplification of services rendered, thereby motivating productivity of the public sector.” Under the legislation in effect, public administrations are required to work within the framework of sustainability. Further, after publication of the Law on the Streamlining and Sustainability of Local Governments (Ley 27/2013, de 27 de diciembre, de racionalización y sostenibilidad de la Administración Local) (España 2013), the concept of efficiency in managing services gains a prominent role and becomes very important for budget managers in streamlining expenditure while simultaneously continuing to deliver public services. To this end, studies such as Chamizo-Gonzalez et al. (2016, 2018) have analyzed management of urban solid waste; Picazo-Tadeo et al. (2009), Byrnes et al. (2010), and Gupta et al. (2012) have analyzed the economic efficiency of water management; Von Hirschhausen and Cullmann (2010) have studied modes of public transportation, and Rautiainen et al. (2017) have studied local police service.

The measurements of performance and indicators of efficiency are thus crucial to showing the use of public resources and to be able to analyze and compare the level of services delivered with the financing allocated to them, whether through taxes or revenue transfer, and ultimately the fulfillment of the SDGs through delivery of these public services. At the same time, local governments are promoting initiatives associated with economic incentives for their citizens with increasing frequency, such as lowering taxes such as property taxes (Impuesto sobre Bienes Inmuebles), with actions oriented to reducing greenhouse gas emissions, reducing energy consumption, promoting renewable energies, waste reduction, mobility, construction and urban planning, procurement of public services, and carbon sinks. The Fundación Renovables (Foundation for Renewable Energies) has just published a study that proposes fiscal incentives for facilities with photovoltaic self-supply in municipalities with over 10,000 inhabitants.

This article will focus on the SDGs related to management of public services of the local government. Based on this goal, we believe that firms with the capability to sign contracts with public administrations must fulfill the specifications established in the Law of Public Administration Contracts.

4 Methodology

Based on the existing UN's 2030 Agenda and its SDGs, this study will relate the SDGs (**Appendix 1**) to the economic activity of the local public sector and to the extent to possible with fostering the economic activity of the fourth sector.

To do so, we will relate the local economic activity reflected in the implementation of local budgets through the public programs or policies with defined expenditures (**Appendix 2**). The programs with expenditures identified at three-digit level will be assigned a discrete value (0/1) for each SDG, with 1 if it is true that the program's expenditure policies are related to a specific SDG and 0 if it is false. The method will enable us to determine the portion of the amount each local entity spent that was dedicated at the time to expenditures related to the SDGs.

Similarly, based on the economic classification of the budget of expenses (**Appendix 3**), we have chosen from the total number of three-digit budget items the items whose economic nature implied expenditures with companies or professionals (we filtered out personal expenses, taxes paid, and budget items dedicated to the public sector or to people). In this way, we will obtain an approximation of the expenditure that each entity dedicated to companies and thus to the fourth sector.

The methodology established starts from the budgetary settlements of expenditures and income for the period 2010–2018 corresponding to over 8000 Spanish municipalities and other local entities presented to the Spanish Court of Accounts, the highest auditing entity for economic-financial management in the public sector that can be consulted in various websites of the Ministry of Finance.

The brute data were aggregated, ordered chronologically, cleaned, and transformed through the development of a huge database (big data) of over 2,000,000 records, which were analyzed using data mining techniques (Chamizo-Gonzalez et al. 2015) to extract a set of indicators of public expenditure on SDGs and the fourth sector.

As we will discuss in the section on the study results, the data enabled us to discover the reality of the expenditures, especially due to the omission of some specific years in specific local entities.

All of the ACs have 52–72% of their budgets related to one of the SDGs, with the Comunidad Valenciana and Ceuta dedicating the lowest percentage.

4.1 Downloading and Obtaining the Data

The databases were distributed through the website in the form of a compressed WinZip file that contained the database Microsoft Access with detailed information on the settlement for each year. To do this, we downloaded a total of nine files with information on the years 2010–2018. Although earlier periods were available, we did not use them due to the difference in format and type of data. The zip files were downloaded from the website and decompressed to obtain Access files.

4.2 Chronological Ordering and Other Modifications

After determining which of the multiple tables in each Access file contained the relevant information, we proceeded to order the data chronologically, adding a new field to include the year to which the data referred.

In each table corresponding to a year, we added to each budget item for an expenditure program or policy the value 0/1 that we had created to categorize the item as related (1) or unrelated (0) to the SDGs. In each budget item with the economic classification of expense, we added the factor that determined whether the expenditure affected companies and thus by extension the fourth sector. Based on the field indicating the population of each local entity, we added fields determining the range of population and sum of the population for all municipalities in each province and AC. In each record identified through the so-called general database code of local entities (código de la base de datos general de entidades locales, or CBDGEL), we obtained the information, which was added in new fields on the province and AC to which the local entity belonged.

The data were generally prepared to enable us to obtain both the total expenditure and expenditure on SDGs and expenditure on firms/fourth sector absolute values, relative values, and values per capita.

4.3 Data Aggregation

After preparing the data file for each of the 9 years, we emerged the files to create one large database with over 2,000,000 records.

4.4 Data Handling

Given the magnitude of the data, we have to make connections from the spreadsheet to the database Access by means of dynamic tables to organize the data and obtain relevant visualizations at each moment.

5 Results Obtained

5.1 *Expenditure of Local Entities by CA*

All of the foregoing is shown in Table 1. The greatest budgetary expenditure for the period 2010–2018 is in the País Vasco, with an average of 15,199 million euros, with the exception of 2012, which seems to correspond to Cataluña, with 10,488 million. As concerns expenditure, we must take into account the special regime and importance of the provincial diputaciones in the Basque AC, whose special fiscal regime makes them the entities that collect taxes for the state and then distribute them in the form of delivery of supramunicipal public services or in other cases coordinate unified delivery of services for municipalities in their respective geographic territory.

We also see that Navarra shows a value of 0 in 2013 and a very small value in 2014, a clear indication of missing original data and an error in the data collection system. We remember that local entities implement their budget and remit their approved annual accounts to the Ministry of Finance. There may be various reasons for missing data on specific entities in some years, from not receiving approval of the account by the deadline to delays in sending the information. But the case of the missing data for Navarra in 2013 indicates that there are no data from any of their municipalities or local entities.

The percentages that represent the expenditure of the local entities of each AC relative to the total are displayed in Table 1 under the column labeled total expense (%), where on average, local entities in the Basque Country represent 21.9% of the total expenditure, with approximately 137,000 million euros, followed by Cataluña, Andalucía, and Madrid; Ceuta, Melilla, Rioja, Navarra, and Cantabria show less expenditure, not even 1% of the total.

We will now examine the factor of population in Table 1 to observe how the local expenditure is distributed per inhabitant, taking as the population data that included in the budgetary settlements of the Ministry of Finance. After analyzing these data, we would stress that for Navarra, there are no data on settlement of the budget from any entity for 2013 and 2014. País Vasco includes primarily the expenditure of the diputaciones and the city of San Sebastián. As we see, the expenditure per inhabitant for these years varies greatly in this Basque AC. We must take into account that this result is the product of having added the expenditures made by the diputaciones, whereas the population is the same, since the diputaciones were not assigned a specific population.

In all cases, the population refers only to the population of the local entities analyzed that belong to that AC.

It is clear from Table 1 that the difference between País Vasco, with an average of 8205 €/inhabitant, and the rest is out of proportion (Cataluña, 1570; Andalucía, 1271; and Madrid, 1196). Given the relevant weight of expenditure of the Basque diputaciones, we have added the analysis per capita, taking into account the effect of including the diputaciones and comparing it to the expenditure per capita of the other entities (excluding diputaciones). We thus see that the value of the information from

Table 1 Local entities' expenditures by AC 2010–2018**

Expense per capita 2010–2018 €/inhab (% value without diputaciones)						
Acs	2010	2011	2012	2013	2014	2015
Andalucía	1384 (121.9%)	1282 (124.0%)	1219 (122.8%)	1150 (115.9%)	1251 (126.9%)	1257 (124.1%)
Aragón	1583 (123.6%)	1428 (125.9%)	1373 (122.6%)	1338 (123.8%)	1378 (118.2%)	1423 (116.7%)
Asturias	1029 (100.0%)	898 (99.9%)	816 (100.0%)	862 (100.1%)	838 (100.0%)	881 (100.0%)
C. Valenciana	1264 (117.1%)	1101 (118.2%)	1062 (118.7%)	1024 (119.6%)	1093 (117.2%)	1155 (117.9%)
Canarias	1800 (100.0%)	1693 (100.0%)	1643 (100.0%)	1571 (100.0%)	1785 (100.0%)	1721 (100.0%)
Cantabria	1058 (100.0%)	964 (100.0%)	894 (100.0%)	886 (100.0%)	985 (100.0%)	975 (100.0%)
Castilla y León	1579 (144.1%)	1411 (146.0%)	1256 (140.8%)	1184 (143.9%)	1239 (132.2%)	1234 (132.0%)
Cataluña	1696 (110.7%)	1549 (111.0%)	1437 (112.6%)	1389 (110.4%)	1520 (110.9%)	1637 (115.1%)
Ceuta	3289 (100.0%)	2943 (100.0%)	3430 (100.0%)	2697 (100.0%)	3705 (100.0%)	3266 (100.0%)
C-La Mancha	1411 (129.8%)	1200 (130.0%)	1032 (128.7%)	959 (130.4%)	1128 (127.2%)	1197 (131.7%)
Com. Madrid	1333 (100.0%)	1181 (100.0%)	1122 (100.0%)	1147 (100.0%)	1330 (100.0%)	1132 (100.0%)
Extremadura	1283 (132.6%)	1263 (136.2%)	1106 (138.5%)	1056 (130.2%)	1179 (130.4%)	1206 (129.6%)
Galicia	1129 (124.7%)	1075 (130.3%)	935 (125.7%)	935 (123.2%)	957 (121.9%)	1017 (123.5%)
Illes Balears	1772 (100.0%)	1571 (100.0%)	1442 (100.0%)	1479 (100.0%)	1653 (100.0%)	1619 (100.0%)
La Rioja	1080 (100.0%)	945 (100.0%)	807 (100.0%)	894 (99.9%)	937 (100.0%)	967 (100.0%)
Meilla	3279 (100.0%)	3032 (100.0%)	2875 (100.0%)	2703 (100.0%)	2640 (100.0%)	2812 (100.0%)
Murcia	1105 (100.0%)	959 (100.0%)	859 (100.0%)	815 (100.0%)	879 (100.0%)	869 (100.0%)
Navarra	1479 (100.0%)	1281 (100.0%)	1133 (100.0%)		1357 (100.0%)	970 (100.0%)
País Vasco	7973 (475.6%)	7629 (498.3%)	5079 (369.2%)	7426 (483.4%)	7753 (494.6%)	8713 (633.3%)
Average	1922	1758	1554	1640	1769	1792
Total						

(continued)

Table 1 (continued)

Acs	Expense per capita 2010–2018 €/inhab (% value without diputaciones)				Total expense %		Total expense mill €	
	2016	2017	2018	Average 2010–2018	Average 2010–2018	Sum 2010–2018		
Andalucía	1196 (122.8%)	1230 (122.9%)	1290 (124.8%)	1251 (122.9%)	14.22%	9873.32	88,859.87	
Aragón	1364 (119.0%)	1411 (116.9%)	1440 (117.6%)	1415 (120.4%)	2.44%	1694.19	15,247.7	
Asturias	875 (100.0%)	956 (100.0%)	966 (100.0%)	902 (100.0%)	1.34%	933.32	8399.84	
C. Valenciana	1114 (117.1%)	1121 (116.8%)	1220 (116.5%)	1128 (117.6%)	7.95%	5523.07	49,707.63	
Canarias	1797 (100.0%)	1994 (100.0%)	2252 (100.0%)	1806 (100.0%)	5.24%	3635.9	32,723.07	
Cantabria	947 (100.0%)	996 (100.0%)	1006 (100.0%)	968 (100.0%)	0.76%	525.81	4732.3	
Castilla y León	1216 (130.7%)	1303 (133.9%)	1329 (133.8%)	1306 (137.5%)	3.94%	2737.1	24,633.91	
Cataluña	1588 (114.2%)	1628 (114.7%)	1689 (114.4%)	1570 (112.7%)	16.55%	11,492.31	103,430.79	
Ceuta	3015 (100.0%)	2983 (100.0%)	3127 (100.0%)	3162 (100.0%)	0.38%	265.24	2387.15	
C-La Mancha	1115 (125.5%)	1165 (127.5%)	1229 (128.1%)	1159 (128.7%)	3.13%	2172.27	19,550.40	
Com. Madrid	1197 (100.0%)	1124 (100.0%)	1194 (100.0%)	1196 (100.0%)	10.97%	7615.14	68,536.26	
Extremadura	1190 (127.9%)	1201 (128.5%)	1441 (139.0%)	1214 (132.6%)	1.65%	1146.7	10,320.29	
Galicia	954 (120.3%)	1004 (122.2%)	1072 (121.6%)	1009 (123.8%)	3.77%	2615.95	23,543.56	
Illes Balears	1514 (100.0%)	1738 (100.0%)	1757 (100.0%)	1616 (100.0%)	2.54%	1761.63	15,854.68	
La Rioja	927 (100.0%)	960 (100.0%)	1030 (100.0%)	950 (100.0%)	0.39%	273.69	2463.21	
Melilla	2779 (100.0%)	2893 (100.0%)	3025 (100.0%)	2893 (100.0%)	0.35%	239.89	2158.98	
Murcia	861 (100.0%)	872 (100.0%)	867 (100.0%)	898 (100.0%)	1.88%	1303.67	11,733.00	
Navarra	969 (100.0%)	1059 (100.0%)	1101 (100.0%)	1169 (100.0%)	0.61%	424.12	3817.08	
País Vasco	8909 (640.0%)	9823 (697.4%)	10,538 (718.7%)	8205 (554.0%)	21.89%	15,199.31	136,793.77	
Average	1765	1866	1978	1783	0.0%	3654.35	32,889.13	
Total					100.00%		624,893.48	

Source: The authors 2020 based on Ministry of Finance Data

*** All local entities including Diputaciones

the País Vasco with diputaciones is five times higher (554%) than the value we obtain if we exclude them. We see 112.7% for Cataluña and 100% for Madrid. The value for Madrid—like those for Navarra, Murcia, Rioja, Ceuta, Melilla, Cantabria, Asturias, Baleares, and Canarias—can be explained by the fact that these ACs do not have diputaciones.

These initial results show an extremely significant finding, the “diputación effect” which merits further analysis, especially in the case of the Basque diputaciones due to their work in collecting and distributing the state’s income. A future study of what these expenditures are dedicated to, their relationship to the SDGs, and whether they are dedicated to firms or to private individuals is needed.

If we omit the expenditure of the diputaciones, we get a very different image, the autonomous cities of Ceuta and Melilla clearly dominating, with expenditures per capita around 3000 euros. The minimum values also change, with the Comunidad de Castilla y León ceasing to be the AC that spends the least per capita (815€ on average per inhabitant) followed by the Comunidad de Murcia.

5.2 Expenditure of Local Entities on SDGs for Each AC

We will now show the total expenditure, as a percentage and per inhabitant, made by the local entities related to SDGs. We prepared the allocation of budget items for expenditure on policies or programs promoting SDGs based on whether or not there is a relationship between the SDGs and their targets.

As indicated in the methodology, the next step is to consider only expenditures identified as related to the SDGs. We will thus return to examine the total expenditure of the local entities of each AC (Table 2), the percentage represented by each expenditure, and the expenditure per inhabitant.

As to absolute expenditure, the local entities of the AC of Cataluña have the highest budgetary expenditure. It is also noteworthy that the AC País Vasco is in fourth place, below Cataluña, Andalucía, and Madrid, with values close to those of the Comunidad Valenciana. We must again consider the “diputación effect,” especially the “Basque quota effect,” since most of the amount of the Basque diputaciones’ expenditure refers to transfers to other administrations and does not coincide much with expenditure on SDGs.

On this point, it is worth indicating that the competence to decide how services will be delivered to which Art. 26.2 of the LRBRL refers corresponds to the Provincial Councils (Diputaciones Forales) by agreement with the municipalities, as well as collection of both direct and indirect taxes. The selection criterion for benefits is thus different and sometimes does not coincide with the SDGs, causing what we call the “quota effect.” The Government of Navarra’s area of competence can thus attribute competences of its own to the municipalities in its territory, as well as to the other local entities of Navarra, subject in all cases to the criteria indicated in sections 3, 4, and 5 of Art. 25 of the LRBRL.

Table 2 Local entities' SDG expenditures by AC 2010–2018**

Expense in SDG per capita 2010–2018 €/inhab (% value without diputaciones)						
Acs	2010	2011	2012	2013	2014	2015
Andalucía	766 (116.72%) [55.34%]	695 (119.35%) [54.20%]	605 (117.49%) [49.62%]	555 (117.75%) [48.30%]	595 (119.25%) [47.53%]	757 (122.84%) [60.22%]
Aragón	817 (121.73%) [51.59%]	696 (123.92%) [48.76%]	602 (121.58%) [43.88%]	590 (122.64%) [44.12%]	627 (115.98%) [45.47%]	874 (116.18%) [61.40%]
Canarias	1104 (100.00%) [61.34%]	1018 (100.00%) [60.14%]	934 (100.00%) [56.82%]	833 (100.00%) [53.06%]	897 (100.00%) [50.27%]	1154 (100.00%) [67.04%]
Cantabria	705 (100.00%) [66.60%]	575 (100.00%) [59.66%]	532 (100.00%) [59.55%]	520 (100.00%) [58.74%]	538 (100.00%) [54.66%]	648 (100.00%) [66.49%]
Castilla y León	926 (133.81%) [58.66%]	822 (139.46%) [58.24%]	681 (136.57%) [54.25%]	607 (136.22%) [51.29%]	626 (130.03%) [50.53%]	805 (136.09%) [65.25%]
Castilla-La Mancha	786 (122.88%) [55.71%]	655 (125.88%) [54.55%]	528 (124.70%) [51.19%]	497 (128.86%) [51.85%]	560 (124.78%) [49.60%]	717 (125.36%) [59.90%]
Cataluña	1048 (107.49%) [61.78%]	930 (108.14%) [60.05%]	819 (107.03%) [57.00%]	786 (107.35%) [56.59%]	857 (107.66%) [56.38%]	1045 (110.29%) [65.87%]
Cdad. Foral de Navarra	1143 (100.00%) [77.31%]	976 (100.00%) [76.15%]	821 (100.00%) [72.46%]	&\$\$\$;	1068 (100.00%) [78.67%]	712 (100.00%) [73.46%]
Ceuta	1807 (100.00%) [54.95%]	1591 (100.00%) [54.07%]	2159 (100.00%) [62.94%]	1293 (100.00%) [47.96%]	1384 (100.00%) [37.34%]	1577 (100.00%) [48.27%]
Comunidad de Madrid	676 (100.00%) [50.72%]	601 (100.00%) [50.92%]	519 (100.00%) [46.22%]	501 (100.00%) [43.69%]	506 (100.00%) [38.03%]	610 (100.00%) [53.89%]
Comunitat Valenciana	701 (115.10%) [55.48%]	620 (116.28%) [56.29%]	570 (115.10%) [53.67%]	529 (116.55%) [51.64%]	554 (115.88%) [50.72%]	655 (118.54%) [56.73%]
Extremadura	744 (124.03%) [57.99%]	704 (129.76%) [55.73%]	560 (128.32%) [50.63%]	546 (123.21%) [51.67%]	636 (122.87%) [53.89%]	759 (121.80%) [62.97%]
Galicia	731 (122.97%) [64.78%]	668 (127.82%) [62.18%]	563 (124.91%) [60.21%]	553 (121.81%) [59.16%]	564 (119.71%) [58.89%]	712 (121.43%) [69.99%]
Illes Balears	1060 (100.00%) [59.84%]	883 (100.00%) [56.22%]	781 (100.00%) [54.18%]	773 (100.00%) [52.24%]	797 (100.00%) [48.21%]	1047 (100.00%) [64.71%]
La Rioja	742 (100.00%) [68.67%]	632 (100.00%) [66.89%]	527 (100.00%) [65.27%]	549 (100.00%) [61.33%]	583 (100.00%) [62.26%]	672 (100.00%) [69.47%]
Mejilla	1954 (100.00%) [59.61%]	1742 (100.00%) [57.44%]	1642 (100.00%) [57.12%]	1513 (100.00%) [55.95%]	1484 (100.00%) [56.19%]	1979 (100.00%) [70.39%]
País Vasco	2154 (178.79%) [27.02%]	2446 (239.14%) [32.06%]	1298 (131.34%) [25.55%]	970 (906.61%) [13.07%]	958 (905.13%) [12.36%]	2059 (204.80%) [23.63%]
Principado de Asturias	662 (100.00%) [64.38%]	568 (100.00%) [63.18%]	501 (100.00%) [61.31%]	511 (100.00%) [59.29%]	489 (100.00%) [58.37%]	580 (100.00%) [65.88%]
Región de Murcia	673 (100.00%) [60.91%]	566 (100.00%) [59.04%]	475 (100.00%) [55.27%]	437 (100.00%) [53.59%]	431 (100.00%) [49.02%]	529 (100.00%) [60.92%]
Average	1011	915	796	698	745	942
Total	19,200	17,388	15,115	12,563	14,153	17,893

Expense in SDG per capita 2010–2018 €/inhab (% value without diputaciones)		Average 2010–2018		Average 2010–2018		Total expense %		Total expense mill €	
Acs	2016	2017	2018	Average 2010–2018	Average 2010–2018	Average 2010–2018	Average 2010–2018	Sum 2010–2018	
Andalucía	707 (122.27%) [59.13%]	745 (122.47%) [60.57%]	801 (124.92%) [62.12%]	692 (120.48%) [55.26%]	692 (120.48%) [55.26%]	15.6%	[55.3%]	5456	49,102
Aragón	845 (116.86%) [61.97%]	872 (116.44%) [61.83%]	924 (117.13%) [64.18%]	761 (118.81%) [54.17%]	761 (118.81%) [54.17%]	2.6%	[54.2%]	918	8260
Canarias	1166 (100.00%) [64.88%]	1340 (100.00%) [67.20%]	1456 (100.00%) [64.64%]	1100 (100.00%) [60.71%]	1100 (100.00%) [60.71%]	6.3%	[60.7%]	2207	19,867
Cantabria	614 (100.00%) [64.84%]	654 (100.00%) [65.69%]	691 (100.00%) [68.69%]	609 (100.00%) [62.94%]	609 (100.00%) [62.94%]	0.9%	[62.9%]	331	2978
Castilla y León	783 (135.37%) [64.38%]	844 (136.98%) [64.81%]	892 (138.96%) [67.15%]	776 (136.04%) [59.68%]	776 (136.04%) [59.68%]	4.7%	[59.7%]	1633	14,701
Castilla-La Mancha	701 (121.94%) [62.91%]	727 (122.34%) [62.38%]	793 (125.14%) [64.57%]	663 (124.44%) [56.99%]	663 (124.44%) [56.99%]	3.6%	[57.0%]	1238	11,141
Cataluña	1015 (109.30%) [63.90%]	1055 (110.16%) [64.77%]	1146 (110.14%) [67.81%]	967 (108.73%) [61.52%]	967 (108.73%) [61.52%]	20.3%	[61.5%]	7071	63,636
Cdad. Foral de Navarra	717 (100.00%) [74.03%]	771 (100.00%) [72.78%]	814 (100.00%) [73.88%]	878 (100.00%) [74.91%]	878 (100.00%) [74.91%]	0.9%	[74.9%]	357	2859
Ceuta	1633 (100.00%) [54.16%]	1610 (100.00%) [53.96%]	1655 (100.00%) [52.92%]	1634 (100.00%) [51.65%]	1634 (100.00%) [51.65%]	0.4%	[51.7%]	137	1233
Comunidad de Madrid	672 (100.00%) [56.15%]	693 (100.00%) [61.69%]	735 (100.00%) [61.55%]	613 (100.00%) [51.15%]	613 (100.00%) [51.15%]	11.2%	[51.1%]	3895	35,054
Comunitat Valenciana	673 (117.74%) [60.37%]	679 (116.13%) [60.61%]	729 (116.82%) [59.73%]	634 (116.48%) [56.21%]	634 (116.48%) [56.21%]	8.9%	[56.2%]	3105	27,943
Extremadura	737 (124.01%) [61.95%]	769 (123.58%) [63.99%]	958 (136.16%) [66.46%]	713 (126.17%) [58.77%]	713 (126.17%) [58.77%]	1.9%	[58.8%]	674	6065
Galicia	654 (118.39%) [68.55%]	703 (120.66%) [70.07%]	749 (120.03%) [69.89%]	655 (121.88%) [64.98%]	655 (121.88%) [64.98%]	4.9%	[65.0%]	1700	15,299
Illes Balears	1014 (100.00%) [67.00%]	1142 (100.00%) [65.67%]	1179 (100.00%) [67.09%]	964 (100.00%) [59.59%]	964 (100.00%) [59.59%]	3.0%	[59.6%]	1050	9447
La Rioja	625 (100.00%) [67.41%]	678 (100.00%) [70.63%]	736 (100.00%) [71.51%]	638 (100.00%) [67.12%]	638 (100.00%) [67.12%]	0.5%	[67.1%]	184	1653
Melilla	1979 (100.00%) [71.23%]	1948 (100.00%) [67.35%]	2238 (100.00%) [74.00%]	1831 (100.00%) [63.49%]	1831 (100.00%) [63.49%]	0.4%	[63.5%]	152	1371
País Vasco	2095 (205.97%) [23.52%]	2185 (208.65%) [22.24%]	2339 (213.12%) [22.19%]	1834 (217.29%) [22.68%]	1834 (217.29%) [22.68%]	9.9%	[22.7%]	3447	31,021
Principado de Asturias	579 (100.00%) [66.20%]	632 (100.00%) [66.07%]	630 (100.00%) [65.18%]	572 (100.00%) [63.41%]	572 (100.00%) [63.41%]	1.7%	[63.4%]	592	5326
Región de Murcia	515 (100.00%) [59.85%]	528 (100.00%) [60.56%]	555 (100.00%) [64.06%]	523 (100.00%) [58.21%]	523 (100.00%) [58.21%]	2.2%	[58.2%]	759	6830
Average	933	978	1054	897	897	100.0%	[58.1%]	34,865	313,788
Total	17,726	18,575	20,021			100.0%		34,865	313,788

Source: The authors 2020 based on Ministry of Finance Data

** All local entities including Diputaciones

The lowest absolute expenditure on SDGs (million €) belongs to the entities with the lowest population, the autonomous cities of Ceuta and Melilla.

We observe an average expenditure on SDGs of 58.1% in the period analyzed, with a minimum average of 50% in 2013 and a maximum of 64% in 2018, which seems to indicate a pattern of growth in the percentage of expenditures on SDGs starting in 2015 and decreasing from 2010 to 2014.

Despite the omission of the data from 2013, the local entities of Navarra, with an average of 75%, seem to dedicate the majority of their budgets to expenditures related to SDGs, whereas the entities of the País Vasco dedicate less on average, with 22% of the total expenditure. Again, we must consider the “quota effect.”

To contextualize the quota effect, we must consider the weight of the expenditure per capita on SDGs relative to the same value without considering the diputaciones.

The diputaciones in the País Vasco are again the governments that spend the least on SDGs, on average 14%. Galicia with 61% and Castilla y León with 59% share the highest average values for budgetary expenditure dedicated to expenditure policies related to SDGs.

If we omit País Vasco, the average would be 52%. The difference of 14% can be explained by the great difference in the expenditures of the Basque diputaciones, which correspond to distribution of the *quota* collected among other administrations, in which the functional or program budget does not figure among the items related to the SDGs. Logically, one of the functions of the Basque diputaciones is to perform activities similar to those of the other diputaciones, which replace local entities that, due to their small size, do not have sufficient resources to organize most of the services that larger entities can deliver on their own. Once we have proven the “quota effect,” we describe and analyze the distribution of the expenditure on SDGs per AC for the period studied.

The local Catalanian entities concentrate an average for the period studied of 20.3% of the budgetary expenditure on SDGs, whereas Rioja, Ceuta, and Melilla do not dedicate even 1%. It is significant that 65.9% of this expenditure is concentrated in only five ACs, Cataluña, Andalucía, Madrid, País Vasco, and Valencia, clearly those with the largest populations.

The expenditure per inhabitant on SDGs is shown in Table 2, which includes the expenditure of the diputaciones.

The local entities with the lowest expenditure per inhabitant on SDGs are the Región de Murcia, with an average of 523 € per inhabitant, very close to that of Asturias, with 572 €/inhabitant. The largest expenditure per capita corresponds to the local entities of the País Vasco with an average of 1834 €/inhabitant, except in the years 2012–2014, where the maximum value was that of Ceuta, with 2159 €/inhabitant and Melilla with 1513 and 1484 €/inhabitant, respectively, and the maximum value is always that of the País Vasco.

As in the case of the total expenditure, we will contextualize the “Basque quota effect” to see how similar or different it is from the situation if we exclude the diputaciones.

From Table 2, we can deduce that the diputaciones in the País Vasco (212%) represent the greatest expenditure per inhabitant on SDGs, with 990 €/inhabitant, a huge difference from the diputaciones of the next AC, CCAA Castilla y León

(136%), with 206 €/inhabitant. The average without including the País Vasco would be 126 €/inhabitant.

To explain the data, we need to analyze how many municipalities and inhabitants in each province receive the services that the diputaciones provide, since these have been distributed among the inhabitants of all of the municipalities, without taking into account the services that they might not perhaps receive from the diputaciones.

5.3 Expenditure of Local Entities Dedicated to Companies (Approximation of the Fourth Sector)

As described in the methodology, the economic classification of the budget for expenditure was chosen through a process developed by the authors. The items (three digits) related to business activity, excluding, for example, personnel expenses, taxes, or transfers to other public administrations.

We can thus perform the same analysis to approximate the expenditure related to the fourth sector (Table 3).

We see that the greatest expenditure dedicated to firms is concentrated in the municipalities of the most populous ACs, with Cataluña's average being 4943 million euros, followed by Madrid with 3587, Andalucía with 3553, and Valencia with 2233. The País Vasco shows atypical values for 2013 and 2014 and Navarra for 2013, as was discussed in the previous sections.

The minimum values without including these atypical values correspond to those of the autonomous cities of Melilla and Ceuta, with an average of 131 and 88 million euros, respectively. These data prove that the greatest expenditure still corresponds to the most populous ACs.

Table 3 displays the distribution of this expenditure for each of the years studied, stressing that Cataluña dedicated on average 20% of the expenditure of local entities on companies, followed by Madrid, Andalucía (14.4%), Valencia (9%), and País Vasco (8.3%). The local entities of these five ACs accumulate 66.3% of the expenditure on firms.

Among the ACs whose averages are below 1% of the budgetary expenditure, we have Cantabria (1%), Rioja (0.6%), Melilla (0.5%), and Ceuta (0.4%). If we compare the expenditure on firms with the total expenditure, we see that the greatest expenditure of local entities on the fourth sector occurs in the ACs of Melilla, with 55% (54.6%) on average and a minimum value in the País Vasco of 14% (including the diputaciones), with an average expenditure on the fourth sector of 42%.¹

The budgetary expenditure per capita that can be related to the fourth sector, identified as expenditure on enterprise or dedicated to companies, of local Spanish entities (Table 3) reaches its maximum for Melilla, with an average of 1579 €/

¹See methodology for how this value was obtained.

Table 3 Local entities' fourth-sector expenses by AC 2010–2018**

Expense in fourth sector per capita 2010–2018 €/inhab (% value without diputaciones)						
CCAA	2010	2011	2012	2013	2014	2015
Andalucía	488 (116.42%) [33.25%]	452 (118.03%) [35.23%]	430 (117.27%) [35.32%]	407 (116.73%) [35.44%]	441 (118.18%) [35.23%]	448 (117.51%) [35.65%]
Aragón	655 (110.36%) [41.38%]	587 (111.40%) [41.08%]	575 (109.65%) [41.90%]	560 (110.32%) [41.85%]	620 (107.50%) [44.96%]	646 (106.77%) [45.36%]
Canarias	627 (100.00%) [34.81%]	590 (100.00%) [34.84%]	579 (100.00%) [35.26%]	553 (100.00%) [35.24%]	624 (100.00%) [34.96%]	601 (100.00%) [34.93%]
Cantabria	513 (100.00%) [48.49%]	459 (100.00%) [47.58%]	427 (100.00%) [47.81%]	424 (100.00%) [47.87%]	502 (100.00%) [50.94%]	476 (100.00%) [48.85%]
Castilla y León	668 (133.30%) [42.33%]	597 (134.91%) [42.30%]	527 (131.33%) [41.96%]	506 (133.23%) [42.72%]	544 (123.77%) [43.92%]	546 (123.77%) [44.27%]
Castilla-La Mancha	478 (120.28%) [33.86%]	413 (120.79%) [34.39%]	362 (119.63%) [35.06%]	337 (120.78%) [35.10%]	407 (117.68%) [36.03%]	431 (121.09%) [36.04%]
Cataluña	683 (104.27%) [40.29%]	666 (104.14%) [42.99%]	615 (104.65%) [42.82%]	602 (103.85%) [43.33%]	662 (103.98%) [43.54%]	694 (105.27%) [42.40%]
Cdad. Foral de Navarra	455 (100.00%) [30.79%]	393 (100.00%) [30.66%]	315 (100.00%) [27.85%]		804 (100.00%) [59.23%]	433 (100.00%) [44.65%]
Ceuta	1087 (100.00%) [33.06%]	973 (100.00%) [33.06%]	1134 (100.00%) [33.06%]	892 (100.00%) [33.06%]	1225 (100.00%) [33.06%]	1080 (100.00%) [33.06%]
Comunidad de Madrid	619 (100.00%) [46.46%]	546 (100.00%) [46.28%]	522 (100.00%) [46.48%]	537 (100.00%) [46.87%]	629 (100.00%) [47.27%]	533 (100.00%) [47.03%]
Comunitat Valenciana	504 (109.42%) [39.86%]	440 (109.60%) [40.00%]	423 (109.47%) [39.88%]	412 (109.44%) [40.20%]	446 (108.73%) [40.83%]	464 (109.33%) [40.14%]
Extremadura	394 (132.77%) [30.75%]	376 (137.99%) [29.79%]	345 (137.84%) [31.23%]	339 (128.67%) [32.10%]	401 (126.99%) [34.01%]	403 (126.71%) [33.38%]
Galicia	565 (112.88%) [50.06%]	530 (116.28%) [49.32%]	467 (113.50%) [49.98%]	472 (112.15%) [50.44%]	487 (111.36%) [50.91%]	515 (112.38%) [50.65%]
Illes Balears	775 (100.00%) [43.72%]	676 (100.00%) [43.02%]	623 (100.00%) [43.21%]	646 (100.00%) [43.67%]	727 (100.00%) [43.99%]	715 (100.00%) [44.17%]
La Rioja	503 (100.00%) [46.54%]	435 (100.00%) [46.00%]	370 (100.00%) [45.88%]	447 (100.00%) [49.94%]	472 (100.00%) [50.39%]	496 (100.00%) [51.27%]
Mejilla	1789 (100.00%) [54.56%]	1654 (100.00%) [54.56%]	1568 (100.00%) [54.56%]	1475 (100.00%) [54.56%]	1441 (100.00%) [54.56%]	1534 (100.00%) [54.56%]
País Vasco	1221 (168.97%) [15.31%]	1151 (172.62%) [15.08%]	940 (135.07%) [18.50%]	648 (883.86%) [8.73%]	675 (903.94%) [8.71%]	1277 (183.40%) [14.66%]
Principado de Asturias	472 (100.00%) [45.84%]	412 (100.00%) [45.91%]	373 (100.00%) [45.75%]	404 (100.00%) [46.90%]	389 (100.00%) [46.44%]	409 (100.00%) [46.40%]
Región de Murcia	522 (100.00%) [47.23%]	458 (100.00%) [47.82%]	410 (100.00%) [47.69%]	391 (100.00%) [47.92%]	428 (100.00%) [48.65%]	423 (100.00%) [48.71%]
Average	685	621	579	558	628	638
Total	13,018	11,808	11,008	10,051	11,923	12,124

Expense in fourth sector per capita 2010–2018 €/inhab (% value without diputaciones)		Total expense %				Total expense mill €	
		2016	2017	2018	Average 2010–2018	Average 2010–2018	Sum 2010–2018
CCAA	2016	2017	2018	Average 2010–2018	Average 2010–2018	Average 2010–2018	Sum 2010–2018
Andalucía	429 (116.43%) [35.91%]	450 (116.23%) [36.57%]	508 (116.03%) [39.41%]	450 (116.96%) [35.99%]	14.3% [36.0%]	3553	31,976
Aragón	609 (107.58%) [44.64%]	636 (106.83%) [45.05%]	678 (106.89%) [47.07%]	618 (108.50%) [43.83%]	3.0% [43.8%]	743	6683
Canarias	634 (100.00%) [35.27%]	688 (100.00%) [34.49%]	950 (100.00%) [42.17%]	650 (100.00%) [35.75%]	5.2% [35.8%]	1300	11,699
Cantabria	461 (100.00%) [48.65%]	482 (100.00%) [48.38%]	546 (100.00%) [54.27%]	477 (100.00%) [49.23%]	1.0% [49.2%]	259	2330
Castilla y León	535 (122.43%) [44.01%]	577 (124.23%) [44.30%]	635 (122.09%) [47.81%]	571 (127.51%) [43.83%]	4.8% [43.8%]	1200	10,797
Castilla-La Mancha	405 (116.76%) [36.38%]	433 (117.13%) [37.13%]	514 (115.12%) [41.83%]	420 (118.65%) [36.12%]	3.2% [36.1%]	785	7061
Cataluña	683 (105.01%) [42.98%]	702 (105.11%) [43.09%]	774 (104.69%) [45.81%]	676 (104.56%) [43.01%]	20.0% [43.0%]	4943	44,487
Cdad. Foral de Navarra	400 (100.00%) [41.32%]	434 (100.00%) [41.02%]	540 (100.00%) [49.01%]	472 (100.00%) [37.08%]	0.6% [37.1%]	177	1415
Ceuta	997 (100.00%) [33.06%]	986 (100.00%) [33.06%]	1034 (100.00%) [33.06%]	1045 (100.00%) [33.06%]	0.4% [33.1%]	88	+789
Comunidad de Madrid	560 (100.00%) [46.80%]	542 (100.00%) [48.21%]	582 (100.00%) [48.75%]	563 (100.00%) [47.11%]	14.5% [47.1%]	3587	32,286
Comunitat Valenciana	455 (108.26%) [40.86%]	460 (108.26%) [41.07%]	501 (108.03%) [41.04%]	456 (108.93%) [40.43%]	9.0% [40.4%]	2233	20,099
Extremadura	395 (125.46%) [33.20%]	416 (124.67%) [34.62%]	590 (126.83%) [40.97%]	407 (129.27%) [33.48%]	1.6% [33.5%]	384	3456
Galicia	486 (110.85%) [50.89%]	511 (111.52%) [50.91%]	583 (110.52%) [54.40%]	513 (112.36%) [50.84%]	5.4% [50.8%]	1330	11,970
Illes Balears	666 (100.00%) [43.98%]	798 (100.00%) [45.88%]	808 (100.00%) [45.99%]	715 (100.00%) [44.21%]	3.1% [44.2%]	779	7010
La Rioja	472 (100.00%) [50.94%]	519 (100.00%) [54.01%]	597 (100.00%) [58.01%]	479 (100.00%) [50.61%]	0.6% [50.6%]	139	1247
Mejilla	1516 (100.00%) [54.56%]	1578 (100.00%) [54.56%]	1650 (100.00%) [54.56%]	1579 (100.00%) [54.56%]	0.5% [54.6%]	131	1178
País Vasco	1290 (185.44%) [14.48%]	1395 (191.06%) [14.20%]	1525 (188.62%) [14.47%]	1125 (196.02%) [13.77%]	8.5% [13.8%]	2093	18,836
Principado de Asturias	403 (100.00%) [46.11%]	443 (100.00%) [46.30%]	444 (100.00%) [45.92%]	417 (100.00%) [46.17%]	1.7% [46.2%]	431	3878
Región de Murcia	420 (100.00%) [48.71%]	427 (100.00%) [49.01%]	439 (100.00%) [50.68%]	435 (100.00%) [48.44%]	2.5% [48.4%]	631	5683
Average	622	657	732	636	100.0% [41.4%]	24,765	222,882
Total	11,817	12,476	13,900	636	100.0%	24,765	222,882

Source: The authors 2020 based on Ministry of Finance Data

** All local entities including Diputaciones

Table 4 Correlations

		Expenditure per capita	Population
Expenditure per capita	Pearson correlation	1	-0.255
	Sig. (bilateral)		0.291
	N	19	19
Population	Pearson correlation	-0.255	1
	Sig. (bilateral)	0.291	
	N	19	19

Source: The authors 2020, using IBM SPSS STATISTICS 25

inhabitant, followed by País Vasco (remember the diputación/cupo effect), which rises to 1125, followed by Ceuta, with a value of 1045 €/inhabitant.

If we compare the weight of the expenditure per capita and exclude the diputaciones, we can see that the maximum values continue to correspond to Melilla (54.6%) with 1579 €/inhabitant and Ceuta (33.1% of the total expenditure) with 1045, the País Vasco without diputaciones now showing an expenditure per capita of 574 (Table 3). The minimum values without diputaciones correspond primarily to Extremadura, with an average of 315 €/inhabitant.

The data seem to suggest an inverse relationship between the existing population (included in the local entities to which the expenditures refer) in each community or autonomous region, but correlation analysis (Table 4) has not revealed any significant relationship between the average expenditure per capita on the fourth sector and the population, since we obtain a Pearson's correlation coefficient -0.255 , with a significance level of nearly 30% (0.291).

6 Conclusions and Next Steps

In line with the legislation on sustainability in effect, the local administrations provide a series of services that affect the social, environmental, and economic framework, although Spain depends on each municipality's degree of commitment and delivery of services. In the current model of governance, with the budget as a key tool for expenditure, we generate useful, comparable economic-financial information relative to the management of the application of public resources and to the service delivered. We therefore offer information on budgetary action in social and environmental issues, through the services that public administrations commit themselves to provide, whether directly or through procurements with private firms.

Here, we see that the framework of the 2030 Agenda with the expectations that marks the SDGs details Spain's action through contributions that local administrations provide and by budgetary allocation that achieve the respective SDGs, although the annual reports accurately show that they are still far from fulfilling them. Local entities individually can, in contrast, make an effort in commitment to the 2030 Agenda and the OECD, and the SDGs, as can be seen through the budgetary policy and settlement of the implementation of its settled budgets.

This analysis has enabled us to characterize the local public sector's contribution to sustainable development by observing the support provided by the different municipalities to the delivery of specific services. At the same time, we have developed a map with a complete view of the local expenditure in Spain to identify the expenditure on SDGs. More specifically, we conclude that the local expenditure and expenditure on SDGs are applied uniformly. However, we see that the so-called quota effect led to different behaviors in some ACs with different fiscal regimes. The "quota effect" can be explained by the fact that the expenditures of the Basque diputaciones correspond to the distribution of the quota collected among the other administrations and that the functional budgets—those dedicated to programs—do not figure among the items related to the SDGs. The "quota effect" therefore interferes in all of the analyses performed, even though we have demonstrated that the total expenditure and expenditure on SDGs are greater in the País Vasco, Cataluña, Madrid, Andalucía, and Valencia. We have also confirmed that analysis of the expenditure per inhabitant is distributed similarly among all of the local entities. And when we examine the relationship of the expenditure on SDGs, it follows the same theme, providing maximum values in the autonomous cities.

The 2030 Agenda advocated for success in fulfilling the SDGs in terms of SR and governance, civil society, and the business sector. One step on this path is established by the Law of Sustainable Economy and the Law of Public Sector Contracts, which make it clear that the expenditure must be evaluated with attention to the principles of efficiency and simplification of the services delivered, thereby motivating productivity of the public sector. When analyzing the budgets of the different localities, we see that public politics converge in social and environmental matters and those of innovation, and development of procurement with small and medium-sized firms. If we wish to facilitate and increase collaboration with fourth-sector firms, however, the procurement entities must facilitate and specify the implementation of national and international policies in social and environmental matters and those of innovation, and development of the participation of small and medium-sized firms in public procurement, according to Target 12.7: "Promote public procurement practices that are sustainable, in accordance with national policies and priorities."

This study shows a close relationship between the information provided by the budgets of Spanish municipal policies and procurement with firms that can sign contracts with public administration, as established by the Law of Public Administration Contracts (*Ley de Contratos de la Administración Pública*). In this study, municipal budgetary actions are thus linked closely to the SDGs and to private companies that pursue social as well as economic benefit and thus compose the fourth sector. This relationship is more intense in the ACs of the País Vasco, Cataluña, Madrid, Andalucía, and Valencia. The expenditure per capita on companies/the fourth sector clearly highlights the autonomous cities of Ceuta and Melilla. The study indicates, however, that there is no significant relationship between the average expenditure per capita on the fourth sector and the population.

The steps for future research to pursue must focus on attempting to purge the "quota effect" and maintain the diputación effect. Remember that the function of diputaciones in Spain is to manage the economic-administrative interests of the

provinces and to collaborate in managing municipal activity by making expenditures of the local entities themselves. A methodology should also be established to enable recovery of the values lost in the data series, such as those for Navarra in 2013 and 2014 and the País Vasco in 2013 and 2014. This would improve the information on the ACs that have the Economic Agreement as a legal instrument that regulates their fiscal and financial relationships to the General Administration of the Spanish State.

Appendix 1 List of SDGs

<https://www.un.org/development/desa/disabilities/envision2030.html>



Appendix 2 Functional Classification of Expenditure (Three Digits)

<https://drive.google.com/file/d/1WUghGcNm1MUUzr9zTVhSvQuh-YvLnlgz/view?usp=sharing>



Appendix 3 Economic Classification of the Expenditure Budget

https://drive.google.com/file/d/1xXYHrp4MvKfYuf-_j2pe4OGMEwC88x92/view?usp=sharing



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Disability as a Driving Force of Sustainable Business Models in the Fourth Sector



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Abstract We are living in unprecedented times in which sustainability is essential to economic growth, quality of life and national stability. In this context, *Solidaridad y Trabajo Virgen del Camino* (SOLTRA) emerges as an example of a firm in the fourth sector that has achieved the triple bottom line of sustainability: economic, social and environmental performance. Although SOLTRA's current efforts are mainly focused on the social sphere through the recruitment and integration of people with disabilities into the company and, consequently, into the labour market and society, it also pursues environmental and economic objectives. In the present study, we analysed SOLTRA's business model by applying the theory of planned behaviour and the resource-based view of the firm. The information derived from in-depth interviews with SOLTRA's CEO and top managers from the operations and human resources departments, as well as public financial and social reports, allowed us to identify the cornerstones of its business model. The model is based on incremental technology, holistic behaviour and the integration of social activities that help identify better business opportunities. In this study, several implications for managers, policymakers and citizens are provided. These findings may contribute to the development of managerial practices that can help companies to achieve better outcomes by using new approaches to solving social and environmental problems and identifying new opportunities for vulnerable citizens.

Keywords Fourth sector · Triple bottom line · People with disabilities · Sustainability · Business model

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1 Introduction

Although measuring disability poses several challenges due to the diverse aspects of disability examined, reporting sources and data collection methods, among other factors, it is estimated that over 1 billion people live with some form of disability (World Health Organization and World Bank 2011). People with disabilities have higher rates of poverty. This is mainly attributed to barriers in accessing education, training and employment (Wolfe and Haveman 2000). According to the 2011 ad hoc module of the European Union Labour Force Survey (European Union 2015), nearly 45 million people are considered to be disabled in the EU-28, which represented 14% of the population between 15 and 64 years old. Defining disability as having difficulty completing basic activities, the distribution of working status for the EU-28 aggregate shows that people with disabilities have a lower employment rate (47.3%) than nondisabled people (66.9%), and the percentage of inactive people is higher (46.2% versus 25.9%) (European Union 2015).

These data become even more worrying when we look at the current situation in Spain. The most recent information at the country level reveals that 6.2% of the working-age population (1.9 million people) have a disability rating of 33% or higher (Servicio Público de Empleo Estatal 2019). The employment rate for disabled people more than 38% lower is lower than that of nondisabled people (25.8% and 64.47%, respectively). Moreover, the inactivity rate for disabled people (65%) is more than double the rate of nondisabled people (23.3%).

Improving hiring outcomes for people with disabilities not only helps to reduce income disparities but also contributes to community integration and reduces negative stereotypes by providing emotional support (Barnes and Mercer 2005; Lewis et al. 2011). These social benefits justify governmental initiatives and research into the area. Although social and legislative efforts to incorporate people with disabilities into the workforce have been made in many countries around the world, there is still a long way to go. Furthermore, the ultimate decision of whether or not to hire a person lies with individual business owners and managers, so it is vital to know what determines their behaviour on this matter.

The theory of planned behaviour states that human behaviour can be explained as “a function of salient information, or beliefs, relevant to the behavior” (Ajzen 1991, p. 189). With this in mind, some previous literature has studied the beliefs and perceptions of employers towards people with disabilities. The common approach adopted by these works is based on the underlying premise that most of a business’s workforce is composed of nondisabled employees. Nevertheless, there are also companies in which the situation is completely different: these organizations follow a standard practise of employing people with disabilities, and this recruitment policy becomes an identifying feature. In fact, this practice may become a sustainable competitive advantage. Thus, the resource-based view (Barney 1991) of the firm may provide a useful framework to explain how, given the right contextual and firm-specific circumstances, a company can gain a valuable capability based on its policy of hiring employees with disabilities that is difficult for its competitors to imitate.

This is a sustainable business model (SBM) that creates customer and social value by integrating social and business activities (Schaltegger et al. 2015). The goal of this chapter is to explore the actual situation of this specific type of hybrid organization.

This study is based on an in-depth analysis of *Solidaridad y Trabajo Virgen del Camino* (SOLTRA), a Spanish social enterprise that has maintained an SBM since its foundation in 2000. SOLTRA employs nearly 400 people, more than 90% of whom have disabilities. Semi-structured interviews with the top managers allowed us to investigate their beliefs regarding people with disabilities. We compared these with the beliefs expressed by employers of majority of nondisabled workforces in the previous literature to develop an understanding of how the differences identified may lead SOLTRA to behave more proactively in favour of the integration of people with disabilities into society.

2 Sustainable Business Models

One of the main goals for any businessperson is to develop and implement a successful business model (BM). Of the numerous definitions of BM that have been proposed, maximizing value and return for the owners of the firm has traditionally been considered to be the main goal. The introduction of economic interests when operating in the third sector is problematic. Business contributions to social causes used to be carried out in collaboration with civil society organizations. However, more recently, an alternative method of addressing societal needs has emerged in the form of a fourth sector. The fourth sector consists of firms that integrate social and environmental issues into their BMs in pursuit of profitability. In general, empirical evidence has caused profit and nonprofit organizations to focus not only on their daily activities regarding their operational processes to satisfy short-term shareholders' interests but also on the need to maximize value for all stakeholders and adopt a more proactive stance in this regard.

As mentioned above, BM can be understood as how companies do business and how value is created, including a value proposition for customers and all the strategies and policies followed in pursuit of profitability. Usually, BMs are long term oriented, which brings into consideration the issue of sustainability. Although there is no general consensus on the definition of an SBM, it generally refers to a way in which a firm creates and captures value (Magretta 2002; Teece 2010) through innovation that leads to a better economic, environmental and social performance (Evans et al. 2017). As stakeholders' demands are continuously changing, the goal of corporate sustainability challenges traditional BMs based on value proposition, creation and capture (Lozano 2018). Thus, innovativeness becomes a key factor. Academics and practitioners admit that it is necessary to develop innovative BMs that address stakeholders' demands from an innovative perspective (Lecocq 2010) that combines competitiveness and efficiency with sustainability.

Stubbs and Cocklin (2008, p. 104) state that SBM "could be conceptualized in various ways such as a narrative of sustainability practices; a description of features,

attributes and/or characteristics; a list of necessary and sufficient conditions; a representation of business processes; a firm-level description; a system-level description; or some combinations of these". Sustainable business models are oriented to achieve a triple bottom line, i.e. economic, social and environmental objectives. Along that same line, Zott and Amit (2010) propose that the selection of the activities of the organization (what), the structure of the organization (how) and the person who performs the change (who) are the three keys to achieving a successful SBM. Schaltegger et al. (2012) suggest that the integration of social and environmental goals in addition to economic value contributes to the development of an efficient SBM. The appearance of SBMs, consisting of hybrid models where social demands are considered business objectives without renouncing a certain level of profitability and economic stability, has given rise to a fourth sector, which has completely changed the relationship traditionally assumed between business and society.

Although the final outcomes of an SBM might be clear to academics, entrepreneurs and managers, the process of implementing the corresponding sustainability strategies is unknown. The resource-based view suggests that capabilities that are valuable, rare, difficult to imitate and nonsubstitutable best position a firm for long-term success. This argument stays solid when referring to long-term success from an economic point of view as well as from a social and environmental perspective. Having the appropriate resources is key to planning and implementing an SBM. In this sense, Stubbs and Cocklin (2008) showed that interaction with stakeholders is highly advisable to incorporate sustainability into a BM, so such an interaction also becomes an important resource. Specifically, among all the stakeholders, employees constitute the most valuable resource to develop a successful SBM (Abdelkati and Täuscher 2015). Communicating the firm's strategy to its employees and having their support are vital. It is necessary not only to have high-quality applicants and employees that can contribute to success in a given market (Bohmann et al. 2018) but also to require their factual commitment and contribution to the corporate goals, which will be at least partially conditioned by how they perceive their organization as a desirable place to work (Aiman-Smith et al. 2001).

Fourth sector organizations that have active SBMs should address the issue of the potential exploitation of their employees according to each organization's distinguishing characteristics. A non-market perspective must be adopted in the design of the BM in order to reinforce the sustainability of the company (Figge et al. 2002); the employees must share such a perspective. Some workers who come from more traditional profit-oriented firms may lack a pro-environmental and social attitude and find it difficult to integrate into the organization. It could be necessary for an organization to implement certain internal norms to institutionalize its SBM and guarantee that economic targets, as well as the desired social and environmental outcomes, are achieved.

In this context, fourth sector organizations that have developed SBMs in line with the interests and beliefs of their employees may use them as a valuable resource to generate a sustainable competitive advantage. In particular, there are firms that have assumed the integration of people with disabilities as a fundamental component of

their mission without sacrificing profitability. In these circumstances, if a substantial part of the workforce is composed of people with disabilities, the alignment of their interests with those of the organization may result in a special relationship that will reinforce the sustainability of the BM.

3 SOLTRA: A Case Analysis of a Sustainable Business Model Built Around the Integration of People with Disabilities

3.1 Methodology and Company Overview

The present research is based on the case study methodology, which allows an in-depth analysis of companies in their natural state, as well as documenting their experiences, learning from the situation and building, improving or generating theories from it (Bonache 1999; Cepeda 2006; Yin 2014). In this sense, the methodological approach carried out in this case study analysis can be divided into two main stages. The first stage had a double objective: firstly, to identify the main studies on the conceptualization of SBM and its main characteristics and, secondly, to identify the main studies based on the theory of planned behaviour that analyse a company's intention to hire disabled people. The results derived from the literature review provided relevant information on SBM characteristics and helped identify the salient beliefs that might influence a company's intention to hire disabled people. This data, in turn, helped us to develop the measurement items for our study. In particular, aspects related to the theory of the planned behaviour, i.e. behavioural beliefs, normative beliefs and perceived behavioural control, were evaluated using measurement scales based on the works by Araten-Bergman (2016), Fraser et al. (2010, 2011), Hernandez et al. (2012), Jasper and Waldhart (2013) and McDonnall and Lund (2019). Furthermore, additional questions were designed to study issues concerning SOLTRA's SBM and its potential for generating a sustainable competitive advantage. Those questions were based on the concepts provided by Barney (2012), Barney and Wright (1998), Bocken et al. (2014) and Schaltegger et al. (2015).

The second stage involved gathering the necessary information about SOLTRA in order to develop the case study, define the company's actual SBM, explain how it is supported by the beliefs of the manager and determine how it created a sustainable competitive advantage within the framework of the resource-based view. To this end, semi-structured interviews were conducted between March and June of 2020 with SOLTRA's CEO and top managers from the operations and human resources departments. This information was complemented with information derived from the official web page of SOLTRA, some company official reports and the SABI database. Prior to the application of these in-depth interviews, a pre-test of the

interview script was conducted in order to make sure that all the questions were clearly understood and no relevant aspects were missing.

SOLTRA is a Spanish limited liability company founded in León (Spain) in 2000 by the Catholic Dominican Order together with two agents: *Caja España*, a savings bank, and *Gureak Group*, a Basque business group that provides work opportunities to people with disabilities. The members as of December 2018 were the Dominican Order, which owned 62% of the company; the bank *Unicaja Banco* (17%); the investment group *Finaccess* (11%); and *Gureak* (3%). The rest of the shares were kept as treasury stock. SOLTRA was “founded with the aim of creating jobs for the collective of people with different capacities allowing them to participate in the efforts of companies and institutions for generating wealth” (SOLTRA n.d.-a). Jose Antonio Idoeta, CEO of SOLTRA, declared that it “is one of those companies that are able to focus their mission on people, on their human commitment, on inclusion through work” (SOLTRA 2019).

SOLTRA is a diversified organization with multiple unrelated businesses and numerous activities, which include (a) assembly and machining work (assembly of electrical and electronic components, quality control and rework, material coating, etc.), (b) logistics services (storage and maintenance, manipulation and labelling, metrology lab, etc.), (c) marketing services (mail campaigns, sample delivery, magazine bagging, etc.), (d) distribution (in collaboration with the supermarket chain *Eroski*), (e) industrial laundry (washing, ironing, repairing of garments, etc.), (f) cleaning (offices, shopping centres, schools, etc.) and (g) gardening (maintenance, pest control, tree pruning, etc.). Additionally, SOLTRA set up a foundation that runs an occupational centre, providing people with mental illness with the necessary resources to promote their autonomy, and a residence with 40 places that employs more than 25 professionals (caregivers, educators, occupational therapists, psychologists and social workers) (SOLTRA n.d.-b).

SOLTRA was set up in Spain and has gone through an internationalization process over the past few years (Denmark and Mexico), adapting successfully to different institutional contexts and diverse disability laws (Mukta 2016). Considering the average values for the period 2014–2018, SOLTRA had total assets of €10.97 million, total revenues of €18.34 million, an ROA of 7.87% and an ROE of 14.97%. SOLTRA had 412 workers in 2018, and 362 of them were people with different kinds of disabilities (32% intellectual, 31% physical, 12% sensory, 15% mental illness and 10% total permanent disability) (SOLTRA n.d.-a).

3.2 Analysis and Results

3.2.1 Company Sustainable Business Model

SOLTRA’s BM is mainly based on social aspects. However, it has changed over the past 20 years in order to adapt to stakeholders’ needs and claims. As we suggested in the theoretical framework, the concept of a BM can be interpreted as the way in which a company operates in order to reach its goals. This includes not only how

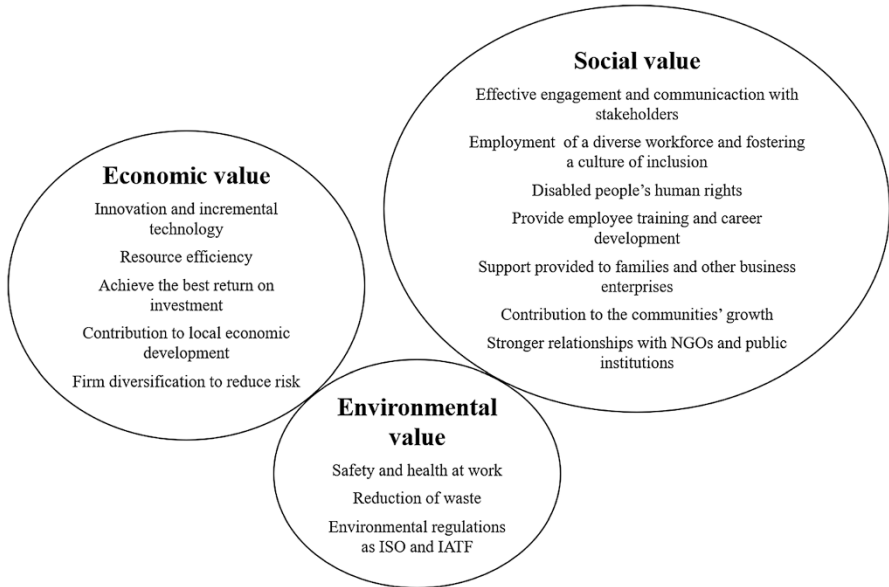


Fig. 1 SOLTRA’s sustainable business model. Source: Own elaboration

goods are produced or services are provided but also how responsibilities are assigned, the legal and cultural norms affecting the company and the goals themselves. Although SOLTRA belongs to the fourth sector and social issues are paramount, environmental, economic and technological aspects are also essential to its competitiveness and sustainability, as represented in Fig. 1.

In the opinion of SOLTRA’s CEO, the BM of the company is characterized as follows:

Firstly, although the firm has tried to develop radical technology in the past, which, in some cases, has introduced a totally new design of a product and the use of cutting-edge technology, it usually generates incremental technology, which implies a gradual adoption of new technology and the improvement of the existing technological process by new additions. Some of these technical and technological innovations are used to improve the managerial process, such as the installation of new software for management and control purposes that helps to improve the efficiency of the productive system. Other innovations focus on strengthening the quality of products and services. These new technological advances have allowed the company to meet the requirements of several quality norms, like ISO 9001/ISO 14001¹ and,

¹ISO 9001: An international standard that focuses on all the elements of quality management that a company must have in order to have an effective system to manage and improve the quality of its products or services. ISO 14001: Internationally accepted standard that indicates how to implement an effective environmental management system. It is designed to help organizations remain commercially successful without overlooking their environmental responsibilities.

more specifically, IATF 16949² for the automotive industry. Another important reason for emphasizing technology when defining the BM of the firm is the necessity of reducing incidences and adapting the workplace to the special requirements of employees with disabilities.

Secondly, although the CEO possesses more strategic information about the objectives of the company, and most of the workers' knowledge is limited to the tasks related to their position or department, the firm has made important efforts to improve internal communication. SOLTRA promotes holistic knowledge within the company so that everyone has a general idea of the business goals and activities carried out in the organization. To reinforce this holistic knowledge, the company has carried out some initiatives driven by the top management. The human resources department is in charge of executing these communication practices while the workers participate by making suggestions and proposals. The workers' representatives help identify the needs and interests of the employees, strengthen networking, encourage employee training and promote the implementation of new practices. In addition, the firm has created a new committee that serves as a place for open dialogue and fluid communication about how to put business policies into practice.

Thirdly, ambiguity about the BM and doubts about its potential profitability created some confusion during the first decade of the company's existence. Thus, while the owners preferred running a kind of NGO (nongovernmental organization), the top managers felt the business should be run in accordance with a traditional management model (mainly focused on maximizing financial performance) while keeping social and environmental concerns in mind. The proliferation of opportunities because of the involvement of employees with disabilities in the normal activities of the firm changed the initial BM. The firm has since discovered how to create new business opportunities through the integration of people with disabilities. In fact, it suggests that it has found more opportunities, thanks to the involvement of people with disabilities.

Fourthly, SOLTRA's BM is also environmentally oriented. The employees are fully aware of how important it is to take good care of the environment. According to SOLTRA's CEO, after a few weeks of working for the company, workers with disabilities become more concerned about and involved with environmental issues. The BM is aimed at minimizing waste generation, and training and resources are provided to the staff to guarantee their active collaboration. In addition, an optimum control for hazardous waste has been established. The CEO has shown that people with disabilities are strict in their compliance with environmental regulations, which represents a strength of the company.

Based on the aforementioned pillars, SOLTRA has managed to cover all operational costs with the income obtained from its regular activity. In addition, SOLTRA's SBM addresses the majority of the concerns of its stakeholders

²IATF 16949: Quality Management System (QMS) standard specific to the automotive industry which is based on the international standard for Quality Management Systems according to ISO 9001.

(community, employees, customers, suppliers and so forth). In particular, the top managers at SOLTRA emphasized that the company obeys social laws (such as safety and health at work, minimum wage and maternity leave). These aspects help reinforce the company's profitability and reputation. Similarly, the stakeholders value the company's efforts to mitigate its environmental impact. The CEO stated that the current configuration of the company's BM allows SOLTRA to achieve its economic, social and environmental goals. The firm has found in workers with disabilities a vital asset for its BM. The managers mentioned that workers with higher disabilities constitute the cornerstone of the organization. Although they argued that workers with disabilities are equally important in all the business units of the company (laundry, gardening, assembly, etc.), they admitted that some positions require some adjustments according to their capabilities. Thus, one of the firm's mottos is "adapting the workstation and job functions to the person and not the other way around".

SOLTRA's BM changes slightly depending on the business unit. As mentioned above, SOLTRA operates unrelated businesses and numerous activities: assembly and machining work, logistics services, marketing services, distribution, industrial laundry, cleaning and gardening, besides the foundation (SOLTRA n.d.-b). The industrial area (assembly and machining work, logistic services and industrial laundry) is considered the strongest business unit of the company. Managing workers with disabilities often requires the standardization of practices and relations, and this aspect is particularly relevant in automotive activity because it involves a large number of manual activities. Nevertheless, there is no greater portion of workers with disabilities in this business unit than in the rest.

One-third of SOLTRA's total employees are composed of workers with intellectual disabilities. According to the CEO, these individuals need more support from the organization. This support helps to enhance the productivity of these workers and, at the same time, creates a substantial social value, as will be explained in the sections below.

Finally, future changes in the BM will most likely involve reinforcing the occupational centre and entering a new sector activity (textile). These are expected to improve long-term profitability and social benefits.

In conclusion, although SOLTRA's SBM is mainly focused on social aspects due to its commitment to the employment of people with disabilities, it does not forget the other components of the triple bottom line. In fact, several environmental initiatives have been implemented, the success of which is enforced by the employees' behaviour. Similarly, as will be addressed below, its workforce, combined with some contextual and firm-specific characteristics, contributes to the creation of social value while generating a sustainable competitive advantage that increases profitability and guarantees the continuity of the firm. SOLTRA believes that its SBM can be applied not only by other companies but also by non-governmental organizations (NGOs).

3.2.2 Analysis of Managers' Beliefs Using the Theory of Planned Behaviour

As mentioned above, we used the theory of planned behaviour to analyse SOLTRA's intention to hire people with disabilities. This theory has been widely used and validated in different research fields to predict the intention to perform specific behaviours. The fact that the theory of planned behaviour can be applied to a wide range of behaviours is precisely what makes it so useful. In particular, within the scope of disability, there are several studies that address this research topic covering different issues (see, for example, Faulks et al. 2018; Jenkins and McKenzie 2011; Martin et al. 2011). However, as far as we know, there is a lack of work based on the theory of planned behaviour that analyses the intention of hiring people with disabilities.

The theory of planned behaviour establishes that human behaviour can be explained as “a function of salient information, or beliefs, relevant to the behavior” (Ajzen 1991, p. 189). In particular, this theory establishes that the immediate antecedent of a specific behaviour is the intention to carry out this behaviour. Moreover, this intention to perform the behaviour, in turn, is determined by three components: attitude towards the behaviour (i.e. the degree of positive or negative evaluation of the behaviour), the subjective norms (i.e. the perceived social pressure to perform the behaviour) and the perceived behavioural control (i.e. the perceived ability to carry out the behaviour) (Fraser et al. 2010). However, in this chapter, we focus on analysing the antecedents of each of these components: behavioural beliefs, normative beliefs and control beliefs.

In general, behavioural beliefs refer to “the subjective probability that the behavior will produce a given (positive or negative) outcome or experience” (Ajzen n.d.-a, parag. 1). In particular, we focus on disability; therefore, for the purpose of the present study, this variable can be defined as beliefs about the expected positive or negative outcomes of hiring people with disabilities. As Fraser et al. (2010 p. 422) state, “when potential employers believe that hiring people with disabilities produces mainly positive outcomes, their attitudes toward this behavior will be favorable; but if they believe that hiring people with disabilities has mainly negative consequences, their attitudes will be unfavorable”.

Normative beliefs refer to “the likelihood that important referent individuals or groups approve or disapprove of performing a given behaviour” (Ajzen 1991, p. 195). In particular, in this chapter, this variable can be defined as the beliefs that particular referents (i.e. an individual's supervisor, co-workers, upper-level managers, customers) do or do not support the hiring of disabled people.

Finally, control beliefs have to do with “the presence or absence of requisite resources and opportunities that increase or reduce the perceived difficulty of performing a behaviour” (Ajzen 1991, p. 196). In this chapter, this variable can be defined as the perceived availability of resources, facilities and other factors required to hire people with disabilities.

3.2.3 Behavioural Beliefs at SOLTRA

The results of the in-depth interviews show that hiring disabled people provides SOLTRA with loyal and appreciative employees who perform the same quantity and quality of work as nondisabled workers and provide customers with satisfactory service. They are also capable of successfully supervising other co-workers (Fig. 2). All of these perceptions are in line with the findings of Fraser et al. (2010, 2011), and McDonnall and Lund (2019). Furthermore, SOLTRA believes that hiring people with disabilities can be beneficial and important to the company as it can increase the company's diversity profile, improve its productivity (which is inconsistent with the results of Jasper and Waldhart (2013)) and enable it to receive tax benefits and subsidies. However, SOLTRA also admits that, sometimes, hiring workers with disabilities can be a challenge due to a lack of knowledge about them and potential cost increases (but not income reductions). It is interesting to note that the latter perception is in contrast to that of Fraser et al. (2010, 2011). Moreover, SOLTRA states that hiring disabled people makes it more sensitive when considering the termination of disabled people's contracts. However, SOLTRA does not believe that there is a higher likelihood of litigation due to dismissals or industrial accidents in such cases.

According to the SOLTRA's human resources department, the main advantage of a company reaching out to people with disabilities is the value creation. Disabled workers are highly capable of learning the different tasks their workplace entails, and, moreover, these workers are loyal and appreciative employees who are highly motivated, as echoed by Fraser et al. (2010, 2011). In contrast, the human resources department states that the main disadvantage of hiring disabled people involves having to adapt job positions. However, in this regard, the human resources representative emphasized that there is financial support for companies to carry out this kind of action, which makes hiring people with disabilities easier and consequently gives them an opportunity to access the labour market. In general, differences among SOLTRA's workers based on their type of disability do not seem to be recognized, although the company recognizes that workers with intellectual disabilities or mental illness usually require more individualized support.

3.2.4 Normative and Control Beliefs at SOLTRA

As it can be seen in Fig. 2, in general, both the human resources department and the CEO of SOLTRA believe that all the company stakeholders (shareholders, workers, customers, etc.) agree to hire people with disabilities. In particular, they emphasize the support given by the human resources department, the shareholders and workers' families. In fact, when asked about the stakeholders that might disapprove of hiring disabled people, they answered that none of the main SOLTRA's stakeholders disapproved. In this sense, there is a lack of consensus regarding this issue in the existing literature: these results support the results of Hernandez et al. (2012) and

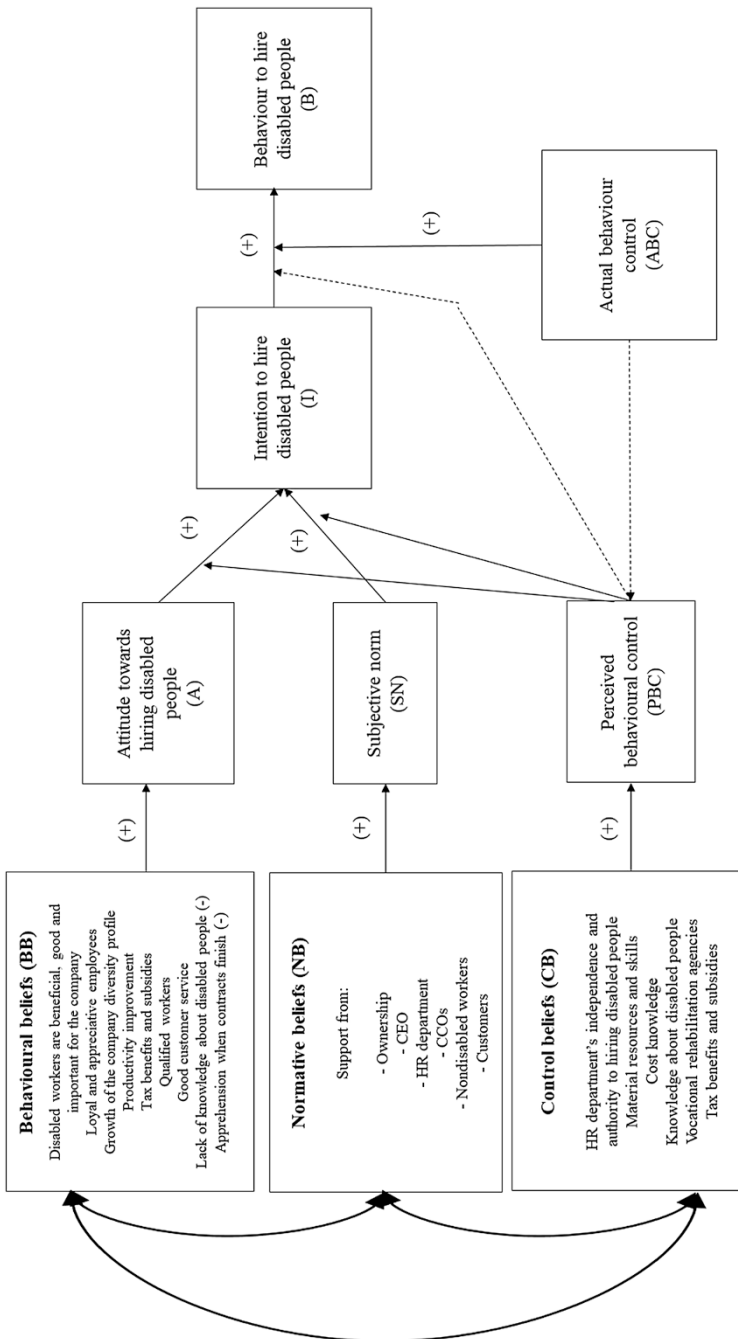


Fig. 2 The theory of planned behaviour applied to SOLTRA. Source: adapted from Ajzen (n.d.-b)

McDonnall and Lund (2019), but they are inconsistent with the findings derived from Fraser et al. (2010, 2011), which state that managers and co-workers are some of the barriers involved in hiring people with disabilities.

Regarding control beliefs (Fig. 2), a representative of SOLTRA's human resources department stated that she has the authority to hire people with disabilities and, in fact, she confirmed that it is up to her (and the human resources department) to do it. These same perceptions were also identified by Araten-Bergman (2016) and McDonnall and Lund (2019) as some of the most important control beliefs. Moreover, the human resources department pointed out that in order to reach out to disabled people, she counted on the commitment of the senior management. She agreed that it is easy for SOLTRA to hire people with disabilities because it has the required resources and skills to do so. She was aware of a number of vocational rehabilitation agencies and associations that send SOLTRA updated application profile lists. This means that SOLTRA knows where to find people with disabilities who are qualified applicants, and consequently, it has extensive knowledge of and information about workers with disabilities. It is interesting to note that these results conflict again with those of Fraser et al. (2010, 2011), who state that these are some of the main challenges that companies have to face when they want to hire disabled workers. Furthermore, the representative from the human resources department stated that they are aware of the costs derived from the accommodation of workers with disabilities (which is the opposite of what Jasper and Waldhart (2013)) state in their study). At the same time, they feel this is not an important drawback due to the existence of tax benefits and subsidies related to the hiring of disabled people.

Apart from the factors previously mentioned, SOLTRA believes that performing a job position assessment that takes workers' disabilities into account, and considering it as an investment instead of a cost, makes it easier to reach out to people with disabilities. Moreover, the idea that it is important to create job opportunities for people with disabilities is emphasized. Nevertheless, the existence of some factors that, in some way, can be seen as challenges of hiring people with disabilities, such as potential physical, postural and manipulative limitations, is acknowledged. These factors require the company to adapt the workplace or develop several job positions specific to individual ability to address positions that cannot be performed by disabled people, as found in Fraser et al. (2010, 2011) results.

There are some differences between SOLTRA and other more traditional businesses (which do not pursue social goals) in how they assess disabled people as potential candidates. SOLTRA's human resources department stated that the main difference is that SOLTRA has a strong belief that people with disabilities have professional qualifications and the skills required to perform a job position as successfully as a candidate without disabilities.

3.2.5 Sustainable Competitive Advantage

Figure 3 depicts a model inspired by that of Jones et al. (2018) within instrumental stakeholder theory and links SOLTRA's SBM to a sustainable competitive

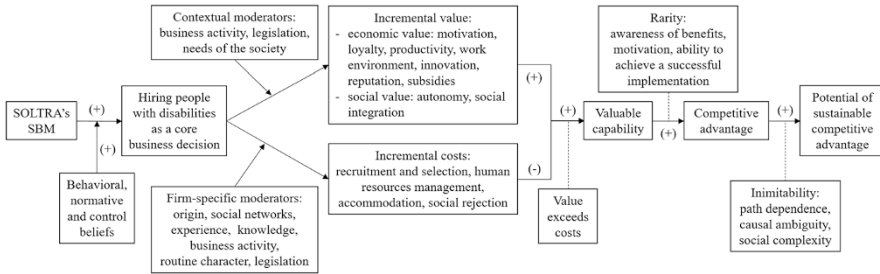


Fig. 3 Linking SOLTRA's sustainable business model (SBM) to a sustainable competitive advantage. Source: adapted from Jones et al. (2018)

advantage. First, the definition of SOLTRA's SBM materializes into an actual recruitment policy that promotes hiring people with disabilities. This process is facilitated by the positive attitude of decision-makers, the pressure they feel from other groups and their perception of control. Thus, it is their behavioural beliefs, normative beliefs and control beliefs, as explained in detail above, that facilitate the successful implementation of an SBM focused on a workforce composed primarily of employees with disabilities. This is the origin of SOLTRA's sustainable competitive advantage.

The incremental value that is expected from this hiring policy is derived from three main sources. Firstly, benefits may come from having employees who are loyal to the organization, highly motivated and committed to their job (Dean 1988). This makes them especially efficient when their work requires repetitive manual tasks. Secondly, it usually implies an increase in the diversity of an organization, which results in an improved work environment and innovation (Henry et al. 2014). Thirdly, this hiring policy may facilitate access to public funding or subsidies, as well as new business deals (Shrey and Hursh 1999). Fourthly, a positive impact on the company's reputation may be expected (Siperstein et al. 2006). In addition to this economic value, there is also a social value that is created by giving many people who find it difficult to access a job the opportunity to gain economic self-reliance and to become better integrated into their communities. All the value added by the consideration of hiring people with disabilities as a core business decision is moderated by contextual factors, as stated below.

In this case, some of the economic value is dependent on the specific business activity, as it is reinforced if monotonous manual tasks are involved. Most of SOLTRA's employees (75%) work in two lines of business (assembly of electrical and electronic components and industrial laundry), which fulfil this requirement for value enhancing. On the other hand, the potential to exploit innovations in these activities where technological changes are more incremental than radical is reduced. The fact that the majority of SOLTRA's workforce is composed of people with disabilities defines a context in which advantages obtained through diversity are limited. Concerning the positive impact on the company's reputation, it would probably be rewarded with higher incomes if the products were sold to final

consumers, but SOLTRA's competitive context is that of industrial goods and services.

Regarding the last source of economic value, according to Spanish legislation,³ companies with an average of 50 or more employees are required to maintain a workforce in which at least 2% of workers have disabilities (with a disability rating of 33% or higher). They are offered the alternative of holding a commercial or civil contract with a special employment centre for the provision of goods and services. These special organizations must employ as many people with disabilities as possible, considering the nature of the operational activity, and people with disabilities must account for at least 70% of the workforce. They are also eligible for grants and subsidies that facilitate investments and reduce labour costs. SOLTRA meets the requirements to be considered a special employment centre. It, therefore, has an advantaged position which adds economic value through new business opportunities and public funding. These resources are available to this type of organization exclusively and represented 8% of its total income (García-Rodríguez 2019).

Concerning the social value, it is amplified when the number of people with disabilities who require a job is high and their needs are not properly attended to. As we noted at the beginning of this chapter, that is the general situation in many parts of the world, including Spain. Job creation for disabled people benefits not only the employees, who are now able to live a more autonomous life, but also their families and society in general, which becomes more inclusive and enjoys an enriched relationship among members. In addition, social aid funds are less necessary. Despite the difficulty of quantifying the social value of organizations like SOLTRA, it is estimated that every single euro received from the government through subsidies or social security contributions is paid back to society 3.7 times over (García-Rodríguez 2019).

While hiring people with disabilities may generate incremental value, as we have explained, some costs may increase as well. Firstly, the recruitment and selection process may be a challenge because finding qualified applicants with disabilities is complicated and costly (Hernandez et al. 2000). In addition, once they are in the company, the human resources department must have enough knowledge about people with disabilities to implement specific policies and practices to guarantee their complete and efficient integration into the organization (Cavanagh et al. 2017). These decisions may imply a redistribution of duties and responsibilities among the employees as well as a physical transformation of some posts in order to adapt them to the characteristics of individual workers (Chirikos 1999). Finally, workers with disabilities may not be accepted by their co-workers, or they may even make customers feel uncomfortable, which may consequently damage productivity and revenue (Colella and Bruyère 2011; Vornholt et al. 2013).

³Real Decreto Legislativo 1/2013, November 29. *Ley General de derechos de las personas con discapacidad y de su inclusión social*. BOE núm. 289, 03/12/2013, 1–44. <https://www.boe.es/eli/es/rdlg/2013/11/29/1/con>

Some specific characteristics of a firm that opts to hire people with disabilities as a core business decision may moderate the impact of this decision on the incremental costs. SOLTRA is an organization founded with the initial purpose of providing a job opportunity to people with disabilities. These individuals have made up the majority of the workforce since the very beginning. SOLTRA subsequently possesses valuable knowledge about their characteristics, needs and potential. Moreover, SOLTRA is well known for its role in raising awareness about the general need of integrating people with disabilities into their local community and maintains contact with many of them who live nearby and their families. Consequently, it is relatively easy for SOLTRA to find qualified applicants with disabilities. In fact, SOLTRA works as a vocational rehabilitation agency, providing new employees to other companies.

Policies and decisions made by SOLTRA's human resources department are specially adapted to the nature of the main workforce, and what might be considered exceptional in other companies is considered normal practice. Furthermore, the costs of accommodation are significant as a comprehensive selection of business activities to address the needs and potential of the employees was previously carried out, and the entire operational process was initially designed with the characteristics of the potential employees in mind. Finally, major issues among the employees due to their physical or mental conditions are unlikely as they are part of the daily nature of the company activity. They are no longer considered limitations because the work environment emphasizes the exploitation of the different abilities that each worker possesses. As for relationships with clients, these should not be affected as SOLTRA's employees do not have any contact with the final customers, and the businesses that deal with it base their decision on the objective economic interest and the need to meet the legal requirements mentioned above.

According to the circumstances reviewed so far, it can be concluded that SOLTRA's SBM, which is based on a determined decision to hire people with disabilities, is likely to generate benefits that exceed the incremental costs. In our review, we have addressed the "valuable" criterion of the resource-based view (Barney 2012; Barney and Wright 1998). Estimating the actual value of this capability is problematic as it is very difficult to measure the social value added by the company. Although this social value can be considered as a positive externality by nature and may not have any impact on the firm's profitability, it must be observed that generating social value is an essential part of the organization's mission. Its attainment goes hand in hand with the goal of economic survival.

As it can be observed in Fig. 3, once a capability exists, according to the resource-based view, it is likely to lead to long-term superior firm performance if two conditions are met: being rare and inimitable (Barney 2012; Barney and Wright 1998).

First, being rare means that just a few firms possess certain capability. Chen (1996) proposes that the main reasons for existing scarce capabilities are that many companies are just not aware of the benefits that can be obtained; they lack the necessary motivation to develop them because, for instance, the benefits materialize in the long run; and they are unable to successfully implement the right and

necessary decisions. All of these circumstances seem to be present in the capability of generating net value by considering hiring people with disabilities as a core business decision. For many years, SOLTRA has been able to see something that others are still reluctant to admit or are now just starting to perceive, which is the tremendous contribution of workers with disabilities to the success of a business. Furthermore, SOLTRA's close connection with people with disabilities makes it fully aware of how they struggle to integrate into their communities. Consequently, SOLTRA is also aware of the social benefits derived from its business activity. Providing an opportunity for people with disabilities to gain autonomy by offering them a job in an organization that is economically sustainable, thanks to their contribution, is the motivation that justified SOLTRA's foundation, and that is hard to find in other organizations, which are more short term oriented and solely focused on economic profitability. Finally, the strategic decision that defines a BM is not easily implemented due to the complexity that is inherent in managing a non-conventional organization like SOLTRA.

Second, inimitability has to do with the way a firm's resources develop over time (path dependence), how difficult it is to know what causes its competitive strengths (causal ambiguity) and how difficult it is to replicate complex social phenomena (social complexity) (Barney 1991, 2012). SOLTRA's current human resources management is based on relationships with employees that have evolved for a considerable time. Besides, outsiders cannot easily understand the extent to which these relationships are related to SOLTRA's sustainable competitive advantage. Even if they did, the social complexity of these relationships makes them difficult to replicate.

4 Conclusion

SOLTRA was created with the goal of improving the social and employability conditions of people with disabilities. The firm has managed to stay profitable and sustain itself over time while maintaining its focus on its social purpose. Over the past 20 years, the firm has adjusted its BM to become a fourth sector organization. Nowadays, it is a firm that generates new opportunities through the consideration of social, environmental and economic issues. It is clear that people with disabilities are the cornerstone of the company.

In this chapter, using the theory of planned behaviour and the resource-based view, we have detailed the main factors that have allowed SOLTRA to become an example of a fourth sector organization. In particular, the way in which people with disabilities have been integrated into the company, the fact that these workers constitute a potential resource to drive a long-term competitive advantage and the role played by the main salient beliefs (i.e. behavioural beliefs, normative beliefs and control beliefs) were discussed as aspects that have constituted a great challenge to the firm. SOLTRA has been working to integrate these points into its BM, trying to

achieve social and labour market inclusion for disabled people through promotion, education and rehabilitation.

Nowadays, SOLTRA's BM is focused on incremental technology that helps to improve the production process by improving the workplace, increasing the total tasks that people with disabilities can perform and discovering new tasks that disabled people can do better. In addition, SOLTRA's BM pays particular attention to knowledge and the way it flows within the firm. It is trying to establish a holistic knowledge culture by creating a new department that will be in charge of generating relevant information about the opportunities and threats faced by SOLTRA and sharing this information among employees. Moreover, one of the key aspects of SOLTRA's BM is the capacity to create business opportunities through the integration of social and environmental issues (e.g. new market niches, new products or services, new materials and resources and new processes, among others). In particular, disabled workers are more efficient at particular tasks (usually manual tasks) than non-disabled workers. They also share environmental concerns, contribute to a better social firm climate that improves the integration of new workers, help to improve company productivity and really engage with the firm objectives.

Our findings may have important implications for managers, NGOs, citizens and policymakers. We believe that our research is especially timely in the aftermath of the COVID-19 pandemic and answers the call of the United Nations Environment Assembly for citizens and decision-makers to become more sensitive to sustainability and to achieving its sustainable development goals.

Firstly, the negative effects of the lockdown might reduce employment rates and sales figures and increase difficulties faced by firms and society. This is especially worrying for vulnerable individuals. Citizens with disabilities have often suffered discrimination when they have tried to find a job, and this difficulty has only increased during the COVID-19 crisis. In this sense, it is important to highlight that the actions developed by SOLTRA have had several implications not only for disabled people but also for their families. The fact that these people have a job allows their families to have more free time to find employment and increases household income. All of the aforementioned contribute to the quality of life of these citizens. In addition, disabled people who find a job usually improve their social relationships, gain economic and personal independence and increase their sense of community.

Secondly, although many firms from different sectors have increased their social and environmental activities to achieve a triple bottom line outcome over the past few years, most of them have just paid more attention to these problems while continuing to operate as traditional firms. SOLTRA's BM serves as an example of how firms can integrate social and environmental activities in their business core to generate new business opportunities. Although SOLTRA pays particular attention to the social sphere through the inclusion of workers with disabilities, it has also found business opportunities in environmental areas. Managers might consider modifying their workforce or making the resources used or the method of production more efficient. In this sense, it can be stated that SOLTRA's BM is based on three main pillars that other firms can easily imitate: the introduction of incremental technology,

the generation of holistic knowledge in the firm and the use of social and environmental problems as an inspiration to develop new activities and implement courageous business policies that add economic as well as social value and contribute to the sustainability of the company.

Thirdly, NGOs can view SOLTRA as an example of how companies can contribute to society while remaining financially independent. It has been demonstrated that traditional NGOs are not sufficient to satisfy the soaring social problems of society on their own. Although most NGOs are necessary due to the social objectives that they achieve, in some cases, they are unable to survive in the current form. Society demands new solutions that require more effective actions, which include higher interdisciplinarity. Furthermore, higher involvement and stronger alliances between NGOs and other agents, such as firms and public organizations, are required. The increasing number of collaborations between SOLTRA and NGOs serves as an example of how an NGO can achieve its purpose and be profitable, or at least financially independent, at the same time. Although SOLTRA mainly collaborates with NGOs involving disabled people, it also pays attention to other social NGOs and public agents. This constitutes another advantage of its BM. NGOs must complement or contribute to the objectives of other organizations to achieve social purposes in an effective manner.

Finally, policymakers can especially benefit from the actions undertaken by firms like SOLTRA. Public agents at the local or regional level are usually responsible for addressing social problems in the first place. However, designing appropriated policies to solve these problems involves the national and international spheres. In this sense, these agents are becoming aware of the positive impact that fourth sector firms might have by addressing social problems in a more efficient way. Policymakers should incentivize the proliferation of this kind of firm. They could, for instance, offer financial support or tax benefits to set up new firms or restructure established companies to integrate social and environmental objectives into their core business.

SOLTRA contributes to society by hiring people with disabilities. In this way, it is able to generate economic outcomes, including tax payments derived from its activity, increased income for households with disabled family members and improvement in the economic outcomes of the territory. In addition, due to its social purpose, its social benefits are countless (higher equity, inclusion and diversity, higher awareness of disability, social interactions, family independence, etc.). This type of firm also provides several environmental benefits because it usually pursues a triple bottom line outcome. From this perspective, policymakers can utilize these tools to promote and reinforce the establishment of fourth sector firms to solve social problems and generate sustainable environments.

Some limitations should be noted about the present study. Firstly, although we collected detailed information about SOLTRA, it is not possible to extrapolate our results to other firms due to the specific characteristics and context which surround this kind of firm. Secondly, this study focuses on the company's BM and the salient beliefs that might influence the hiring of disabled people from a manager's point of view. However, the workers' perceptions of these issues could also be analysed to

gain a deeper understanding of how a fourth sector firm really works. Thirdly, it would be interesting to explore the heightened environmental awareness of fourth sector firms and how they might serve as a reference for other firms and managers regarding environmental issues. In this sense, an in-depth analysis could be carried out to develop a better understanding of the company's environmental policies and how they are perceived by both the managers and the workers. Finally, although we interviewed the CEO and top managers in SOLTRA's operations and human resources departments in Spain, it would be interesting to explore regional differences between SOLTRA's operations in Denmark, Mexico and Spain, the three countries in which SOLTRA has a strong presence.

Looking to future research, it would be interesting to explore whether the above pattern can be applied in other organizations or if other organizations apply similar patterns. In this sense, the characteristics of the firms should be considered. The BM of a firm might differ significantly depending on the size of organization, the board composition and the location of the firm. In addition, it could be interesting to analyse the characteristics of fourth sector firms that are equally involved in social, environmental and economic issues, i.e. organizations that pursue a triple bottom line and achieve similar results in all the categories.

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Reflections on Hybrid Corporations, Social Entrepreneur, and New Generations



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Abstract Our society faces such complex challenges that, more and more, it is necessary to implement new business models aimed at achieving social objectives while minimizing environmental consequences, without neglecting profit. A social, economic, and ecological balance is possible through the hybrid companies, promoted from social entrepreneurship, framed within the so-called fourth sector. These hybrid structures require people with particular characteristics and values, which invites us to wonder if the generation recently incorporated into the workplace, Generation Y, or the one that will soon join, Generation Z, will opt for this business model. This chapter shows generations' characteristics to glimpse whether they fit the type of person that these new formulas of social entrepreneurship require. Even though there is still no evidence enough for a conclusive answer, given that the investigations' results seem to be influenced by the samples' origins, certain clues suggest a hopeful future.

Keywords Fourth sector · Hybrid organizations · Generation Y and generation Z

1 Introduction

The economic, social, and environmental deterioration that comes suffering society is causing the traditional business models and their corresponding paradigms economic not capable enough to respond to problems that generate and needed a new approach to thinking, both personal and organizational (Baque et al. 2017).

This new organizational approach is embodied in the recently it emerged the fourth sector, which highlights a remarkable growth of social entrepreneurship, and where social orientation toward the common good (Lee et al. 2011; Peng 2001),

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philanthropy (Muñoz et al. 2015), and ethics have driven identification of new opportunities for entrepreneurs.

The fourth sector is a new economic and business space made up of organizations that combine a social and environmental mission with financial self-sustainability, based on the generation of income from the market. Hybrid organizations allow this conjunction (Hoffman and Haigh 2011). These organizations share practically all the characteristics of the traditional sectors (private, public, and nongovernmental) and converge in a hybrid business model (Sabeti 2011) capable of generating opportunities when facing the severe economic, social, and environmental challenges mentioned (Holt and Littlewood 2015).

Although they are economically independent, competitive, and profitable within a socially responsible parameter, its main objective is the social good (Baque et al. 2017). Haigh and Hoffman (2017) emphasize that these organizations differ from the traditional ones in having primary objective social and environmental issues, basing relations with agents on mutual benefits and sustainability outcomes, and focusing on the activity on hybrid goods and services.

They are characterized by their social innovation, which consists of finding new sustainable social behavior patterns—new social relationships of individuals, new collaboration models, etc.—capable of satisfying the social needs, not adequately addressed by traditional organizational models, to satisfy the main challenges that society is facing (Innobasque 2011).

These types of organizations are usually surrounded by people who value more the healthy lifestyle, the ecological sustainability of what they buy, and social justice (Rask et al. 2018) and also require a social enterprise carried out by a visionary, pragmatic leader, who is characterized by having the ability to lead social innovation processes and to find innovative solutions to problems (Dees 1998). In line with this, Zurbano et al. (2012) reveal that companies with good practices in this sector are characterized, among other issues, for the active participation of those who work and for more horizontal structures that facilitate a more human framework. They have people committed to a strong predisposition to change and shared leadership, less charismatic, individual, and more delegated (without losing their social entrepreneurial role). Nevertheless, although it seems evident that the underlying social entrepreneurship is an optimal formula to transform the environment and try to improve people's quality of life, it is not an easy task given that experience, training, and access to finance have to join the above personal requirements (Porto Pedrosa, 2015).

In this context, in which it seems clear that this type of hybrid organization can be part of the solution to many of the global problems facing society, we wonder if these are the right people to lead them and devise, develop, and implement projects under their philosophy. Organizations in general, and these in particular, must be aware of the generational diversity that currently coexists in the labor market and the importance of factors such as the relationship with authority, the relationship with their peers, the relationship with the organization, the work style, the leadership style, and the learning styles for their correct development and functioning.

Nowadays, the labor market is nurtured by the baby boomers' generation, close to the end of the labor stage, generation X, hugely experienced in this market, and generation Y (Gen Y), the last to join it. Generation Z (Gen Z) is already at the gates of it. All of them have particularities, weaknesses, and strengths. Nevertheless, everything seems to indicate that generations Y and Z will induce changes in the work environment. Thus, it would be convenient to know if the characteristics of these two generations fit the profile of the companies that are committed to a social and sustainable purpose, such as hybrid companies.

This chapter aims to expose the characteristics and behaviors of the last generation incorporated (or in the process) into the world of work, Gen Y, and the one that will begin to do so in the short term, Gen Z, to find indications that allow us to elucidate if they will participate in these new formulas of social entrepreneurship.

2 Fourth Sector and Hybrid Organizations

Social change that has been taking place in the last decade has led to the emergence of a new way of the undertaking, in which social and environmental benefits take, more and more, a greater weight or role in business relationships. The need to improve obsolete economic systems to respond to new challenges has led to innovative efforts that blur the limits of the traditional sectors of the economy, giving rise to a fourth sector in which a new model business appears, called hybrid organizations.

They are the fruit of the conjunction of the three sectors of the economy.¹ In addition to focusing on environmental protection, they obtain benefits from participation in economic activities (private sector), they seek to provide alternative solutions to social issues (public sector), and they aspire to protect and guarantee the rights and satisfy basic needs of disadvantaged groups (nongovernmental organization, NGO) (Hoffman and Haigh 2011).

They are legally constituted as cooperatives, benefit corporation (B corporation), Benefit and Collective Interest Company (BIC), mutual, low-profit limited liability companies (known as L3C), ethical banks, triple-impact businesses, etc. (CGC 2019a); and its variants have been variously named, e.g., social enterprise (McNeill and Line 2015), blended value, for-benefit, values driven, and mission driven (Hoffman et al. 2010).

Unlike the classic organizational approach, hybrid organizations direct their business policy toward obtaining sustainable results that achieve mutual benefits with the agents with whom they interact (Doherty et al. 2014; Haigh and Hoffman 2017). They offer products and services with minimal negative impact or implement

¹A culture change is needed in companies and society to leave the idea that the private sector is solely responsible for maximizing profits and governments and NGOs are the only ones in charge of providing social benefits.

corporate social responsibility (CSR) or social entrepreneurship actions or inclusive initiatives, etc. (Ogliastri et al. 2015). Therefore, fourth sector organizations go a step further, where serving society is not an accessory action but an end in itself and is its primary objective.

These hybrid organizations' goals are also achieved, as McNeill and Line (2015) and Avidar (2017) state, through ethical trade, microfinance, social risk capital, community development, public-private associations, socially responsible investment, corporate philanthropy, and social marketing. Therefore, these organizations should be enclosed within social entrepreneurship, social and solidarity economy, or circular and collaborative economy. Thus, it can be asserted that a hybrid organization generates multiple values through the production of final goods and services seeking the welfare of society. They are economically and environmentally sustainable and socially coherent (Baque et al. 2017).

A multidimensional strategy to connect both social and market interests is required. The public sector has to favor a regulatory framework for financing, education, and promotion that allows generating and consolidating the necessary ecosystem in which these organizations can have a place.

The relationships between the agents that intervene in some way in hybrid companies will have a positive effect, materialized in cost reduction, greater business efficiency, organizational innovation, promotion of volunteering and social empathy, availability of timely and relevant information, and general social benefit (Nelson and Zadek 2000).

Zurbano et al. (2012) highlight the following characteristics and acceptable practices from companies that already carry out their activity in the framework of the fourth sector:

- Open and flexible spaces, in which socioeconomic models that are more respectful of people and the environment are sought
- Greater participation and involvement of those who work in the organization's results and more horizontal organizational structures
- Relationship with initiatives promoted by social entrepreneurs from existing organizations or the generation of new ones
- Transparency in the results of economic, social, and environmental activities
- Commitment to act differently with a strong will for change
- A balance between economic, social, and ecological benefits.
- Attractive and exciting projects that attract talent and engage people
- Local activities with an impact on different geographical points
- Use of media and technological resources of networks that favor efficient communications and development of projects
- Work and collaboration in a network that allows the individuals' cooperation from any part of the planet and the reduction of costs
- Shared and distributed leadership without losing the essence of the social entrepreneur based on shared values

Given the essential characteristics of the social and solidarity economy where these hybrid organizations are framed, people who are part of them will have to be

willing to organize in democratic-participatory forms. They will have to have strong values of solidarity, reciprocity, equality, justice, and service. They will have to carry out their productive activities with respect and protection of the ecology and the environment.

It is evident that this type of organization needs people with specific motivations, personal qualities, and values, who, from a business perspective, put into practice innovative solutions capable of achieving the intended positive social impact. These requirements are the social entrepreneur's primary characteristics, one of the critical agents with a special protagonism in this hybrid organizational context.

3 Social Entrepreneur

In the shown context, social entrepreneurship is the way to combine economic-financial objectives and social and environmental objectives. According to Dees (1998, p.4), entrepreneurs who contribute to social change generate this nexus through the following ways:

- *Adopting a mission to create and sustain social value (not just private value)*
- *Recognizing and relentlessly pursuing new opportunities to serve that mission*
- *Engaging in the process of continuous innovation, adaptation, and learning*
- *Acting boldly without being limited by resources currently in hand*

Social entrepreneurs must have the same qualities and skills as any other entrepreneur: a great idea, the ability to execute it with passion, determination, and faith, and practical business skills (Jiménez and Gutiérrez 2011).

Ruskin et al. (2016) found that social entrepreneurs share four emotions associated with their motivation toward this type of entrepreneurship: passion for the activity they carry out and the people involved, sympathy and empathy by the members of the target community or by being members of that community itself, and finally, some entrepreneurs opt for this social formula to mitigate the frustration generated by their previous projects.

In the study mentioned above, these emotions are shown as antecedents of motivations oriented toward themselves and others. Among the former are the need for achievement, where finding solutions to social issues is a challenge for the entrepreneur; autonomy, understood as freedom to choose projects; the establishment of close relationships that allow them to know social problems to which they try to solve; and the influence on others to promote the values on which he intends to build social actions.

Among the latter are, obviously, altruism; nurturance (need to focus the projects on providing care and security for their family environment or close people's families); social justice achieved through ventures that grant equal resources and opportunities; and sense of obligation, sometimes seen as a vocation and at other times as a fulfillment of duty. Rivera and Santos (2015) found that altruism, materialized in servant leadership behaviors, and a reflective relational style are

related to the intentions to undertake social innovation projects for young people. As the authors said, the entrepreneur's capacity for reflection is the one that favors the recognition of opportunities, and only a service leader, characterized by the search for total quality, teamwork, participatory management, and ethical service, among other issues, can contribute to social and economic sustainability.

These types of entrepreneurs are characterized by prosocial behavior understood as behavior in favor of other people that, in some cases, can revert to personal benefit. As Pérez and Mestre (1999) pointed out, the altruism mentioned above is prosocial, but not the other way around. Prosocial behavior can stem from feelings of guilt driven by moral norms, according to Freudian psychoanalysis. According to the social learning theory (Bandura 1982), they could also be the result of a learning process in which the social consequences of the acts are anticipated. On the other hand, Prabhu (1999) defends that having contact with social problems causes dissatisfaction with the situation in which one lives, generates altruism, and, as Mair and Noboa (2011) pointed out, facilitates the detection of social opportunities.

It is logical that, given the various models that justify this type of behavior, authors like Jiménez and Gutiérrez (2011) wonder if a social entrepreneur is born or made. Those who defend the first idea argue that qualities such as determination and non-aversion to risk are innate; however, those who support the second belief argue that the social entrepreneur can emerge from education and training. Winfield (2005), in a middle position, believes that although certain inherent qualities are required to achieve the entrepreneur's objectives, he/she can be trained to better face future challenges, such as those related to resources, leadership, the regulatory environment, and incessant sociocultural changes (Gupta et al. 2020).

Given the aforementioned qualities, these types of leaders are becoming the center of attention due to the exceptional circumstances of the time we live, which has caused the demand of these entrepreneurs not to be covered with the supply (Doherty et al. 2014). Thus, we wonder if the last two generations known as Gen Y and Gen Z² have (or will have) characteristics that match the requirements of a social entrepreneur or an active agent in the fourth sector and if social leaders will emerge from among them and will want to face the challenge and meet this demand (which will undoubtedly be increasing after the devastating consequences of the pandemic that we are suffering).

4 Twenty-First Century Generations

The concept of generations has both a biological and a sociological connotation. Kovic and Hänsli (2018) argue that from a sociological perspective, they are groups of individuals born in a given period and tend to share values or attitudes because of having lived the same historical context and similar social circumstances.

²Alpha generation is the children now.

In this chapter, we focus on Gen Y and Gen Z. There does not seem to be total unanimity in the literature when setting the birth date ranges for these generations, although there is no significant disparity. Thus, we can find Malone et al. (2017), who established the first between 1980 and 1994 and the second between 1995 and 2012; McCrindle (2011) dating Gen Y between 1979 and 1994 and Gen Z between 1995 and 2009; Kessler and Steele (2016), who establishes the date range between 1980 and 1996 for Gen Y; Brailovskaia and Bierhoff (2020) who date it between 1977/80 and 2000; or Schroth (2019) who dates Gen Z between 1997 and 2013.

4.1 *Generation Y*

Numerous names have been attributed to Gen Y: millennials, Generation Me, Generation Next, and Trophy Generation, among others.

Dalton (2012) identifies them as children of helicopter parents, who overprotected them, planned numerous activities, and awarded them without justified merit (trophy children). These facts resulted in high self-esteem (Ng and Johnson 2015), superficiality, greater egocentricity, impatience and need for immediate gratification and affirmation (Struckell 2019), and a mentor to guide them (Darga 2012). They need praise (Twenge and Campbell 2008a, b) and are entitled and narcissistic (Twenge 2012). On the other hand, they are confident, team oriented, optimistic, achievement oriented (Howe and Strauss 2009), distrustful outside the family and friends' environment (Horsaengchai and Mamedova 2011; Stein 2013), and risk-averse (Campione 2015). They are characterized by being one of the most educated generations (Struckell 2019) and with a high technological level.

According to Horsaengchai and Mamedova (2011) and Stein (2013), they demand training conditions and cordial relationships with supervisors and colleagues and accept differences in the work environment. They give a relative importance to work ethics and especially value work/life balance. Profits, status (Leuty and Hansen 2011; Lyons and Kuron 2014; Twenge et al. 2010), professional development, and financial reward (De Hauw and De Vos 2010) are significant to them.

Struckell (2019) reveals that they are the least productive generation in entrepreneurship and that their characteristics are almost mutually exclusive with the most common attributes of entrepreneurs. Traditional entrepreneurs focus on the success of their projects more than themselves; they focus their efforts on meeting objectives and value status less; they are persistent in adverse conditions (Hmieleski and Baron 2009); they are more autonomous and have control of their actions (Miller 2015; Shane 2003); and they have an in-depth knowledge of all areas of the company.

The entitlement of this generation mentioned above could translate into an inclination toward the organization's improvement, not only in the maximization of benefits but also in the increase of social responsibility (Brant and Castro 2019), a matter of high interest for them (Price Waterhouse Coopers 2008). They want to get

a more satisfactory job with an impact on society (Ng et al. 2010). According to Petroulas et al. (2010), a company that shares these social and ethical issues could be more appealing to Gen Y individuals.

On occasions, they have been called Generation We (Moss 2016) because it is stated that millennials believe they have a responsibility to improve the world (Alsop 2008, Credo et al. 2016). They are also interested in civic participation and community affairs (Greenberg and Weber 2008). This social perspective is probably a consequence of his educational training (Alsop 2008).

However, Twenge et al. (2010) state that social values are falling in this cohort's later individuals. The empirical results of Ng and Parry (2016), Twenge and Campbell (2008a, b), and Twenge et al. (2012) show low levels of values such as altruism, philanthropy, or concern for the environment, thus revealing traits of individualistic personality. Moss (2016) defends that this generation is situated in a more individualistic position, being extrinsically motivated by money, fame, image, etc. They do not seem interested in political issues, in caring for the environment, or in racial matters. This behavior is consistent with the narcissistic personality that Twenge (2012) attributed to millennials. If they involve in social affairs, they may have a dishonest motive: to improve their image (Carlo and Randall 2002; Kauten and Barry 2014).

Roberts (2001, 2003) and Spence (2009) show that narcissistic leaders choose CSR for attention. As Lin et al. (2018) espouse, CSR becomes an excellent exhibitionism opportunity because these activities attract specific audiences. Besides, Sedikides et al. (2002) find that narcissists' prosocial behavior is motivated by opportunism and not by an attitude of service toward others.

According to Twenge et al. (2012), these young people do not stand out from previous generations favoring altruistic work values like helping or societal worth. Choi et al. (2020) found that millennials have a lower level of organizational commitment to their social enterprise employer than do earlier generations, and this commitment is associated only by shared decision-making and is not influenced by the search for a social purpose or social performance of the enterprise.

Literature shows, therefore, a duality in millennials that, bearing in mind the characteristics of the individuals that the fourth sector needs, creates doubt whether they will opt for participation in this model of hybrid organizations. They probably already participate or will, but sometimes with an underlying personal interest of protagonism.

4.2 *Generation Z*

Like Gen Y, Gen Z has received numerous labels or names: Generation V, Generation C, Generation Cox, Internet Generation, Homeland Generation, Google Generation, Selfie Generation (Özkan 2017), or Mobile Generation (Kapil and Roy 2014).

They are the most educated generation in history and probably stay for more time in the educational system (McCrinkle 2011). Its characteristics pose fundamental challenges in the world of education and work (Tulgan 2013). It is thought to be the most significant generational change that the workforce has faced (Özkan 2017).

It is the digital native generation. They depend so much on technology that it is a part of every aspect of their life. This is so to such an extent that the vast amount of digital tools at its disposal causes many of the traditional practices to be replaced (Vo 2019). They need to communicate quickly (Özkan 2017). They are multitasking individuals who distribute their attention in various media in a superficial way and spend a lot of time connected to social networks (Mathur and Hameed 2016), making them technological and digital dependents. They have a high volume of information and resort to the Internet to solve problems (Tari 2011). Thus, their friendship relationships also depend on social networks (Casaite 2017), and other means of socialization are complicated for them (Giarla 2019).

They are most achievement oriented (Schroth 2019), less entitled (Stuckey 2016), and less narcissistic (Özkan 2017) than the preceding Gen Y. They look for new challenges and impulses continuously; they are practical and brave (Casaite 2017). They are characterized as being pragmatic and possessing future-oriented tendencies (Finch 2015).

Although some authors (e.g., Stuckey 2016) establish that they are more realistic, their impatience for quick access to work, wealth, or people collides with reality, causing them disappointment (Junior Achievement 2013). They are not aware of the concept of struggling (Casaite 2017). This could be caused by the overprotection that, according to Schroth (2019), impaired skill learning.

They are a global generation, making them very tolerant of diversity (Mathur and Hameed 2016), whose main concerns revolve around racial equality, education, and employment (Casaite 2017). They are also a generation with greater economic well-being (Schroth 2019), although they prefer to spend less because they know they live in an economic recession context. They are aware of the need for a better world (Özkan 2017), and they want to help and work on projects in line with their beliefs, but they do not want to be part of political systems in which they do not trust (Casaite 2017). They have strong family values inherited from their parents (Mathur and Hameed 2016).

Though this generation is concerned about social justice issues (equity, inclusion, etc.), they could limit the expression of opinions contrary to their own (Schroth 2019).

It is stated that Gen Z is exceptionally altruistic and that global humanitarian issues are significant concerns. They are also worried about environmental and ecological problems (Mathur and Hameed 2016).

Concerning workplace issues, it is believed that these young people could become effective and productive workers, given their special characteristics, which will significantly influence the work forms and environments (Kubátová 2016). Enjoying one's work, quality of relationship with coworkers, and achieving one's goals seem to be the most prevalent motivational factors for Gen Z (Kirchmayer and

Fratrřčová 2018). Their social skills may be of interest to employers (Junior Achievement 2013).

As Casaite (2017) finds, post-millennials are more entrepreneurial than Gen Y and are willing to take risks if they appreciate that there is a possibility of success (Loveland 2017). On the other hand, they are more independent at work and, in general, more autonomous than Gen Y, who prefer to go hand in hand with a mentor (Arar et al. 2017).

Although they seem to have better characteristics than Gen Y to participate proactively in companies in the fourth sector, it is possible that what they lack are training and information.

5 Discussion and Reflections

More than ever, the world needs a specific type of people who, aware of the tremendous social and environmental problems that we are facing, opt for a new business model with the social sphere as a priority, maintaining a balance between protecting the environment and the economic benefit. This is achieved by hybrid organizations that are part of what is already known as the fourth sector.

In addition to the essential competencies required in twenty-first-century jobs as professionalism, communication skills, problem-solving skills, networking, enthusiasm, and teamwork (Junior Achievement 2013), new hybrid company models require skills, capacities, attitudes, and specific values such as shared leadership capacity, work on horizontal structures, innovation, adaptation, learning, values such as altruism, ethics, transparency, an attitude of commitment to change, sense of social justice, and no risk aversion.

In the search for clues that allow us to glimpse if Gen Y members have qualities or show behaviors aimed at collaborating in social, sustainable, and profitable projects, we find conflicting opinions. On the one hand, we can find young people who know very little about entrepreneurship with social objectives and see it as a distant destiny, since one of their first objectives is to finish their degree for the sake of a stable position, although they can participate in volunteer activities (Porto Pedrosa 2015). On the other hand, there is evidence indicating that millennials do not stand out more than different generations in social values and are even more individualistic (Twenge et al. 2012), which would make it very unlikely that they were agents of hybrid companies. A sector of the literature declares that millennials are narcissistic and focused on their image, which leads them to think that social problems do not moved them. Millennials would want to participate in social responsibility issues for an ignoble objective: exhibitionism derived from their need to inflate their image. Therefore, their sense of the right could promote the fourth sector, although it was not for noble reasons. At the other end, some believe that:

- They are the more social generation (e.g., Mueller 2017) because they seek a job with a purpose (unlike other ages) and they are concerned about social and environmental issues (Petroulas et al. 2010).
- They are more idealistic because they want to save the world (Ng et al. 2010).
- They have the advantage of being able to take action, thanks to their mastery of technology.
- They want to creatively solve problems (Gilbert 2011) and also start a business.
- They are collaborators and like shared decision-making.

These latest opinions and evidence would allow us to affirm that Gen Y has enough ingredients to collaborate, undertake, or work in companies in the fourth sector, always having specific guidelines and training.

Regarding Gen Z, it has been claimed that it is highly concerned with humanitarian and environmental issues and is very altruistic. However, when the attitude toward volunteer work was studied, learning opportunities for their future careers represented a more important value than altruism (Cho et al. 2018).

Their willingness to become entrepreneurs, and weaknesses presented by previous generations³ toward leadership positions, may suggest that Gen Z can quickly assume the role of leader (Kapil and Roy 2014). Johansson and van Dam (2018) reveal that among the values that a leader must have, this generation values charisma, enthusiasm, and experience less, which leads them to wonder if they are less interested in being transformative and charismatic leaders.

Individuals who are part of Gen Z have gradually considered social responsibility as one of a sustainable person's standards. They support companies whose activities have a positive influence on society (Vo 2019). Other studies have shown that they need to feel ethical and philanthropic responsibilities from companies, which suggests that social action is a compelling motive for this generation (Thi et al. 2020). However, in the specific context of the new organizations of the fourth sector, Albrecht et al. (2018) consulted individuals in this cohort about for-profit social enterprises (FPSEs) and found that they believe that this type of hybrid organizations are at heart driven by profits and are influenced by investors. They seem not to be convinced that the FPSEs pursue a social mission or are unaware of it, despite their interest mentioned above in social and environmental aspects.

The studies' results, which cause young people to be characterized differently, should be treated with great caution because they appear to be highly dependent on the sample chosen. They should also be contextualized in the culture and country to which the young people belong since it has been observed that culture is the most influential factor in the attitudes, behaviors (Chen 2000), and socially responsible practices of citizens (Taras et al. 2011) and corporations (Ringov and Zollo 2007). Even the typical assertion that the new generations are digital natives can be disputed when comparing boys and teens from separate parts of the planet with very different access to technological devices.

³Baby boomer generation is nearing retirement; Gen X presents low interest in leadership positions since they prefer to dedicate more effort to family responsibility; and Gen Y has a conception of soft leadership (Johansson and van Dam 2018).

We can deduce that certain aspects seem to be shared among young people of these two generations internationally due to the sample size of Deloitte's (2019) survey, with 13,416 millennials surveyed in 42 countries and territories and 3009 Gen Z members from ten countries. They are expressing discomfort and pessimism about their careers, their lives in general, and the world around them despite today's opportunities. Among the 20 challenges that society faces, climate change/environmental protection is the most concerning challenge (the 2020 survey shows the same results). Moreover, millennials' views on business continue to worsen: the idea is growing that companies focus on their interests rather than caring for society at large (76% agree with that sentiment) and they perceive that companies want to make money (64% agree). It seems that the priorities of young people and the purposes of companies are not aligned.

It is difficult for now to form an opinion with sufficient support. We believe that it will be necessary to continue carrying out contextualized and comparative empirical studies to confirm whether these generations are betting on hybrid companies, moved not only for economic reasons but also because of the concern to solve any counterparts' problem, always looking after the environment.

Meanwhile, some actions can be promoted so that young people, from the earliest ages, direct their efforts in this regard. Getting the new generations to join the labor market with social and environmental awareness requires "a relational innovation process" (Rivera and Santos 2015, p. 25) in the institutions with which young people develop, starting with the family itself, where service behavior models are instilled. It is essential to implement an adapted educational system that incorporates contents of the existence and operation of hybrid organizations, as well as research programs and academic curricula capable of guiding the professional career toward social innovation and training leaders in this fourth sector (CGC 2019a, b; Jiménez and Gutiérrez 2011). There is a generalized opinion that young people need to have contact with social needs (Porto Pedrosa 2015), so it is essential to include as first training actions those that satisfy this lack.

These institutions should accept that young people are meta-reflexive, that is, with a critical spirit, who empathize, find solutions to social problems, and possess the courage to take action (Rivera and Santos 2015).

In this sense, we consider parents and educators motivating agents of utmost importance in the awareness and training process.

Along with the work of educational and research centers, a strategy to make social entrepreneurship organizations and activities visible is required, aimed at all citizens. This strategy will give rise to the recognition of these entities' value so that they are seen as a means of solving social and environmental problems, favoring the capture of intellectual and financial capital. Total transparency is required to reach the new generations and earn their trust.

In these times of pandemic, Deloitte's (2020) survey reveals that this tragedy has caused a reinforcement in their desire to make positive changes in their community for many of these young people. They feel driven by a purpose and are more understanding with others' needs, which invites us to put our hopes in these new generations in whose hands lies the future of the planet.

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Part II
Social Innovation: Hybrid Models in the
Fourth Sector

Social Innovation in Theory and Practice: European Policies, Strategies and Experiences



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Abstract Despite the substantial knowledge accumulated over the last years about social innovation, this concept is still under construction. If, on the one hand, reflections and discussions enable maturity on the subject, on the other hand, it is also its practice that may allow a deeper consolidation. In order to solve social challenges and to achieve an effective transformation of the society, social innovation has varied strategies, according to specific problems and social, economic, political, historical and cultural contexts. Therefore, there are no generic best-practice models, as social innovation cannot be replicated, but transversal aspects may be taken into consideration, respecting the territory and the community involved, to design and implement concrete actions for change. Recognising the relevance of social innovation, this chapter addresses the topic from theoretical and practical perspectives, presenting several characteristics that frame the debate, as well as examples of social innovation strategies, incentives and supports in the European Union and its member-states. Emphasis is given to Portugal Social Innovation, which is a recent and exploratory initiative to induce social innovation using the European structural and investment funds, as well as the Fourth sector, which is referred to from the social innovation discussion and European context perspectives.

Keywords Social innovation · European Union · Social transformation · Fourth sector

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1 Introduction

Challenges are far from being extinguished in contemporary society. In fact, the current pace of change and disruptions with their related emerging risks require the search for other answers and solutions to old and new problems. Social innovation (SI) arises with its focus on social transformation. Different fields, sectors, organisations and individuals are increasingly interested in the construction and promotion of SI.

SI is aiming at social change with a new approach to innovation, leaving aside purely economic and technological aspects which are more consolidated in the literature but also in policy-making. SI's main goal is to bring effective alternatives in order to deal with the countless adversities faced by contemporary society.

Given its specificity, social innovation has been gaining conceptual and practical diffusion. In the theoretical aspect, there are many reflections and discussions on the subject. Although it is not a new topic, it is often disregarded as scientific concept, having diverse definitions. As practice, SI can be seen in the multitude of initiatives around the world. As a consequence, the European Union (EU) and its member-states are beginning to structure a more coherent framework for social innovation. This is reflected in many plans, projects and support schemes, especially coming from the European Commission (EC), which is recognising and valuing the importance of social innovation.

This chapter aims to present theoretical contributions on the topic of social innovation, underlining the enabling character for transformative actions in society while also presenting the Fourth sector as a favourable domain for social innovation initiatives. It is therefore organised as follows. The next section is dedicated to social innovation, highlighting the diversity of definitions, historical shapes and approaches, its phases and social actors, together with a presentation of the Fourth sector that has the aim of presenting an overview of the subject. In the following section, it is possible to get familiar with some of the social innovation practices in Europe, starting with examples that show how important is the support of the European Commission towards social innovation. In addition, some European initiatives are explained, thus highlighting, among them, the Portugal Social Innovation Program. In the final section, conclusions are drawn, showing how transforming social innovation and the Fourth sector may be instigated.

2 Social Innovation: Theory and Practice

2.1 *The Concept*

Social innovation is having a growing attention. Nevertheless, its definition still creates a great challenge for researchers on the subject. The inaccuracies and doubts about the conceptual delimitation of this term do not arise from the absence of

research, but from the plurality of approaches and traditions in which the theme is found. Thus, in addition to the difficulty of conceptualising social innovation, there is still a lack of clarity about the area, field, discipline and approaches that structure a better understanding on this topic.

SI experiences are crucial for achieving the conceptualisation of this field. They occur in several ways: ideas, actions, structures, models, systems, processes, services, rules, regulations, forms of organisation and activities (Murray et al. 2010; Nicholls et al. 2015; The Economist Intelligence Unit 2016). Some demands end up being answered more quickly, but others still have a deficit in innovation practices, such as some challenges that the elderly population faces, the increase in chronic diseases, crime and punishment and climate change, among others (Mulgan 2006).

Given the plurality of the theoretical contributions that surround social innovation, it is worth pointing out some practices and experiences as a form of exemplification and inspiration. The first example is from 1976 and concerns microcredit, a form of loan through which Professor Muhammad Yunus, who won the Nobel Peace Prize, granted credits to poor people without requiring guarantees, thus founding a bank dedicated to the promotion of this system (Cajaiba-Santana 2014). Another inspiring SI practice is the Bolton Design Council project that sought to help patients with diabetes in changing their habits through the use of letters written by professionals, where they expressed their experiences with diabetes and through which they were able to assist the patients in healthy practices and disease management (Murray et al. 2010). Another admirable example comes from Brazil, with the energy company Light Recicla that offers an exchange service, consisting in giving energy credits in return for recyclable materials, therefore assisting local residents of the Santa Marta slum located in Rio de Janeiro in the reduction of electricity expenses and also in the pacification of the relationship between residents and commercial companies (Cipolla et al. 2015).

It is relevant to emphasise that SI practices and actions seek more than immediate and palliative results, but rather a deep and meaningful change in society and its patterns, habits, knowledge, values, relationships, purposes and structures. Due to the complex process that a change requires, it ends up being carried out more slowly, because it requires, in fact, willingness, context and other factors to be accomplished.

In this sense, when dealing with social complexities and recognising the lack of framing of the term social innovation in specific disciplines, the interdisciplinary and transdisciplinary nature is perceived. Following the reasoning of Moulaert et al. (2017), which adopts interdisciplinarity and transdisciplinarity as characteristics of SI research, it is clear that the first allows interaction between various areas, such as the humanities, administration, economics, health, science, among others; and the second, the inclusion of actors who are not researchers but often stakeholders, thus also involving people who are able to contribute to the process of reflection and problematisation of the topic with a practical insight from the field. In fact, aggregating different areas and people brings more wealth in the production, diffusion and dissemination of knowledge, which is essential when it comes to social innovation.

Nevertheless, given these circumstances, there is a diversity in the concept of SI. Murray et al. (2010) define it as new ideas capable of meeting social needs

and providing collaboration and new relationships, being a way to improve society and its actions. Mulgan (2006), instead, claims that SIs are innovative activities and services that seek to satisfy social needs and are generally disseminated through organisations with predominantly social purposes. Moulaert (2009), on the other hand, conceptualises it as a perspective capable of satisfying human needs through the transformation of social relations involving governance systems, considering an essential factor the transformation of the context and of the relations in a given location. SI can still cover different means to solve the demands and problems of a society, through practices, methods, processes and regulations, which do not need to be new, but which at least are a way of improving what already exists (Howaldt et al. 2015).

A fundamental point of SI is its manifestation in social change, whether through a material dimension, such as a product, or an intangible dimension, with the transformation of behaviours, attitudes and perceptions. These changes involve the interaction between people and the creation of new institutions and social systems (Cajaiba-Santana 2014). Therefore, new arrangements are the result of new practices, which enable much more than just solving demands and problems, but rather lead to an effective social transformation.

It is also worth mentioning that not every process of social change is necessarily associated with a SI. For this to happen, it is essential that an element of novelty is present as well as actions oriented towards change that have a meaningful social impact in the future (Cajaiba-Santana 2014).

Only few definitions of SI were mentioned, but it is already possible to see how broad the term can be and that there are many correlations of its understanding with specific geographies and economies. In general, without making much harm to the current literature, in this chapter we understand social innovation as new or improved practices that seek to meet society's demands and problems, providing some type of social transformation.

2.2 Approaches and Shapes of Social Innovation

In addition to the definition of the term, another very contested point on social innovation is about its disciplinary approach, once SI is not presented in a homogeneous fashion but it is treated through different perspectives (Backhaus et al. 2018). As a matter of fact, the concept firstly appears in the social sciences, but it is then dispersed in the most diverse areas, such as public administration, management, history, social psychology, economics, social movements and social entrepreneurship (Cajaiba-Santana 2014).

Social innovation is sometimes associated only to the economic approach because of the influence of Schumpeter's (1982) thought, but reducing this concept only on this tradition is limited, as its purpose is not restricted to an economic nature. According to Moulaert et al. (2017), social innovation cannot be summarised in a specific field or sector of the economy, since it is essential to understand the most

varied practices to address social problems and needs. In this sense, sociological approaches proved to be significant in bringing the social perspective to innovation and reducing the term's dominant connection with economics.

In order to identify the different approaches to social innovation, Jessop et al. (2013) point out the following fields: management science and corporate organisation, arts and creativity, governance and public administration, and local development. The first field involves SI through the social capital of organisations, that is, the way organisations work better and influence the promotion of social innovation. Still related with this aspect, SI is also established from loan micro-communities, sustainable entrepreneurship, social economy networks and other forms of social enterprise. In the area of arts and creativity, the focus is on creative actions that generate SI, as well as the reinvention of the arts' contribution for social change. The field that involves public administration and governance points to social innovation for its role in modifying systems that involve bureaucracies and hierarchies, aiming at simplification, transparency and regulations in initiatives. Finally, SI is also recognised for its practices and processes that influence local development, as all its practices are deeply territorially embedded (Jessop et al. 2013).

Despite the growing publication on output trends in SI research around the world, the concept, even if it is not new, it is still under construction. There are events of the past that represent the first SI initiatives, as well as several present or planned experiences today. If, on the one hand, the spread of SI projects and actions is in evidence, on the other hand, some initiatives are still not recognised as SI. In this sense, it is essential that this concept becomes sufficiently clear for the (existing or future) initiatives to identify themselves and be identified as social innovation by stakeholders, researchers and policy-makers, when appropriate.

It should be noted that this clarity of the term does not mean indisputability regarding what SI can be but only that more translation is desirable to facilitate both research, policy and practice. In fact, there is an evident growing interest in the investigation around this theme in the most varied fields. Accepting that knowledge is a constant construction and stems from multiple historical-socio-cultural factors, thus denying the fact that a common ground is needed to avoid a conceptual framework that is excessively permeable would mean that, at the end of the day, almost everything could be qualified as social innovation, therefore leading to a devaluation of the concept itself.

For a better comprehension of it, it is relevant to make a brief journey to understand its evolution. Some theorists point out that social innovation does not present a historical landmark as it is inherent to the history of humanity, resulting from people facing social change over time (Mcgowan and Westley 2015). For other authors, it presents highlights which mark its origins. According to Mulgan (2006), social innovation emerged in the nineteenth century with the problems resulting from fast industrialisation and urbanisation processes. In this historical period, many enterprises related to philanthropy, unions, cooperatives and microcredit, among others, were influential examples in responding to social needs. It was the time when SI had a diversified use in religious, socio-political and ideological debates, as well

as it was gaining two meanings, one related to politics and the other to social concerns, thus emphasising social change (Moulaert et al. 2017).

This conceptual lack of definition continued during all the nineteenth century because social innovation carried a pejorative aspect for conservative thinkers as it was associated with socialism, causing opposition in relation to the term. This antagonism persisted until the twentieth century (Godin 2012; Moulaert et al. 2017) when the same term began to be understood in a positive way because it was then linked to social reform, reporting on improvements in the social condition of humanity through rights and equality (Godin 2012).

From the twentieth century onwards, social innovation emerged with a variety of new practices and behaviours related to different aspects of the society, such as gender relations, education, governance and culture, among others. The governments have also demonstrated to be active in the SI agenda when building social welfare states in order to meet the needs of society (Howaldt and Hochgerner 2018; Mulgan 2006). In the 60s and 70s, with the presence of many emancipatory movements, social struggles and participation in debates, it was possible to make SI more tangible, starting from bottom-up grassroots movements and rethinking its socio-political meaning (Moulaert et al. 2017). Still in the twentieth century, new conceptions about SI were developed, when the term ceased to be assimilated to social subversion, but began to be seen as an opposition to traditional methods (Godin 2012). In this sense, it comes close to the definitions currently recognised and accepted.

Nowadays, in the twenty-first century, this term is adopted more widely around the world, especially through policy programmes related to combating poverty, social exclusion and empowering minorities, among others, being universally associated with the phenomena and processes of change (Howaldt and Hochgerner 2018; Moulaert et al. 2017). It is in the current context that social innovation is gaining prominence, not only in a theoretical way but for the development and recognition of its practices as tools that can mitigate or solve many of the challenges faced by the contemporary society.

2.3 Phases and Actors of Social Innovation

Separating the means from the ends is not a characteristic of social innovation, since it links social needs and social relationships (Moulaert et al. 2017). The recognition of the real needs of a group or part of society is crucial for SI to be effective, and the diligence to deal with changes in demands, including those resulting from the transformation itself, is also important. That said, it attests to the essential character of participation and interaction by both practitioners of social innovation and recipients.

The SI initiatives come from different parts of society. The public sector generally performs actions that promote SI through availability of resources, support networking, research and other structures; companies act through the development of

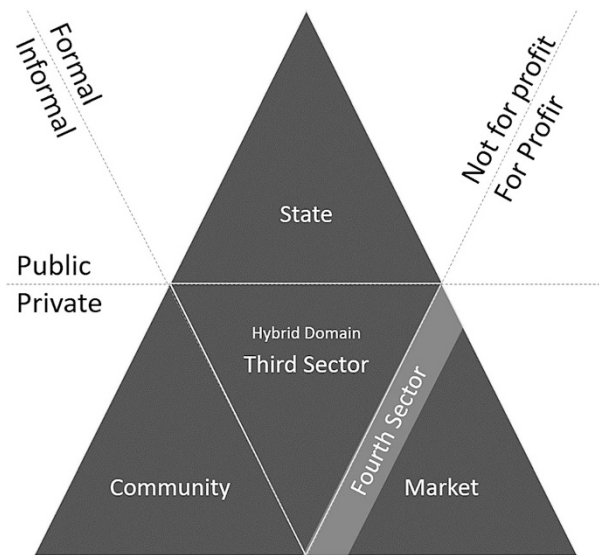
business models and other resources; and civil society gets involved because it is the main element of social innovation, standing out through the fight against social exclusion, the search for rights and social movements, among others (Butzin and Terstriep 2018).

According to Mulgan (2006), the social innovation actors can be observed from two perspectives: individuals and movements. The first way perceives social transformation as being led by few individuals, who are characterised as heroic, energetic and impatient. Examples are politicians, bureaucrats, intellectuals, entrepreneurs and activists from non-governmental organisations (NGOs). Through the optic of the movements of change, instead, there are thousands of people involved and dozens of intellectual and organisational leaders focused on transforming public consciousness. In addition to the feminist and environmentalist movement, cited as models, there are other movements such as the ones related with social and solidarity economy, LGBT, students, anti-racism and anti-xenophobia, among others.

Another categorical division of social actors is presented by Butzin and Terstriep (2018). According to them, there are developers, who initiate, develop and implement the idea for a social innovation; promoters, who are responsible for the procedural part (dealing with equipment, infrastructure, financing and connections); supporters, who allow the dissemination and diffusion of the social innovation idea; and knowledge providers, who grant relevant knowledge to enrich the SI development.

Avelino and Wittmayer (2018) state that any individual can get involved with initiatives that contribute to social innovation (projects, programmes, partnerships or networks), no matter the level of aggregation or motivation presented. The authors present a multi-actor perspective (Fig. 1), inspired by Evers and Laville (2004), in which there are different models of social order (the State, the market and the

Fig. 1 State–community–market and the emergence of a hybrid domain. Source: inspired by Avelino and Wittmayer (2018)



community) and three axes (formal/informal, non-profit/for-profit and private/public). According to this perspective, the State is characterised by being a formal public and non-profit organisation. In this sense, the State involves the work of political actors, bureaucrats, voters and policy makers. The market, on the other hand, is classified as formal, private and for-profit, basically covering the people who consume and who produce. The community is represented as private, informal and non-profit, and composed by residents, neighbours, family and friends. For these authors, the Third sector is seen as an intermediary space, a hybrid domain, between the previous three; in fact, despite being included without a focus on profits, there are no precise delimitations as to the aforementioned axes, and how the characteristics of any of them may be manifested (Avelino and Wittmayer 2016, 2018). The notion of Third sector used by these authors includes many of the activities closer to the market, which are being understood as an autonomous and emerging Fourth sector in this chapter.

In each of these sectors, the role of the actors corresponds to their place of performance, that is, a voter can be a businessman, neighbour and volunteer of an NGO, but tends to act in each space according to his role. However, in addition to the individual performance of an actor, there are also organisational actors, represented by institutions, groups and networks, among others, which are examples of the social movements, firms and authorities (Avelino and Wittmayer 2016). A collaborative activity between the different actors and sectors is complex, but very important to enrich the theoretical, methodological and practical reflections on SI. In fact, a broader and deeper understanding of this term can enable a more effective implementation.

Murray et al. (2010) present a slightly different perspective about the actors, listing them individually, as teams, hubs, institutions, networks or platforms. The first involves individuals who work within or through organisations, such as social entrepreneurs. Innovation teams, instead, are multidisciplinary and can work within or between organisations or departments to encourage collaborative work on SI issues. On the other hand, innovation hubs are the spaces where the most varied social innovators come together to share and exchange learning, favouring mutual support. Institutions that deal with SI are varied, and refer in their vision mainly to brokers as incubators, accelerators, development agencies, funding bodies, research centres and universities. In the case of networks, they are shown as alternatives to the rigid structures of formal organisations, allowing actors to be broader, faster, adaptive and fluid, due to their configuration. Finally, platforms can be exemplified as social networks, collaborative sites and blogs, with a wide-reaching potential and greater social impact because of the large number of people involved.

The participation of different actors, including the users of a SI, allows the promotion of a common understanding of a specific innovative practice, reducing resistance at the time of its implementation (Sørensen and Torfing 2015). For this reason, the idea of the need to interact with different actors tends to contribute to social innovation as it provides opportunities for collaboration, sharing and connection.

To achieve change through a social innovation, Murray et al. (2010) presented the renowned social innovation spiral process in six steps: prompts, proposals, prototypes, sustaining, scaling and systemic change. The first stage aims at making a diagnosis to identify the causes of a social problem and the need for innovation. The second stage involves the means that allow the creation of ideas which, after being approved, advance to the third stage to become prototypes, pilots and tests. In the fourth stage, it is time to sustain the tested and approved idea, seeking its improvement or simplification. Before the last phase, there is the scaling up of the initiative and its growth and diffusion. Finally, the last stage refers to the contribution towards systemic change, that is, the interaction of several elements promoting new structures of long duration in the different public, private and domestic sectors.

The transformation achieved with any SI is not definitive as it involves a range of components that are complex, such as people, organisations, government, public policies and culture, among others. In this way, social innovation manifests itself as a constant reassessment that accompanies the changes in needs and values (Mcgowan and Westley 2015).

The social innovation spiral process underlines SI as a non-linear process with a beginning, middle and end; but also as open, continuous and constructivist, as its phases do not need to follow a specific order and can still occur concurrently instead. Therefore, besides the importance of reaching the goal of a SI, the process must also be conducted carefully, since the final result cannot be achieved in an imposing way, from the top to the bottom. As a matter of fact, the success of a social innovation in producing systemic change is a path resulting from a collective construction.

2.4 The Fourth Sector

The social innovation cannot be understood only through a combination of efforts from a variety of sectors. It is important to highlight the particularities of each sector in terms of their respective social contribution. The private sector enables improvements in the quality of life by creating and distributing goods and services, besides also encouraging and improving investments in innovation and entrepreneurship. On the other hand, the public sector ensures and protects society interests through a legal structure, such as public and social politics. The social sector, instead, works to meet social demands; to ensure physical, mental and spiritual developing opportunities; and to protect the environment (Jiménez and Morales 2011). Nevertheless, the differences between the sectors are not clear, and existing organisation models are classified as hybrids.

The Fourth sector includes organisations that adopt a business model which is not focused only on profits but it aligns with a social and sustainable purpose. When dealing with this theme, it is crucial to point out the publication about the emergence of the Fourth sector made by the Aspen Institute (Sabeti 2009). Here, this sector is understood as a combination of the other sectors (public, private and social) and is constituted by several types of organisations. The alignment between economic

interests and the purpose of the search for social benefits denotes an organisational change based on the emergence of sustainable companies, cooperatives, social businesses, social economy companies and social ethics institutions, among others. As a result, society's problems leverage these organisations to act more consciously in the search for solutions and not only profit (Sabeti 2009).

According to Jiménez and Morales (2011), the Fourth sector presents the best of each of the traditional sectors, aiming at reconciling economic stability and efforts for the general good, using participatory and collaborative strategies to deal with social problems. In addition, it is the way in which the sector acts to align organisations that face great challenges in their communities or countries and even achieves the 2030 Agenda Sustainable Development Goals (SDGs) (The Fourth Sector 2020).

The main characteristics of this emerging new sector involve social purpose, business method, inclusive ownership, stakeholder governance, fair compensation, reasonable returns, social and environmental responsibility, transparency and asset protection (Sabeti 2009).

In this sense, the Fourth sector is favourable to contribute to social innovation initiatives. In addition to the contribution for sustainable development in social and environmental terms, social innovation is also important to promote economic growth (Jiménez and Morales 2011).

Social innovation, besides enabling products, services and methodologies relevant to respond to social demands, can also be manifested in new organisational models which, according to Jiménez and Morales (2011), are types of organisations linked to a social purpose or with structures capable of acting in favour of the resolution of demands, thus resulting in hybrid organisational models as social innovation entities.

Jiménez and Morales (2011) also mention that any organisation can be innovative in presenting creative and new responses to problems, but what distinguishes a business and a social organisation is that the former only serves the benefits of its creators and seeks to guarantee the exclusive use of the company to improve its positioning. In social innovation, on the other hand, products, processes and services must be available, according to their embedded purpose, to all those who are interested in their use.

Therefore, social innovation is suitable for developing in the Fourth sector due to its own organisational structure, as well as to the culture of such sector where social purpose is indispensable. Nevertheless, it is important to recognise the challenges of this emerging sector, as the line between economic and social interests is still a fine one.

According to Sabeti (2009), organisations in this area still need to face institutional and structural impediments for their progress and, because of that, they still need to count on the support ecosystems of other sectors. According to this author, there are some important elements for an ecosystem to support these entities in the Fourth sector. In this sense, it is worth highlighting, among others: the financial markets for obtaining capital; the legal framework and regulations, mainly for the legal creation of these hybrid organisations; education and training to work in this

type of entities; the connection and representation between different people and sectors; academic research to understand this new area; and assessment and certification standards so that organisations generate more trust and credibility.

Despite the great challenges in the Fourth sector, the future prospects are interesting. According to the report by the Center for the Governance of Change (2019), there are three moments related to the consolidation process of this emerging sector. In the creation phase, marked between the years 2000–2020, the mapping, measurement and analysis of the sector, which are linked to the search for regulatory frameworks and support for financing and fomentation, are carried out, thus denoting strategies to build on. The next moment refers to the following 10 years, and it is known as professionalisation, a step that will be characterised by the seeking of greater support from other sectors, the integration in the area of academic research, new networks and the dissemination, until the point that entities from other sectors will migrate to this new ecosystem. Finally, the years 2030–2050 are recognised as mainstreaming, that is years in which the Fourth sector will be already dominant and the economic sector will turn more sustainable and inclusive. For the prosperity of hybrid organisations, there is a need for this ecosystem to adapt and grow according to the social purpose of these entities. Therefore, it is clear that the Fourth sector is still interdependent with some support for its consolidation, as it is impossible for social transformations to happen without any kind of aid.

3 Social Innovation in Europe

3.1 Strategies, Incentives and Support

Social innovation is becoming an increasingly relevant topic on the European agenda. According to Maduro et al. (2018), the growing interest in SI policies comes from the initial view of the report published by the Bureau of European Policy Advisors (BEPA) in 2014, which contains several practices on the potential of IS, this report being a consequence of a workshop on social innovation occurred in 2009 and held by BEPA itself. Social innovation is understood here as involving new ideas that seek to satisfy social demands more effectively, as well as creating other forms of collaboration and relationships, and for this purpose, products, services and models are created. Still, SI aims at systemic change in combating the causes of social problems and not just in a palliative way (European Commission 2019a, b, c, d, e; European Commission BEPA 2014).

In addition to this workshop, another significant event was related with the Program for Social Change and Innovation proposal and, although such proposal was not fully adopted by the EC, it meant a leap to think and discuss social innovation (European Commission BEPA 2014; Instituto et al. 2015). The European Commission has developed several policies, programmes and initiatives concerning innovative practices to deal with social challenges. In order to better understand how the EC has been perceiving and promoting SI, it is important to

present some developed policies in a synthetic way (European Commission BEPA 2011).

The first to mention is the Lisbon Strategy, which is one of the main development plans to shape EU policies and initiatives in the fight against low productivity and economic stagnation in Europe, whose focus was on innovation, social and environmental renewal. Launched in 2000, this Strategy lasted 10 years and included actions in line with sustainable development. It is in this context that the EQUAL Community Initiative is implemented. Financed by the European Social Fund and by the EU member-states during the 2000–2006 period, EQUAL presented a strong focus on social innovation to tackle discrimination and disadvantage in the labour market. Nevertheless, its implementation went often beyond the theme of employability, also prioritising working in partnership, empowerment, gender equality, transnational cooperation and dissemination (Vale et al. 2010; Centro De Estudos Sociais 2019). This experience proved to be very relevant to consecrate social innovation, showing efforts, lessons, and learning during the effective process and allowing the expansion of new SI initiatives. In order to complement the Lisbon Strategy, the Renewed Social Agenda was elaborated in 2008, presenting a basis for social innovation due to its demand in the reform of social policies and the search for greater social inclusion.

An incipient idea of SI was also observed in the following plans: Integrated Lisbon Guidelines for Growth and Jobs; and Strategic Guidelines and Regulations on Cohesion Policy. While the first requested the expansion of social services and the social economy in order to increase the participation and inclusion of people excluded from the labour market, the second emphasised knowledge, innovation and the optimisation of human capital. The EC also adopted a Sustainable Development Strategy for an Enlarged EU which presented objectives and actions to tackle environmental and social problems of global or internal nature. The SI perspective in this Strategy stands out for being an important element in the strategy to address social demands and challenges, as well as systemic changes.

Finally, the Europe 2020 Strategy for the period 2014–2020 came to replace the ideas in the Lisbon Strategy, consisting in three main priorities: smart growth, that seeks the development of an economy based on knowledge and innovation; sustainable growth, to enable a more efficient, ecological and competitive economy; and inclusive growth, to encourage an economy with high employment rates, linked to social and territorial cohesion. This Strategy also has seven emblematic initiatives to reinforce the joint activities of the EU member countries, and among these initiatives, it is worth highlighting the Innovation Union (European Commission 2010; European Commission BEPA 2011; Eurocid 2019).

The Innovation Union introduced social innovation, presenting important social issues and elements to solve them in an innovative way. Therefore, this movement of the European Commission, that started in the middle of the 2000s, allowed an opening towards new perspectives on the theme of SI, which matured with the time and the relevance gained by the subject.

As important as the policies and plans of the EC to promote SI are the forms to support it so that SI is developed and implemented. Some of the main European

financial instruments—such as the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime Affairs and Fisheries Fund—enable new ideas, practices and projects to become achievable (Maduro et al. 2018; European Commission 2019a, b, c, d, e).

Other key financial instruments are the European Union's Research and Innovation funding programmes, such as the Horizon 2020 (H2020), which is central to the Europe 2020 Strategy. This is the EU's largest research and innovation programme and is guided by scientific excellence and industrial leadership to overcome social challenges. The H2020 supports innovation through prototypes, tests, demonstrations and pilot activities, among others, to be developed, also covering modalities of innovation in the public sector and social innovation (European Commission 2019a, b, c, d, e).

The European Commission's SI actions were also influenced by the Innovation Union initiatives and the Social Investment Package. The first refers to a policy of research and innovation, with a plan consisting of more than 30 actions and whose main objectives were related with the improvement of Europe's visibility worldwide among the sciences, while also removing obstacles to innovation, and changing the working method between the private and public sectors through a perspective on different partnerships (European Commission 2013a, b; European Commission 2019a, b, c, d, e; European Social Network 2019). The Innovation Union is one of the seven emblematic initiatives of the Europe 2020 Strategy, with the main objectives of stimulating SI as a resource for growth and jobs, promoting and sharing information about SI for its diffusion and supporting socially innovative projects (Parlamento Europeo 2019). The second, the Social Investment Package, regards a series of non-binding documents, adopted by the European Commission in 2013 as a response to the crisis that threatened EU2020 poverty and employment targets. It aimed to stimulate member-states to keep the investment in social policy despite the existing negative economic climate and to modernise social protection systems, implement active inclusion strategies and invest throughout individual's life.

The European Commission's role in encouraging SI is based on seven pillars: network, competition, financing, ecosystems, impact, incubation and exploitation. The network takes place through the Social Innovation Community portal, whose aim is to facilitate the connections between European organisations in sharing experiences. The competition aspect refers to the institution of some competitions, such as the European SI Contest which seeks to support innovators and make society aware of the topic of social innovation. The financing is directly related to specific funding programmes and also innovative ideas that are part of the Social Challenges Platform. In the ecosystems, the objective is to bring improvements in the conditions of social enterprises and SI, as well as to help attracting more investors. In the case of impact, the focus is to disseminate and measure benefits from SI, enabling the reporting. The incubation involves networks to support SI creation and development. Finally, the exploration aims at discovering new fields, applications or ideas for SI (European Commission 2019a, b, c, d, e).

Corroborating the importance of these types of support and the institutional and political assistance of the EC, that had a significant implementation in the last 15 years, many European countries currently show good results in the Social Innovation Index 2016 edition (The Economist Intelligence Unit 2016), which measures the capacity for social innovation in 45 countries. One factor that led to the increased attention given to SI is related with the period of financial and economic crisis at the end of 2000s, which requested innovative actions as a strategic way of positioning the EU to face the crisis in the most varied territories. This interest and concern of the EU in actions involving SI denotes its driving role and enables the establishment of a socially innovative culture in Europe, helping to disseminate and reach new forms of social transformation.

According to the Social Innovation Index, it is important to observe the pillars that constitute the final score of these results. The first one involves political and institutional aspects, denoting the importance of public sector action to support social innovation initiatives. The next pillar refers to the financing which, as already mentioned, can come from the private sector or the Fourth sector. Regarding the entrepreneurship pillar, it is linked to the encouragement of risk taking, which is the predominant characteristic of an entrepreneur. However, this is more remarkable in less developed countries, with the appearance of some African countries among the top 15, while other countries have fallen in some minor positions of this classification. Finally, the last pillar is about the involvement of civil society in the social innovation, thus evidencing the relevance of support from citizens and the Third sector. Besides knowing the countries that stand out in the practices of social innovation, these data show the ecosystem that surrounds SI is key, confirming the contribution of different actors and sectors, including those from the Fourth sector.

It is reiterated that social innovation is not an isolated approach, requiring several interactions oriented to the complex problems of society. In this sense, major global challenges need to be mitigated by 2030 and social innovation is important in this process. For the next 10 years, the THINK 2030 2020 report presents 30 actions towards a more sustainable Europe, based on aspects of well-being, prosperity, peace and security, and protection of nature. Despite not mentioning social innovation in the report, there are actions capable of integrating social innovation to achieve the objectives, as well as an opening for the performance of the Fourth sector, through the prioritisation of the guidelines oriented to this purpose and also the recognition of the numerous challenges, without forgetting to identify the opportunities for actions capable of generating major changes in the social, environmental, economic, security and sustainability aspects. Complementing future perspectives, in 2016 the United Nations Development Program (UNDP) indicated that innovation can contribute to the 2030 Agenda by working in favour of the 17 United Nations Sustainable Development Goals (SDGs). In this sense, innovation must add value and bring a positive change in people's lives. For that to happen, UNDP points out six ways to leverage innovation for the coming years. They are: (1) to invite external experts to contribute to the Open Innovation Challenges, aiming at promoting and rewarding innovative solutions to social problems; (2) to focus on change and impact and not only on the solution; (3) to forget creativity while prioritising formulas and

hypothesis tests so that the projected ideas become viable; (4) to implement fewer pilots with more scale, capable of replicating the model and reaching more people; (5) to embrace politics, as it is essential for change to be sustainable, systemic and real; (6) to make systemic thinking practical so that goals are not addressed in isolation and change is far reaching. Observing these notes and even mentioning only innovation, it is clear that the concern with the social aspect and complex problems are exposed, and therefore, social innovation is certainly an essential element to work in favour of the SDGs.

It is undeniable that, even without mentioning it directly, there is a strong propensity for the practical dissemination of social innovation in the coming years in Europe. Nevertheless, in a more specific way, the Social Innovation Academy (2020) published a document on the trends for the next decade including SI in its considerations (from 2020 to 2030). In fact, besides mentioning the importance of social innovation to meet the SDGs, the document has 13 more trends in which the performance of the social innovation will be essential. The followings stand out: demographic challenges regarding population ageing and the adversities resulting from this phenomenon; urbanisation and unbridled growth of cities; migration, mainly because European countries are one of the main destinations and the integration of these people is essential; education, especially with regard to social innovation knowledge and its development; climate change and the search for sustainable alternatives; technological development; circular economy; future of work, due to the constant changes in society and the need for new skills; social impact, which is directly linked to the social innovation, since its objective is social transformation; democracy and greater participation and inclusion of citizens in the public arena; gender equity, health and social assistance; social distance, mainly because of the pandemic situation of the coronavirus (COVID-19). Therefore, by offering different perspectives for present and future social problems, social innovation has been able to face not only the demands of society but mainly the potential for transformation through awareness, training, inclusion and new possibilities to mitigate major global challenges.

3.2 Social Innovation Projects in Europe

There are many projects, practices and ways of supporting social innovation in the European context that could be presented. This section highlights some initiatives and projects that are merely exemplificative of different practices on social innovation in order to show the performance and commitment of the EU regarding SI and its impacts.

The EU presents several contributions and incentives, according to the well-known BEPA report (2014), which fall under programmes and instruments in the SI area, such as the European Platform against Poverty (European Platform against Poverty and Social Exclusion), the Innovation Union, the Social Business Initiative, the Digital Agenda for Europe (Digital Agenda for Europe) and the Innovation

Partnership for Active and Healthy Aging (Active and Healthy Aging), among others (Maduro et al. 2018; European Commission 2013a, b).

Along with these more transversal initiatives mentioned earlier, many relevant projects were implemented in the last years within this topic.

In an attempt to expand and disseminate SI in Europe, an initiative was launched by The Social Innovation eXchange (SIX) and Rede Euclides (Euclid Network), which are, respectively, a global community that promote SI and a community of professionals seeking to create connections capable of strengthening society in an innovative and sustainable way. This initiative pointed out that there is an abundance of social innovations in Europe, of engaged actors and of drivers of SI practices (European Union 2010).

TRANSIT, TRANSformative Social Innovation Theory, was sought to develop a theory on transformative social innovation. The relevance of this project, financed by the European Union's Seventh Framework Programme for research, technological development and demonstration, is immense due to the efforts to present a robust theoretical–methodological framework that also makes sense in practice, observing how SI provides empowerment and generates transformation. The project lasted from 2014 to 2017 and brought together 20 transnational partners from 25 countries. The presented definition of transformative social innovation is one of the key results, referring to a process of changing social relations, which challenge, modify or replace the dominant institutions in a given context (Transit Social Innovation 2019).

A very significant project in Europe was SIC, Social Innovation Community. Financed by the Horizon 2020 research and innovation programme, it started in 2016 and ended its activities in 2019. It is a network that unites Europe's social innovators to enable connections and expansion of the most diverse SI communities. Its goal was to support the knowledge and growth of networks, besides supporting public sector decision makers and others interested in working on social innovation (SIC Europe 2019). This project served as a bridge to unite ideas, knowledge, experiences and people engaged in changing society, making the development of socially innovative projects more stimulating.

Another interesting project is the ASL, Atlantic Social Lab, Atlantic cooperation for the promotion of social innovation, which is co-financed by the INTERREG Atlantic Area and seeks the development and promotion of social innovation in the Atlantic regions of EU in four areas: welfare services, active public engagement, green inclusive economy and social responsibility in the private sector. In this initiative, nine partners from public, regional and local entities, universities and Third sector organisations from Portugal, Spain, France, United Kingdom and Ireland, promote integrated strategies through methods and practices that address social problems in their territories, assessing, implementing and evaluating new solutions (Atlantic Social Lab 2019).

Despite the existence of several social innovation actions spread across Europe, the SI field is not yet mature enough to face the many and extraordinary challenges of contemporary society. Furthermore, even with so many initiatives, unfortunately there are projects and programmes that are not sustainable and effective or that are small and underfunded. For these reasons, SI development is limited and its impact is

restricted, lacking of a greater visibility of transformative practices (European Union 2010). Nevertheless, even if the SI field is not prepared to deal with the high demand for social problems, it is important to realise that as society changes, the challenges also change, and consequently, the solutions to these problems will not always be the same. Thus, it is unlikely that SI reaches a stabilised and closed understanding, as it is in constant transformation and expansion given that it follows the dynamics of society. Europe is a great example in social innovation, either due to the many projects and practices developed or due to the support that the countries are devoting to SI. Considering the examples mentioned earlier, it can be identified that social innovation relevance both in practice, theory and policy, is expanding.

3.3 Portugal Social Innovation Programme

A very notable exploratory programme in the European Union for the utilisation of the European Structural and Investments Funds for social innovation is the Portugal Social Innovation (*Portugal Inovação Social*). This is a national government initiative to finance social innovation projects and focuses on promoting social innovation and social entrepreneurship, as well as boosting the social investment market and training innovative actors and social entrepreneurs.

According to Portugal Inovação Social (2019), social entrepreneurship is understood as a process of implementing and developing innovative ideas to respond to community problems, aiming at a social and often also economic goal, while social innovation is the successful result of the social entrepreneurship process, that is when a different solution from the conventional ones is achieved and it is able to solve a delimited social problem.

Projects that are financed have to intervene in an innovative way and have a positive impact in relation to social problems, while still being able to promote change in society. The financing is destined to Social Innovation and Social Entrepreneurship Initiatives (SISEI), which are characterised as projects with the objective of implementing and developing an innovative solution for one or more social problems, that is, initiatives seeking to resolve or mitigate a risk of inhibition or effective inhibition of the quality of life or development prospects of one or more social groups to come (Portugal Inovação Social 2019). For an initiative to be considered as an SISEI, it is important that it has the following requirements: identification of the effective existence of a social problem; a proposal for a differentiated solution; and potential for social impact. Therefore, for a social problem to exist, there must be a target group with current or potential vulnerability; the proposed solution must be different from conventional solutions; and finally, the project must positively intervene in the quality of life or the prospects of development of the target group (Portugal Inovação Social 2019).

The financing of the projects is carried out in four different ways, each one corresponding to the respective phase of the cycle that the project is undergoing. In this way, Portugal Inovação Social (2019) presents capacity building for social

investment, partnerships for impact, social impact bonds and the social innovation fund, which follow in more detail below. The capacity building for social investment is centred on a training that focuses on the development of competences related to project management, so that it can be successfully implemented. For this type of support, only social economy entities with developing SISEI or whose experience has already been tested can fit. Partnerships for impact are aimed at private, public or social economy organisations and seek to offer support through partnerships with investors regarding the creation, implementation and growth of projects. The social impact bonds, instead, are suitable for projects in the priority areas of public policy: employment, social protection, education, health, justice and digital inclusion. The selected projects are contracted and paid according to their results, while only social investors or implementers from the private sector or the social economy can apply for this financing. Finally, the social innovation fund allows easy access to credit and co-investment for organisations that implement SI and social entrepreneurship projects, supporting initiatives in the consolidation or expansion phase.

Currently, there are 465 social innovation projects¹ financed by Portugal Social Innovation, distributed across the Portuguese regions, and which fall into one of the following areas of intervention: citizenship and community, education, employment, social inclusion, incubators social innovation, justice and health (Portugal Inovação Social 2019).

Many of the projects emerging from *Portugal Inovação Social* were worth mentioning as they are excellent examples of territorially based SI. An example is the Regional Social Innovation Incubator (IRIS) that aims at capturing ideas and projects in the North region, as well as support the creation, development and acceleration of SI initiatives. It also seeks to contribute to the development of society in social, economic and cultural terms. It currently has 16 incubated SI projects and 12 acceleration projects (IRIS 2019).

Portugal Social Innovation, in addition to financing, provides a partnership relationship between government, investors and social entrepreneurs, also allowing direct or indirect influence on public policies. Even though it is in a phase of experimentation, there are many positive results and a great demand for funding applications, denoting the visibility of the projects regarding the dissemination of the concept of social innovation, which is becoming more visible and understandable for people in general.

4 Conclusion

Social innovation has a distinctive transformative character. If, on the one hand, SI points to a structural transformation, enabling emancipations, rights, incentives for specific groups or society in general, on the other hand, there is an internal change in

¹Cf. recent data at <https://inovacaosocial.portugal2020.pt/projetos/>

the individuals in relation to their values, beliefs, habits and knowledge. The impact of these transformations may go beyond the social aspect, considered in a strict perspective, thus covering the economic, cultural, environmental and scientific aspects.

It is crucial to stress that the SI actions demand to be carried out together, that is, with IS implementers and recipients, as observing and listening to the latter is crucial for an effective change and, consequently, the success of a social innovation. Murray et al. (2010) mention that new combinations of diverse elements enable the most transformative innovations and call them systemic innovation, since they involve change in people's concepts and mentality. It is with this internal change in the perception of individuals that systems may change.

The growing interest in social innovation in Europe is reflected on the diversity of existing programmes and initiatives. In the face of multiple social challenges, such as population ageing, climate emergency, unemployment, inequality and disruptive events as the outbreak of Covid-19, among others, many societies and countries have been changing deeply their structures, in a way that is not yet completely visible.

Countries that value social innovation validate not only their concern about social challenges but also their willingness to solve these problems. In this regard, the European Union certifies the Europe's traditional values that aim at quality of life, education, solidarity, inclusion, interaction, welcoming and new opportunities for transformation for people in a community, group or society in general.

Considering the EU's future prospects by thinking about social innovation seems to be inevitable. The economic development without harnessing its social dimension is a real lesson that SI has to offer for inspiring and driving towards a better world. There is no transformative change with simplistic or imposed solutions. It is necessary to respect the heterogeneity of the people, the receiving groups, the place, the historical-cultural-political context, the existing values, the real needs and choices. And despite the social innovation fashion around the world, without a more consolidated, shared or stabilised framework, it is necessary to be extraordinarily careful to classify a specific social practice as a social innovation. That would be important to avoid the trivialising of the term and its way to becoming irrelevant.

However, to think about social innovation is also to understand its current and future performance spaces. In this sense, the Fourth sector presented itself as very promising in the European context. Despite being characterised by an emerging ecosystem, in which there are still challenges regarding the support of hybrid organisations due to the very new factors that this sector presents, as well as the lack of legal support frameworks and theoretical confusion about the specificities of the sector, this novelty factor is also a peculiar element capable of generating competitiveness and inspiration for other organisations and countries.

Even if they combine characteristics from other sectors, the Fourth sector organisations are not easily replicable, as each context is unique. Furthermore, although they have similar purposes, it is not standard the way in which they create value for people. Each country, community and culture has unique characteristics, and even though the social problems are the same around the world, the ways to solve them are

diverse and impact in different ways. Despite the obstacles that the Fourth sector has to get consolidated, it demonstrates potential for growth thanks to the emergence of organisations more adept in crossing institutional borders. This is crucial form responding to social and environmental problems.

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Social Innovation for Sustainability and the Common Good in Ecosystems of the Fourth Sector: The Case of Distribution Through Alternative Food Networks in Valencia (Spain)



Sergio Belda-Miquel, Eugenia Ruiz-Molina, and Irene Gil-Saura

Abstract There is increasing attention regarding the contribution of alternative food networks (AFN) for creating more sustainable communities. AFN are initiatives, which try to relocalize and democratize food systems, promoting local and organic agriculture, and reducing the distance between producers and consumers. They take different forms from cooperatives and farmers' markets to on-line platforms, veg boxes and social enterprises. They propose socially innovative schemes and models for food distribution, which combine an orientation towards public and common good with economic self-sufficiency. In this sense, these initiatives frequently take the form of fourth sector or hybrid organizations.

The chapter tries to address the diversity and complexity of these initiatives. For this aim, it goes beyond the usual focus on one kind on AFN initiatives and tries to explore how *ecosystems* of AFN work. From this standpoint, it proposes an original framework based on concepts from the literature on the fourth sector and on social innovation. The framework is used to explore the ecosystem of AFN fourth sector initiatives in the city of Valencia (Spain). The study explores six different types of initiatives by using a purely qualitative strategy, which combines nine interviews with members of initiatives, with experts and with local policymakers; participatory observation; and documentary analysis. Results show that initiatives share common features but also a diversity of strategies and approaches, which may be complementary. It also illustrates the key importance of some contextual elements that both limit (e.g. regulations) and enhance (e.g. networking) these ecosystems. They also

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face questions and contradictions regarding issues as their limits to growth or the class bias of members.

Keywords Fourth sector · Sustainable consumption · Alternative food networks · Social innovation

1 Introduction: Fourth Sector and Social Innovation

The fourth sector has gained increasing importance in recent years, in both academic and practical debates. It has been considered as an emerging space in which organizations and initiatives may be experimenting with and developing new models for addressing pressing social challenges (Archer 2011). This kind of new schemes may adequately address problems of social justice and of environmental sustainability from innovative alternative perspectives.

The fourth sector can be defined as the group of organizations, models and practices that are crossing traditional sector boundaries. They combine elements from the private sector (for-profit or business sector), public sector (government) and third sector (civil society or social sector) in order to create new schemes, relations and models, as well as innovative activities to meet economic, social and environmental needs (Escobar and Gutiérrez 2011). Academics have recognized (McNeill and Line 2015) how these organizations, models and practices have the potential of developing progressive alternatives for producing transformative change towards more socially just, and economic and environmental sustainable societies. These organizations are committed to their own economic survival, but their key focus is the generation of benefits for society and for the planet (Rubio-Mozos et al. 2019). That is, fourth sector initiatives are essentially committed to the common good.

The emergence of this new sector has evidenced different trends in the last two decades (Fourth Sector Network 2009). On the one hand, organizations from the three sectors have converged towards a new landscape: in the private sector of for-profit companies, some initiatives have moved to new missions focused on the public good—for example, the emergence of initiatives in existing enterprises focused on the integration of certain social groups. In the third sector or not-for-profit civil society sector, some organizations are trying to move towards economic self-sufficiency—for example, some NGO and non-profit organizations now providing services in order to be economically independent of governments but keeping the focus on their societal goals. In the public sector, some government organizations are also moving towards new models of social and economic sustainability—for example, the new wave of public entities for managing public goods, from energy and water to environmental protected spaces. On the other hand, there are other organizations and schemes, which are fully new and which present new models that blend attributes and strategies from different sectors, and which have transcended the usual sectorial boundaries from its birth and which resist the classification within the traditional three sectors—for example, the new generation of cooperatives or social

enterprises focused in community and local development (Fourth Sector Network 2009). All these organizations and models, some coming from the converging evolution of other sectors and some which are fully new, can be considered part of the fourth sector. As will be illustrated, they can present very different forms, from social enterprises and cooperatives to economically self-sufficient social organizations and community projects. In any case, they all share their primary focus in the public good and the fact that their economic self-sufficiency is based on earnings through some kind of commercial activity, usually outside mainstream channels.

The concept of the fourth sector has been developed and explored in connection with the idea of social innovation. For Escobar and Gutiérrez (2011: 33), fourth sector organizations and models are ‘being called upon to lead the new processes of social innovation’. A number of authors from the literature of social innovation also consider that a lot of innovative solutions are now produced ‘in the fourth sector [. . .], in the cut across the boundaries that traditionally separated the not-for-profit, public, and business sectors’ (Edwards-Schachter et al. 2012: 677). This includes ‘a lot of entities emerging from the social economy, such as integration enterprises, foundations, or cooperatives’ (Escobar and Gutiérrez 2011: 35).

Fourth sector organizations combine social innovative practices with social innovative models, reinforcing both aspects: ‘They give rise to original hybrid organizational models that are themselves a social innovation. This new organizational architecture (in terms of objectives, structure, processes and organizational culture) makes them especially suitable to offer creative and innovative solutions for social problems’ (Escobar and Gutiérrez 2011:44). Regarding their practices and strategies, literature mentions the orientation to the community and the participatory and collaborative approach of the fourth sector (Escobar and Gutiérrez 2011; Edwards-Schachter et al. 2012).

It can be said that interest in the fourth sector has raised partially thanks to the enormous importance that social innovation has received at least in the last years. Fourth sector debates can in fact provide new insights to explore, understand and promote social innovations based on alternative models promoted by hybrid organizations. Of particular relevance is the interest that fourth sector debates can have in order to understand grassroots social innovations. These particular kinds of social innovations have been defined as networks of activists generating novel bottom-up solutions for sustainable development, which present very diverse and frequently hybrid forms of organizations, from cooperatives and associations to informal neighbourhood and community groups (Seyfang and Smith 2007). They are created on the basis of citizen participation and draw on local aspirations, needs and visions (Hossain 2016).

Literature has widely explored how grassroots innovations are building alternative and hybrid models of production, distribution and consumption in very different sectors (e.g. energy, mobility, social care or financial services) and in very different territories (Hossain 2016). These initiatives are dynamic and very diverse: they share common key features and similar visions but they develop different strategies and practices. Moreover, they interact among them and configure dynamic ecosystems of

innovation, which are in permanent evolution and in which resources, people, ideas and actions are shared.

The literature on the fourth sector has explored different aspects of this kind of innovations: e.g. definitions and typologies of organizations and models (Escobar and Gutiérrez 2011; Haigh and Hoffman 2012; Costa Pires 2017); the overall potential, opportunities and challenges that these organizations and models face (Rubio-Mozos et al. 2019; McNeill and Line 2015; Escobar and Gutiérrez 2011); or their impact regarding well-being (Edwards-Schachter et al. 2012).

However, there is still the need for more theoretical and empirical work to address the diversity of cases and how they interact between them. That is, there is a gap in the research on the dynamics that occur within ecosystems of practices of the fourth sector. There is a need to go beyond overall reflections and individual cases in order to understand how ecosystems of fourth sector practices are working and how they can be promoted.

The overall aim of this chapter is to contribute to filling this gap. For this reason, it proposes a theoretical framework and explores a particular ecosystem of fourth sector organizations. This should provide us with reflections and recommendations for organizations and policymakers.

The chapter proposes an original framework connecting ideas from the debates on the fourth sector with ideas frequently used in the literature of grassroots innovation. Assuming this framework, it explores empirical cases in the sector of food, which is of particular importance for social, economic and environmental sustainability. A particular kind of practice will be explored: Alternative Food Networks (AFN). They have, as the fourth sector and social innovation initiatives more in general, received increasing attention for its potential for creating more sustainable, resilient and socially inclusive communities, cities and regions. These initiatives aim at managing food systems in an alternative and more sustainable way. AFN can take very different forms, as the big diversity of existing initiatives suggest, from farmers' markets and urban agriculture to food cooperatives, online food communities and community-supported agriculture (Michel-Villarreal et al. 2019).

AFN initiatives frequently present the form of fourth sector organizations: their primary focus is social well-being and sustainability, but they depend on benefits in order to guarantee their self-sufficiency and economic sustainability. They combine approaches and practices from public, private and third sectors, and they assume various organizational models, which can be found in the fourth sector: social enterprises, cooperatives, community organizations, online platforms etc. (Fourth Sector Network 2009; Escobar and Gutiérrez 2011). These initiatives also present relevant differences in their strategies, practices and impacts, as it happens in the fourth sector and social innovation initiatives more in general (Seyfang and Smith 2007).

Despite its diversity, initiatives of AFN share common features: citizen engagement plays a key role in them, as the motivation of customers to build more sustainable food systems are in the origins of these initiatives; they operate at the margins of mainstream industrial food production; they share a deep commitment to sustainability; and they try to re-localize and democratize food systems, promoting

local and organic agriculture and reducing the distance between producers and consumers. Broadly speaking, they all create new forms of market governance and explore new ways to coordinate production, distribution and purchasing, redistributing power in the food network and sharing economic risks. By doing so, they build social embeddedness and stronger relationships between stakeholders (Forssell and Lankoski 2015).

These initiatives do not work alone but interact among them and configure dynamic ecosystems of innovation, which are in permanent evolution and in which resources, people, ideas and actions are shared. Academic literature has widely explored initiatives of AFN of different nature and in different territories. Nevertheless, most academic production in this regard focuses on one type of AFN. In fact, recent contributions highlight that empirical works with a more holistic perspective, and addressing several alternatives are still very scarce (Michel-Villarreal et al. 2019). That is, there is a lack of research focusing on ecosystems and not just on particular initiatives. As it happens with other fourth sector and social innovation initiatives, there is a need for theoretical and empirical work to address the complex dynamics of interaction and change that occur within ecosystems of innovation.

The chapter explores the ecosystem of AFN initiatives of the fourth sector in the city of Valencia (Spain) and its metropolitan area. This is a relevant place for the aim of our study, for several reasons: the city has a very rich agricultural area in its metropolitan space, which is of high environmental, social and economic importance; it has experienced the growth of a number of bottom-up initiatives of the fourth sector regarding food networks in the last decade, which have achieved a certain level of maturity; these initiatives are diverse in the governance schemes they propose; local policies have been paying attention to these initiatives and tried to create a supportive environment. The study will try to cover the diversity of cases addressing different types of fourth sector organizations and practices in AFN: cooperative supermarkets; farmers' markets; online food-communities; veg box schemes and local organic shops.

The general objective of our chapter—contributing to the discussion on the dynamics ecosystems of fourth sector organizations—will be developed by addressing two specific objectives: First, the chapter proposes a framework from which to explore ecosystems of fourth sector practices. Second, it explores the empirical case of organizations and models of AFN in Valencia, so relevant reflections for understanding and creating supporting ecosystems for fourth sector organizations can be obtained.

The chapter is structured as follows: next section proposes the conceptual elements to be used. In sect. 3, the methods used for addressing the case study are presented. The initiatives subject of study will be described in sect. 4 and analysed in sect. 5 using the proposed framework. Section 6 presents some final reflections.

2 Concepts and Framework: Addressing Cases of AFN Initiatives of the Fourth Sector

For the elaboration of the framework, elements from the literature are combined in order to build a heuristic but comprehensive frame. The frame draws first on the proposal of Haigh and Hoffman (2012), who depict a three-dimensional model that includes the key elements to understand the *activities* driving fourth sector organizations. Second, and in order to put these elements in a broader picture, ideas of Fourth Sector Network (2009), who identify the key elements that can support or limit the development of ecosystems, are considered. By combining these elements, a framework to understand the actions of organizations in an ecosystem in a given context is proposed. For each of these elements, the chapter also identifies some possible aspects to be considered in our specific analysis of AFN by drawing in the specific literature (Forssell and Lankoski 2015; Michel-Villarreal et al. 2019).

Regarding the elements to understand the activity of hybrid or fourth sector organizations, Haigh and Hoffman (2012) identified three key elements. Firstly, fourth sector organizations have social and environmental change as organizational objective. Hybrid organizations aim at supplying quality goods that are in demand, but they have a ‘socially and environmentally embedded mission’ (Haigh and Hoffman 2012: 218). These initiatives try to be economically sustainable and self-sufficient, but this is considered as a means in order to achieve broader environmental, social and economic impacts—which are their real final aims. This mission implies working with ‘longer time horizons for more autonomous development’ (Haigh and Hoffman 2012: 218). That is, fourth sector initiatives often renounce scaling up and quick developments. On the contrary, they frequently focus on slower, stable and self-limited growth. This is more consistent with their ideas on sustainable development and with a strategy of being autonomous from other stakeholders than a traditional business. For Haigh and Hoffman (2012), these objectives and ways of operation imply that these organizations usually are referents in their sectors in terms of ethical and participatory management and operation.

This aspect, which characterizes fourth sector organizations in general, is also present in practices of AFN initiatives in particular. Regarding the embeddedness of their mission and the positive impacts pursued, Forssell and Lankoski (2015) mention that, in environmental terms, AFN focus on organic, environmentally benign and territorially embedded products, produced in a small-scale, trying also to minimize ‘food miles’ (i.e. the distance a product is travelling from its production to its consumption). In social terms, these networks support small producers’ livelihoods; provide a source of healthy and accessible food for consumers; increases consumer awareness of food production; preserves cultural diversity; strengthens food security and resilience and supports community life. In economic terms, AFN support local economics and local resilience (Forssell and Lankoski 2015). As fourth sector organizations, their scale is usually reduced—they are connected only to local systems (Michel-Villarreal et al. 2019). Moreover, they act as a referent inspiring

practices and changes in mainstream food production, distribution and consumption schemes.

Secondly, in the fourth sector, organisations ‘relationships with suppliers and customers are based on mutual benefit and sustainability outcomes’. Costs are considered but only after social and environmental outcomes are met. For Haigh and Hoffman (2012: 128) ‘these relationships are based on trust, positive regard, compassion and vitality, which have been shown as foundational to organizational resilience, learning, and innovation’. These values are present in relations with different stakeholders, from workers and members of the initiatives to clients, suppliers, other organizations and the broader public. These principles of fourth sector organizations when building relationships are present in AFN. Forssell and Lankoski (2015) underline the focus of AFN in the creation of strong, consistent and trust relationships between stakeholders. Particularly, AFN practices support food producers, allowing them to capture more value, giving more negotiation power and sharing their risks. For consumers, the relation is focused on their awareness and empowerment through consumption.

Thirdly, hybrid organizations are characterized by their interactions with markets, the industry and institutions. Even if they want to conserve their autonomy, ‘they seek to diffuse acceptance of their business model throughout the institutions and markets in which they operate’ (Haigh and Hoffman 2012: 128). They challenge the rules of the game of the industries they operate and try to introduce different and more sustainable and empowering models and schemes of managerial and marketing operations. In the case of AFN, the literature assumes that, although these networks are a form of resistance to conventional food networks, the boundary between the two is far from clear (Forssell and Lankoski 2015). AFN may be purchasing recognition and visibility in the broader public, sometimes using and trying to transform conventional systems. Different alternative networks may include alternative or conventional characteristics in different combinations, as conventional food networks can exhibit some ‘alternative’ characteristics (Forssell and Lankoski 2015).

As mentioned earlier, the literature lacks a theoretical framework from which to approach the fourth sector from the perspective of ecosystems. However, Fourth Sector Network (2009) provides an identification of key elements in ecosystems that drive the development of fourth sector initiatives. They refer to the relations, instruments, institutions and understandings that are required to face the powerful structural impediments that fourth sector organizations face (Fourth Sector Network 2009) and that can accelerate the growth and development of initiatives. Some of these key elements which may be relevant for the aims of our study are as follows.

Firstly, the *connections*. For Fourth Sector Network (2009), networking structures, affinity groups, and spaces and moments of meeting between initiatives and organizations are of key importance in order to create a supportive environment, as they generate knowledge exchange, connection and mutual support.

Secondly, the *representation*. Beyond networking and connections between initiatives, supporting ecosystems need representation and visibility in the public arena in order to consolidate.

Thirdly, the importance of *regulation*. Many fourth sector organizations are structured as hybrid organisations, and most are between the non-profit and the for-profit approach. This creates difficulties regarding legal procedures and legal recognition, as well as the need for regulatory changes in order to build supportive environments that recognize the unique peculiarities of the fourth sector.

Fourthly, the specific relevance of *certification*. There is a need for adapted certification procedures for fourth sector practices. These have to be connected with the particular values, processes and schemes of these initiatives. Fourth sector organizations need to evidence their social contribution, but they can also contribute to the common good through the creation of alternative and more empowering processes of certification.

Fifthly, the issue of *communication*. As fourth sector organizations, models and practices are still in the periphery of the public awareness and debates, the development of communication and of public relations becomes crucial. In this regard, the existence of greenwashing initiatives and the illegitimate use of some terms and discourses by part of for-profit dominant organizations and practices are particularly problematic for fourth sector organizations, which find consumers confused.

Sixthly, *technical support*. Fourth sector organizations still need legal, accounting, strategy, marketing, technology and other kinds of technical support. This support can be provided by organisations of other sectors and by other fourth sector organizations. In any case, it has to be adapted to their particular realities and to the unique requirements of hybrid organizations.

All these aspects, which are crucial for the development of fourth sector ecosystems, have also been identified as very relevant in the discussions on AFN. This is the case of connections and relations, as the literature highlights how these are crucial in AFN in order to transform power imbalances in food systems (Goodman et al. 2012). Authors also frequently underline the importance of public policies and of new regulations in order to develop and eventually scale alternative food schemes (Mount 2012). Literature also mentions the need for alternative food certification schemes, which have to be more participatory and territorially embedded in order to be coherent, alternative and empowering (Higgins et al. 2008). Finally, academics also recognize the need of providing specialized training, education, information, research and technical support to AFN initiatives to make them flourish (Beckie et al. 2012).

By combining all the aforementioned concepts, it is possible to propose a heuristic theoretical framework from which to explore ecosystems of fourth sector organizations in AFN. As seen in Fig. 1, the framework connects elements that characterize fourth sector organizations and elements that characterize the context. Like this, it is possible to understand differences, similarities and trends in the different initiatives, as well as contextual aspects that shape the development of these initiatives.

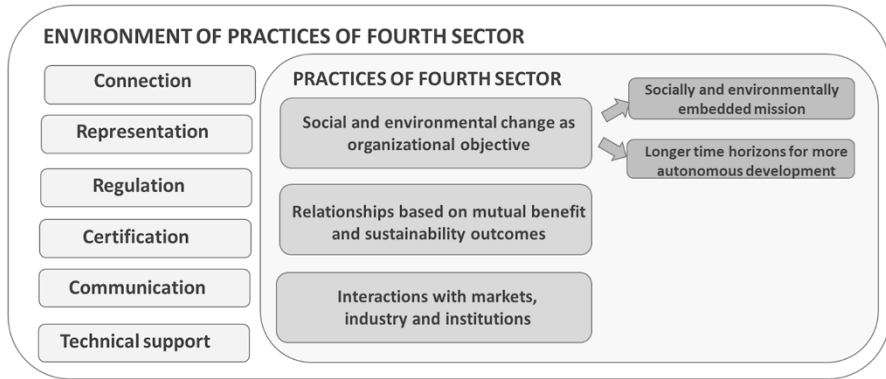


Fig. 1 Framework for addressing ecosystems of practices of the fourth sector. Source: Authors’ elaboration

3 Methods

The empirical work is based on the analysis of case studies. To this end, a purposive selection has been made of cases that were accessible by researchers and which met two relevant criteria for the research. First, the cases had to be illustrative (not necessarily representative) of the diversity of initiatives of AFN: an initiative of a veg box scheme, a farmers’ market, a supermarket cooperative, a food community based on an online platform and a local organic food shop.

Second, the cases had to present common key features but also key differences that make the joint study relevant to the aims of our research. On the one hand, the cases present key common characteristics, which enable the comparison: they operate in the sector food in the city of Valencia and its metropolitan area, where a number of socially innovative initiatives of AFN have been developed in the last two decades; all cases have achieved a certain level of consolidation (they have existed for at least 4 years); they all present key characteristics of fourth sector initiatives, such as combining approaches and practices of different sectors, the focus on objectives of sustainability and the common good, the fact of being not-for-benefit but of relying on economic self-sufficiency. On the other hand, the cases present differences that make the joint analysis relevant for the aims of our study: they assume different business and marketing models, as well as different strategies in order to develop and consolidate.

The cases in this study are not representative of the enormous variety of fourth sector initiatives, nor of AFN initiatives. Instead, the study draws on the strengths of the analysis of critical case studies (Flyvbjerg 2006) to acquire relevant empirical elements that can be used to discuss the proposed framework and propositions, to illustrate its potential and its limitations of fourth sector organizations, as well as to open up new avenues of research.

The epistemological and ontological assumptions of this research take elements from both interpretative and critical paradigms (Lincoln et al. 2011). Knowledge is considered to be mediated by people's perspectives and interactions. However, knowledge is also considered to be mediated by the positions of people in social systems, and reality to be modelled by power relations and struggles within these systems. The aim of the study is essentially exploratory, as it is proposing and empirically testing new theoretical propositions, and addressing an under-studied topic - ecosystems of fourth sector organizations.

The research adopts a purely qualitative methodological strategy aimed at capturing and understanding meanings, views, and frames (Corbetta 2003). Different methods have been used for gathering information (see Table 1). First, it uses secondary information: on one hand, documentary evidence from material produced by the cases themselves (such as websites and public statements). On the other hand, reports and public policy documents which offered elements to understand the context (as the local food strategy and other policy actions). Second, it uses information gathered from direct purchasing using the different AFN and from participant observation for at least 2 years. One of the researchers attended networks, meetings, and workshops in which the initiatives subject of study and other of AFN participated. Field notes containing both descriptive and reflective information were taken in these moments. Third, the study draws on individual interviews of three types: first, five interviews with members of the initiatives¹ (one per initiative). Second, two interviews with local policymakers.² Third, two interviews with local experts.³ The aspects addressed in each kind of interview can be found in Table 1.

The information was processed by means of a qualitative content analysis of documents, notes from observation, and interviews. In order to structure the findings, the research drew on the predefined categories and subcategories derived from

¹The script of the interview included questions addressing the aspects mentioned in Table 1, covering topics on the overall visions of the organization, its activities and its environment. On the overall vision: Can you tell the origins and the initial motivations of your organization? Which are your principles and objectives? Which agro-food model do you want to build?. On activities: How your organization works (plans and activities, daily operation, decision-making processes)? How your relations with consumers and producers are? And with other organizations and stakeholders? On the environment: How public policies and regulations affect you? How are you taking part in policy-making? Which allies do you have in your operation and how they support you? Which other opportunities and limits do you find in your environment (for example, regarding certification schemes, communication, and technical capacity)?

²The script of the interview included questions addressing the aspects mentioned in Table 1: Which agro-food model do you think the city needs in order to be sustainable? How local public policies have tried to advance towards this model? How do you see the role of AFN in Valencia for building this model? How are your relations with AFN?

³The script of the interview included questions addressing the aspects mentioned in Table 1: Which agro-food model do you think the city needs in order to be sustainable? How do you see the role of public policies for this aim? How do you consider the actions developed by AFN in Valencia for this aim? How do you see the relations between them and with other stakeholders for this aim? How do you see the limitations and opportunities provided by other elements of the context (as representation, regulations, certification schemes, relations or technical capacity of AFN)?

Table 1 Methods, data, and aspects addressed

Methods	Data collected	Aspects addressed
Secondary sources	Websites, statements as appearing in media or social networks, dissemination material	General information. Stated values, aims, objectives and perspectives
Participatory observation	Experience in purchasing in all cases Attendance to networking spaces, workshops, debates and governance spaces	Mechanisms of operation and networking of initiatives. Values and perspectives
Individual interviews	5 semi-structured interviews with members of 5 fourth sector AFN initiatives	Origins, motivations, principles, mission and vision, perspectives on sustainability, strategies, plans and activities developed, relationships, decision-making processes and ways of functioning, resources, legal aspects, perspectives on the context
	2 semi-structured interviews with local policymakers	Perspectives on sustainability, policies and actions developed, relationships, perspectives on AFN initiatives
	2 semi-structured interviews with local experts	Perspectives on sustainability of the different stakeholders, perspectives on policies and on AFN initiatives, opportunities and limitations of the local ecosystems of AFN

Source: Authors’ elaboration

the analytical framework presented in Sect. 2. During the analysis, some subcategories inductively emerged from the data (e.g. on the types of relations). For each of the categories and subcategories, both common trends in all cases and differences between them were identified. This organization in categories, subcategories and trends organize the discussion as presented in sections 5.1 and 5.2. This analysis provided the insights for the discussion on opportunities and challenges in fourth sector AFN ecosystems developed in 5.3, as well as for the final considerations and recommendations in section 6.

4 Description of Cases

This section briefly describes key aspects of the initiatives to be studied, as the origins, stated objectives, activities and ways of operation.

Som Alimentació. It is-self-defined as a ‘cooperative and participatory supermarket’ (Som Alimentació 2012) under the form of a consumer’s cooperative, which was formed in 2017. It runs a physical store in which members and the general public can access to a big diversity of local, organic, and ecological products. It has more than 600 members, who are owners of the cooperative, and around 4 paid workers. Members have access to special prices and can have different levels of commitment:

from just buying and voting in the general assemblies to more active participation (as the cooperative tries to encourage), i.e. supporting the daily work of the supermarket, being part of working groups or of the board, participating in the online and offline spaces of discussion and decision, etc. It is the only initiative of this kind in Valencia.

Waycolmena. It is a business model based on an online platform that facilitates the creation of communities of food consumption. Members of the ‘colmena’ (hive) periodically use the online platform to order food from local organic farmers (but also for exchanging other information and discussions). They go to a meeting point weekly in which they can collect the food and meet some of the farmers when they bring it. Like this, they can ‘experience a new way of consuming, more responsible and just with the environment and with local farmers’ and can ‘support short distribution circuits, reduce CO2 emissions and support the local economy’ (La Colmena que dice Sí 2020). Waycolmena offers fresh and season fruits and vegetables and elaborated craft products, ‘more than 150 local producing varieties of local producers which are on average 60 kilometres from Valencia’ (La Colmena que dice Sí 2020). It is run and facilitated by the promoter of the initiative, a person who supervises the whole process and collects a reduced percentage of sales. Around 10–20 families order food each week through Waycolmena, with big differences throughout the year. There is around a hundred groups using this model all around Europe, three of them in Valencia and its metropolitan area.

Mercat agroecològic de la Universitat Politècnica de València (UPV Market). This is a stable farmers’ market run on the main campus of the Technical University of Valencia. This was promoted by University-based associations in 2012, but it has been working in the present form since 2016. It is now organized by the Vice-Chancellor of Social Responsibility, with the support of the funder associations and of a farmer’s cooperative. Around 10 farmers sell their products weekly, from vegetables and fruit to bakery products. The declared objective of the market is to ‘create awareness about responsible consumption’, to ‘offer the chance to the University community to directly purchase products from producers’, to ‘support agroecological initiatives and food sovereignty’ and to ‘connect the teaching and research potential of the University to the agricultural community near Valencia’ (Mercat Agroecològic UPV 2020). It is the only experience of this kind in the city.

Mastika l’Horta. It is an initiative of a farmer who directly sells its products to customers. He sells veg and fruit boxes (as well as some processed food) directly to families, taking the products to some meeting points or to families’ homes. Consumers can order food weekly by using an online application. Its main declared objective is to take care of nature and of society using agricultural farming: ‘if we take care of nature, we take care of ourselves’ (Mastika l’Horta 2020). It is part of the growing number of initiatives in Valencia of this kind, promoted by highly motivated and value-driven young farmers that consider agriculture a form of activism and social transformation, as well as a coherent way for earning their lives.

Biosofia. It is a local shop born in 2016. It is inspired by the idea of the traditional neighbourhood shop based on proximity and trust, but it presents some differences compared to conventional local shops: It only sells ecological products which are,

when possible, locally produced; it tries to work directly with farmers and to respect their prices and conditions; and it tries to go beyond the idea of a shop in order to be a social centre, in which workshops and talks take place, as well as a continuous contact online and offline with customers. It is also a meeting point in which consumers can pick veg boxes or other products directly ordered to farmers (without any charge from the shop’s side). For the owner and promoter, the shop is a way of being consistent and a way of contributing to the good of farmers and neighbours. Even if the owner would like to create a cooperative in order to run the shop, for the moment the owner is the only person in charge.

As it will be explored in more depth, all organizations pursue the same social and environmental impacts, even if the quantitative importance of these impacts varies between organizations, essentially due to the different size (from the big size of *Som Alimentació* to the more limited size of *Biosofia*).

Table 2 summarizes the basic information on the different cases.

As it is shown in Fig. 2, the initiatives are distributed in different parts of the city of Valencia. They are all in areas characterized by their student, commercial, and/or cultural life. The exception is Mastika l’Horta, which is in a peri-urban area.

As it will be detailed in the next section, people running these initiatives know each other and have relations of different kind, mostly based on mutual support. They often meet in formal and informal spaces in which they exchange information and ideas. In the relations they share, for example, information on existing and potential suppliers (local organic farmers usually supply their products to more than one of the initiatives); other kinds of relevant information (e.g. about meetings or public actions that may be interesting for AFN); and ideas and inspiration (e.g. *Som Alimentació* is a referent in managerial aspects of interest for other initiatives as *Biosofia* or *Waycolmena*). As it will be explained in more depth, these relations and exchanges are relevant for these AFN initiatives to develop.

Table 2 Case studies

Case	Type of initiative	Consumer commitment Consumer–producer relation
Som Alimentació	Cooperative supermarket	Consumer may be members, so they might be owners and participate actively in operation and decisions
Waycolmena	Food community based on an online platform	Consumers are part of an online community and meet to pick products up
UPV market	Farmers’ market run by institutions and organizations	Consumers just buy and meet farmers’ in place
Mastika l’Horta	Veg box and direct sales	Consumers usually commit to the farmer and buy frequently
Biosofia	Local organic shop	Consumers just buy and can participate in some activities of the shop

Source: Author’s elaboration



Fig. 2 Location of initiatives in the city of Valencia. Source: Authors' elaboration

It can also be said that these organizations are part of a growing scenario of fourth sector organizations in different domains. For example, Som Alimentació is part of an emerging wave of new consumer cooperatives in fields as energy (Som Energia), communications (Som Connexió) and mobility (Som Mobilitat). Initiatives as Mastika l'Horta are part of a movement of self-help organizations and worker's cooperatives who have sustainability and justice at the centre, and which are growing in different fields in Valencia, from crafts to urban planning and legal advice consultants.

5 Results and Discussion

This section presents and discusses the findings of the empirical study. It is structured as follows: first, it addresses the aspects considered in the theoretical framework regarding the *activities* of the fourth sector ecosystem under study (sect. 5.1). Second, it addresses the different relevant elements regarding the *environment* of these practices, considering the items identified in the framework (sect. 5.2). Findings are summarized in Table 3 and discussed in sect. 5.3.

Table 3 Main findings

	Concept	Findings
Practices of AFN fourth sector organization	Social and environmental change as organizational objective	<ul style="list-style-type: none"> – In all cases, there is a focus on social and environmental impacts. Economic self-sufficiency is a condition. Focus on benefiting small organic farmers, consumers and local communities – In all cases priority is not to scale-up, but to be stable, keep on learning, refine models and be loyal to values. Differences in the strategies for (limited) scaling up: Growing; replicating; or not to scale at all
	Relationships based in mutual benefit and sustainable outcomes	<ul style="list-style-type: none"> – All organizations focus on creating long-lasting and trustful relations with farmers. Different strategies to give them more power and share risks – Relations with customers also based in trust, proximity and affinity. Different levels of participation and engagement of customers in organizations (from members to pure consumers)
	Interactions with the markets, the sector and the institutions	<ul style="list-style-type: none"> – Organizations do not feel to compete between them, but feel part of the same movement. They focus on different areas and slightly different segments – Do not feel to compete with mainstream channels, as they point to a different audience, but are affected by low prices. – Increasing good connections with policymaking.
Environment of practices	Connections	<ul style="list-style-type: none"> – Connections with other AFN beyond the fourth sector: Associations, NGOs – Several formal and informal spaces for meetings
	Representation	<ul style="list-style-type: none"> – Non-existence of a formal network representing these organizations – Some take part in new governance spaces promoted by the city council
	Regulations	<ul style="list-style-type: none"> – Some organizations experiencing problems because of their particularities
	Communication	<ul style="list-style-type: none"> – Limited communication capacity – Importance of word-of-mouth – Importance of support of public institutions for visibility.
	Certification	<ul style="list-style-type: none"> – Very relevant. The official label is considered expensive and inadequate – ¹ All organizations participate or accept the alternative local participatory label
	Technical support	<ul style="list-style-type: none"> – Mutual support and support from some NGOs from some specific technical aspects

Source: Authors' elaboration

5.1 Drivers and Activities of AFN Fourth Sector Organizations

5.1.1 Social and Environmental Change as Organizational Objective

Socially and Environmentally Embedded Mission

Interviewees and sources from all initiatives under study put the main focus on the environmental and social impact of their initiatives, that is, on their socially and environmentally embedded missions. Environmental and social dimensions seem to be tightly connected in all cases, although ideas on both dimensions can be separately identified. Regarding the environmental dimension of their mission, all organizations emphasize that they sell products that are ‘respectful’ and ‘sustainable’. They all detail several requirements they have in order to guarantee this. Websites mention some criteria met by the food they sell: products are organic, artisanal and locally produced by small farmers in small scale projects, seasonal or from local varieties. All initiatives also mention in different ways that they try to guarantee the minimization of the distance travelled by the products.

Interviewees and written sources emphasize that the fulfilment of these criteria has a direct impact in the conservation of the environment surrounding the city of Valencia, l’Horta—the farmland surrounding the city of Valencia, which has an enormous environmental, historical and cultural value. They insist that their initiative protects l’Horta from environmental degradation by reactivating its productive use while respecting the natural ecosystems.

All initiatives also put their social mission at the forefront. In all cases, they refer to the positive impacts they produce in several social groups, especially small organic farmers, consumers and the local community as a whole. First, regarding farmers, all interviewees consider that they support agroecological farming and small producers’ livelihoods by creating new distribution channels, allowing them to capture more value and to minimize their risks by creating stable relations. Second, regarding consumers, all initiatives mention that they try to provide a source of healthy and accessible food for people, but they also try not only to sell healthy food but also to raise awareness in consumers. In some cases (as in the food cooperative), they mention that they open spaces for participation and empowerment for people. Third, regarding the community, all initiatives consider as part to its mission to support local economies. Most interviewees and some webs refer to the enhancement of the ‘food sovereignty’ of communities, that is, to the increasing of the capacity of territories and communities to control the process of food production, distribution and consumption. Their sovereignty operates this in opposition to conventional food models, in which these processes are mostly controlled by a few big companies.

Regarding social objectives, some organizations also refer to several objectives, which are more specific to their context: for example, Mercat UPV strongly highlights its importance for educating students and showing that other consumption models are possible; Som Alimentació highlights its objective of promoting a bigger

engagement of people in the organizations and the collective transformation of the food system; Biosofia underlines its objective of contributing to the strengthening of communities and to the recreation of direct social relations in the neighbourhoods.

Regarding economic objectives, all organizations refer to the fact that they have to be self-sufficient and that they have to be profitable enough for farmers to commercialize their products through these channels. As identified by Haigh and Hoffman (2012) for fourth sector organizations in general, the organizations under study consider these economic objectives as a means in order to achieve the environmental and social impacts mentioned—what they call their ‘real objectives’, as protecting local farming and local environment or providing consumers with the opportunity to consume in a more responsible way. These are all objectives linked to the redistribution of power in food systems, as it is the overall objective of AFN (Forssell and Lankoski 2015).

Longer Time Horizons for More Autonomous Development

All cases recall the importance of considering longer time horizons for more autonomous development. Organizations state that they operate in the market not as an end in itself, but just as a mere strategy to exist and develop in an autonomous and independent way (e.g. independent from public financial support or from distributors). Except for small grants received by Som Alimentació and Biosofia, the only income that the organizations analysed receive come from their commercial activity. Moreover, they do not seem to have any dependency on any distributor or other stakeholder in the food chain, as they all have very diversified relations.

Interviewees from all organizations consider that growing or scaling-up is not necessarily the best way for increasing their impact. Moreover, they consider that this can even be counter-productive for their objectives. Instead, their priority is to keep on learning and experimenting, to refine their business models and to be loyal to their values. All this is something that, as some interviewees refer, is much more difficult to attain if you grow too much or too quickly. This autonomy and stability is considered crucial to keep on with the quality of the relations created.

This illustrates the idea that as Haigh and Hoffman (2012) mention, fourth sector organizations essentially focus on slower, stable and self-limited growth. Nevertheless, although all organizations emphasize the importance of autonomy and stability, they present differences in terms of how they would like to develop and consolidate. In the case Som Alimentació, they consider that some limited and controlled growth can be relevant in order to increase their positive impacts and that this can be done either by opening new cooperative stores or by opening new channels (as an online store, which they plan to open soon). Beyond this, they consider that, for scaling their impact, new cooperatives should be born and replicate their experience, so they are willing to provide legal, technical and any other kind of support on this regard. Nevertheless, they alert about the fact that growing too much cannot be at the price of losing the participatory nature of the cooperative. Some considerations offered by Waycolmena are similar: its promoter states that growing is possible and desirable, and that it is important for economic stability and for increasing the impacts, but he also mentions that ‘colmenas’ should replicate throughout the city in order to reach

more people and increase the impact of the model. For the UPV farmers' market, the interest is not focused in growing—although it is a small market—but stabilizing and in replicating the model in other institutions or in other parts of the city. For Biosofia, in order to deepen into its positive impacts, the idea is not to grow, but eventually to change the organizational model to one which is more cooperative and participatory, so it can be more open, engaging and democratic. As it is mentioned by Seyfang and Smith (2007) when referring to grassroots innovation in general, the organizations under study present different strategies (and thus different impacts) for developing the same overall idea (of limited growth).

5.1.2 Relationships Based in Mutual Benefit and Sustainable Outcomes

Relationships with Producers

As previously mentioned, all initiatives strongly highlight the importance of supporting local farmers. As it was mentioned, Haigh and Hoffman (2012: 128) highlight that fourth sector organizations try to build relations 'based on trust, positive regard, compassion and vitality'. The fourth sector organizations under study refer to these values. They point at the importance of building 'long-lasting', 'strong', 'close' or 'trustful' relations with farmers. For this to happen, the organizations analysed deploy different strategies in order to give farmers more power. Again, the priority of redistributing power and economic risks that characterize AFN (Forssell and Lankoski 2015) is present, as well as a diversity of different practices for this aim (Seyfang and Smith 2007). In some initiatives, producers directly sell their products to final consumers and fix their prices, as it is the case of Mastika l'Horta or Mercat UPV. In other cases (Som Alimentació, Biosofia, Waycolmena), producers do not sell directly but are free to fix their prices (even if organizations may provide suggestions). Organizations and producers discuss and eventually change prices depending on the sales after some time. For example, Biosofia explains that when a particular product has some problems in sales, they ask the producer whether s/he prefers to reduce the price or to keep it like it is. Moreover, in all cases, initiatives try to work just with one producer for each particular product and to keep on with the relation, in order to limit competition between producers. They also try to guarantee some stability in product demand, mostly through informal agreements based on trust. Most interviewees affirm that in any case, they try to make the producer capture more value. For this aim, they limit their margins to a minimum and they also try to be as transparent as possible in their relationships with farmers. In any case, as it will be mentioned later, organic local farmers also have a mechanism of horizontal coordination—as Ecollaures, a small cooperative of small local organic farmers. They coordinate in order to sell their products through the different alternative channels.

The relation of trust between the initiatives and the farmers is also considered of greater importance, assuming the requirements that the initiatives demand to products and producers. As mentioned, the criteria are very demanding, as products have

to be organic, seasonal, produced in small-scale. . . Moreover, initiatives demand that all farmers and employees have to be in good working conditions. As it is not always easy to officially certify all these aspects, trust becomes very important, together with alternative certification procedures—as it will be discussed later.

Relationships with Consumers

The initiatives analysed show a whole range of models of relations with the members-customers—in some cases membership is necessary to participate in the organization (as in Waycolmena) or to have special conditions and access to decision spaces (as in Som Alimentació). In all cases, interviewees and websites mention that relations with consumers are also based on trust, proximity and affinity. As it is a feature of AFN more in general (Forssell and Lankoski 2015), all these models try to create citizen engagement and mobilization for a more sustainable agro-food model. Nevertheless, there are differences in terms of the level of participation and engagement of consumers in different initiatives. In some cases, organizations try to create high-quality relations and loyalty, but consumers still have an essentially passive role: this is the case of Biosofia, Mastika l’Horta or the UPV Market. In some other cases, as Som Alimentació and, to some extent, Waycolmena, they try to promote more active participation of consumers (that are in fact members). For example, in the case of Som Alimentació, cooperative members take an active part in the discussions and final decisions of the cooperative, can contribute with their time in the running of the supermarket and can be part of working groups or of the board.

In all cases, the direct connection between producers and consumers thanks to the initiative is considered of key importance, as it is a central feature of a different kind of AFN (Michel-Villarreal et al. 2019). This connection is produced differently depending on the case: e.g. in the case of the UPV Market this connection is direct in the moment of selling. This is also the case of Waycolmena, as consumers and producers meet weekly in the moment of receiving the food ordered. In the case of Som Alimentació, they organize visits to producers so members of the cooperative can directly meet the producer and the place. This is also the case of Mastika l’Horta, who organizes visits for its customers.

5.1.3 Interactions with Markets, the Sector and the Institutions

All initiatives under study know each other, most of them have strong connections and share people, knowledge and resources. This reinforces the idea mentioned by some authors, but underexplored in practice (see Michel-Villarreal et al. 2019) that initiatives of AFN do not work alone but constitute ecosystems of initiatives, which can be considered as ecosystems of innovation. The case under study shows an ecosystem characterized by relations of collaboration. None of the initiatives under study consider the others as ‘competitors’. On the contrary, they feel part of the same movement aiming at the same objectives. In this regard, some interviewees coincide in that cooperation makes much more sense than the competition even if they just consider their purely individual interests and their economic sustainability. They

consider that competing for capturing existing demand makes no sense, and that it makes much more sense for all alternatives to work together in order to induce new demand for local, organic and responsibly produced food purchased through short channels. A couple of interviewees insist that the potential demand is huge, so they all need to raise awareness in the public in order to use alternative networks. Raising awareness of the existence of this responsible and sustainable way of purchasing food should be the common goal of all initiatives.

Coordination is needed in other aspects, for example, regarding the relationships with suppliers: they share information and, in some cases, they coordinate in order to support different producers, in coordination with farmers.

Moreover, drawing on the observation and on the considerations of interviewees regarding the profile of their customers, the initiatives under study target slightly different segments, so they are not directly competing. For example, differences in the characteristics of the public can be found: geographical, as most initiatives target people in their neighbourhood or close areas; psychographic characteristics, as it seems that initiatives target people with different motivations (e.g. members of Som Alimentació may be more driven by political motives than those of the UPV Market); or behavioural, as there are differences in the level of engagement and participation consumers want to have when they buy food (e.g. members of Som Alimentació look for more commitment than those of Biosofia or Mastika l'Horta).

Regarding conventional food channels, initiatives under study do not consider to be in competition with them, as long as they consider to target people who are more reflective and aware about what they buy and how they buy. In this sense, the cases under study are worried about the acceptance of their business model, as it happens with fourth sector organizations (Haigh and Hoffman mention 2012). Nevertheless, their interest is to gain the acceptance of the specific segment of conscious consumers.

The interest of the cases is not to transform conventional channels (as supermarkets, for example), as Forssell and Lankoski (2015) mention, but to create alternative channels for this specific target. Nevertheless, the dramatic reductions in the prices of conventional products that some retailers of mainstream channels are forcing can be reinforcing the commonly accepted idea that organic products are unjustifiable expensive, thus creating difficulties for which can be more purely situated in other

new channels. Moreover, some interviewees regret the fact that although some changes introduced by big retailers in order to promote a more sustainable food system could be considered positive in principle (e.g., they are increasing the supply of local and organic products), these can be considered as mere greenwashing actions and far away from the changes that the food system needs. An expert interviewed provided the case of organic products sold in supermarkets that are still using a lot of plastic, which may have travelled hundreds of kilometres or which may be produced by farmers for unfair prices. Moreover, experts insist that changes adopted by big retailers are not changing the big concentration of power nor changing the dramatic situation of farmers. Some interviewees suggest that these

changes introduced by big retailers may be counter-productive for sustainability and very confusing for consumers.

5.2 *The Context of Practices: Elements of a Supporting Ecosystem*

5.2.1 Connections

As mentioned, the relations between the different initiatives under study are frequent and fluid. In these relations, several aspects are exchanged. Interviewees refer to issues such as exchange of information—for example, on farmers who can provide particular products; exchange on technical knowledge—for example, legal issues or management tools; and exchange of people and ideas—some people are engaged in more than one of the experiences subjected to study, as it is the case of the promoters of the UPV Market and the members of Som Alimentació.

These initiatives also maintain close relations with other AFN initiatives beyond the fourth sector. This is the case of several of the initiatives subjected to study with food purchasing groups. These are groups that are fully participatory, managed by their members and solely based in volunteer work (so they can be considered as fully part of the third sector, not fourth sector initiatives). In these groups, families from the same neighbourhood meet and self-organize in order to buy and distribute food from local farmers. There are around 10 of these groups in Valencia, and they have inspired some of the experiences subjected to study: Som Alimentació and the UPV Market were in fact created by members of two food groups who wanted to reach a wider audience. This is an example of how civic sector initiatives inspire fourth sector ones and of how networks of activists play a key role in grassroots innovations (Seyfang and Smith 2007), including fourth sector organizations.

There are different formal and non-formal spaces in which these different AFN initiatives in Valencia meet. Some spaces are periodical and structured: the *Fira Alternativa de València*, an annual festival in which different initiatives from the social economy in Valencia meet; and the *Trobada per la Terra*, an annual meeting organized by the *Plataforma per la Sobirania Alimentària del País Valencià* (Valencian Land Platform for Food Sovereignty), an informal network composed by different initiatives in the field of food sovereignty, from producers' and consumers' organizations to NGOs. Beyond these spaces, a number of intermittent spaces exist, such as workshops, meetings and conferences on issues as sustainable food or social economy, organized by local NGOs, universities of public institutions.

The activist and voluntary groups mentioned and the spaces for meeting have created a supportive environment in which, as Fourth Sector Network (2009) mentions, generation and exchange of knowledge and mutual support can emerge.

5.2.2 Representation

There is not a specific network or association gathering and representing the different AFN in Valencia. Nevertheless, their perspectives and interests are present in the *Plataforma per la Sobirania Alimentària del País Valencià*, in which some of the initiatives under study have participated, such as *Mastika l’Horta* and *Som Alimentació*.

In spite of the existence of these connections and the increasing importance of AFN in Valencia, it was not until recently that these initiatives received official and clear recognition by the local government. In this regard, the local government created the Municipal Food Council in 2017, a new governance space in which different stakeholders related to the field of sustainable food have a voice. Some of the initiatives subjected to study (such as *Mastika l’Horta*, *Som Alimentació* or the UPV Market) have attended the Council meetings, workshops and working groups. More specifically, they have participated in the elaboration of the existing Valencian Local Sustainable Food Strategy. In any case, all the initiatives under study underline the importance of these new participatory spaces in order to recognize the importance of AFN and to give them social legitimacy. As Fourth Sector Network (2009) points, these spaces of representation contribute to the consolidation of organizations providing visibility in the public arena.

5.2.3 Regulations

All the initiatives consider that there are no specific regulations in order to recognize their particularities or to protect their activity. They operate considering those applicable to small businesses and to conventional food channels. Some initiatives, such as the UPV Market or *Som Alimentació*, also mention that the problem goes beyond the lack of adequate regulations, as they have also met problems regarding the interpretation and application of the existing laws. The particular nature of their activities may create confusion and uncertainty in civil servants. For example, the UPV Market found some problems regarding University officials when they began operating until they ‘convinced’ them about the fact that their operations could be perfectly legal considering existing regulations. In the case of *Som Alimentació*, the interviewee mentioned the problems they faced in order to register their statutes in the official Valencian register of cooperatives, as there are very few consumers’ cooperatives in this region, and none of them with their features. Some of the aspects in the statutes created some doubts in civil servants of the register. This implied some negotiation and external legal support before they could register the cooperative. This illustrates a difficulty that fourth sector organizations frequently face (Fourth Sector Network 2009), given their hybrid, complex and usually original nature.

5.2.4 Communication

All initiatives mention that they have very limited communication capacity, as it is common in fourth sector organizations, which are usually in the periphery of the public awareness and debates (Fourth Sector Network 2009). In some cases, word-of-mouth is the primary tool they have in order to be known. This is the case of Biosofia or Mastika l’Horta. In some other cases, they have specific support from an organization, as it is the case of the UPV Market (which is supported by the University media). In any case, they mention that it is always difficult to reach groups of people who are not familiar with sustainable food alternatives yet.

Given this limited capacity, most interviewees strongly value the effort done by the local council from 2015 in order to recognize the importance of sustainable food and alternative food channels and to make them more visible. As an example, the council is organizing festivals and workshops, in which most of these initiatives have participated. For example, Som Alimentació presented itself publicly in a festival organized by the Valencia city council on sustainable and local food. Some interviewees also recognize the importance of the awareness raising actions that some Valencian ONGs regarding sustainable food and food sovereignty are undertaking since a long time ago.

5.2.5 Certification

Certification of farmers’ products is a very relevant issue for all AFN initiatives studied. They all know that farmers find the official ecological certification label (the label of the Ecological Agriculture Committee of the Valencian Community, the official local control authority certifying ecological agro-food products following European regulations) inadequate. They consider that obtaining this certification is complex and expensive (thus difficult to get by small farmers), that it just ‘became a pure business for auditors and consultants’, and that in fact, it does not really measure if farmers’ products and processes are really sustainable.

For these reasons, several local alternative participatory agro-food labels have been born in the last years in the Valencian Community. In the area of the city of Valencia, it operates the *Sello Participativo de Garantía—Ecollaures*, *SPG-Ecollaures* (Participatory Guarantee Label Eco-farmers). In line with other bottom-up, participatory and community-embedded organic certifications who have emerged all around the world in the last decades, it creates a mechanism of certification based in the high-quality relations between local stakeholders. In SPG-Ecollaures label, farmers and consumers certify other farmers in an on-going process of learning and exchange. In fact, these certification schemes go beyond labelling in order to build high-quality relations and mutual trust. Considering the aforementioned, all the initiatives subjected to study accept and encourage the participatory certification SPG-Ecollaures as a valid and good alternative to the official seal. This label, as other participatory local labels all around the world, is a

good example of how certification procedures can be adapted to be coherent with the particular values, processes and schemes of fourth sector organizations (Fourth Sector Network 2009). These labels are also coherent with the principles of AFN, which put at the centre participation and local embeddedness (Forsell and Lankoski 2015).

5.2.6 Technical Support

As mentioned, the initiative hereby analysed have received mutual support in several aspects. Moreover, for some specific ones, they have also received the support of some local NGOs—for example, local university-based NGOs promoted the creation of the UPV Market. Nevertheless, there is still a lack of specific support from public institutions or from specialized organizations regarding technical aspects of interest for fourth sector organizations.

Table 3 summarizes the main empirical findings concerning the different elements of the theoretical framework proposed.

5.3 Discussion: Opportunities and Challenges in the Fourth Sector AFN Ecosystems

Our analysis shows a scenario of diversity in the fourth sector AFN initiatives under study. They share common principles, connected with the principles of fourth sector organizations in general (Haigh and Hoffman 2012) and with AFN (Forsell and Lankoski 2015), as their environmental, social and economic goals and their commitment with local farmers, with awareness raising and mobilization of consumers, and with the construction of stronger, more autonomous, fair and resilient communities.

Nevertheless, these initiatives show different strategies and pathways to attain these objectives while they are self-sufficient economically: they deploy different schemes of relation with producers—from direct selling to visits to their projects; they require different levels of engagement from consumers—passive vs. active role; they have different strategies for consolidation—from scaling slowly to replicating or supporting new initiatives; and they can whether revitalize old schemes—as local shops or farmers' markets—or create new ones—as online platforms or consumers' cooperatives. In this sense, they are illustrative of the diversity of practices of grassroots innovations (Seyfang and Smith 2007).

This diversity shows a great complementarity between initiatives. This has allowed the ecosystem to reach different targets in terms of their location, values, expectations and desired level of commitment. Moreover, this diversity has allowed the emergence of rich processes of exchange and learning. It has also led to increasing legitimacy, visibility and recognition of AFN initiatives. In this process,

word-of-mouth and the recognition of public institutions seem crucial. This diversity and complementarity highlights the importance of addressing fourth sector organizations (and specifically AFN) as ecosystems and not only as individual practices, as it is the most frequent approach (see Michel-Villarreal et al. 2019).

The ecosystem of AFN fourth sector initiatives has benefited from the existence of other initiatives, organizations and processes, which can be more purely situated in other sectors—as the support of the Valencia city council, in the first sector, or the connections with food purchasing groups, the local participatory certification schemes, or the NGOs, in the third sector. Inversely, these initiatives, organizations and processes have strongly benefited from the fourth sector initiatives under study. This illustrates the close connections, complementarities and synergies between sectors regarding social innovation different authors mention (Fourth Sector Network 2009).

However, our study also reveals important limitations, tensions and threats. Regarding the limitations, fourth sector initiatives still face problems of legal recognition, protection and coverage of their activities, as well as problems with conservative interpretations of existing regulations. They also face difficulties regarding communication or the lack of technical support. As Fourth Sector Network (2009) mentions, these problems are still very frequent for fourth sector organizations. But, as seen in the cases, some other contextual problems which are frequently faced by fourth sector organizations have been addressed thanks to the support of other bottom-up initiatives, as it is the case of participatory certification.

Regarding the tensions, the analysis reveals situations that are also present in fourth sector organizations beyond AFN. On the one hand, regarding the balance between scale and impact, some key questions emerge: How to gain more impact in the mid-term, when these initiatives self-limit their growth? How to scale up without losing autonomy and loyalty to their own values? On the other hand, regarding inclusion, other questions emerge: consumers and members of these initiatives are mostly mid-class, so how to include the most excluded groups in projects, which demand previous awareness and a certain degree of commitment and resources?

Finally, these organizations cope with several threats. A key one relates to the problem of mainstreaming: conventional big and powerful companies are already incorporating some elements and discourses from AFN. This could be considered good news for the alternatives under study and for the experts interviewed, but their analyses consider that this is mostly greenwashing, that may be misleading for consumers, and thus, it may be reinforcing the existing unsustainable food system. This can be considered an intrinsic contradiction of fourth sector organizations (Haigh and Hoffman 2012).

6 Final Considerations

The study offers relevant contributions by proposing theoretically and illustrating empirically how, if we want to keep on understanding the dynamics of fourth sector organizations when facing social challenges (Archer 2011; Escobar and Gutiérrez

2011), it is necessary to understand both the dynamics of *ecosystems* of organizations, and the elements of its *environment*.

The proposed framework has been relevant for addressing these questions. For the particular case of ecosystems of organizations of AFN in Valencia, the application of the framework has been able to explore its complexity and diversity. Initiatives in the ecosystem analysed present common features but a diversity of strategies and approaches. The empirical analysis also illustrates the key importance of contextual elements proposed in the literature (Fourth Sector Network 2009), from regulations to networking.

The study also offers practical implications. It highlights the importance of articulating policies and regulations to support fourth sector initiatives, which may include providing technical and legal support, giving visibility and legitimacy, enabling officials to adequately interpret and apply norms or to include these initiatives in decision-making processes. For organizations and initiatives, it highlights the importance of issues as networking and mutual support.

Limitations of the study are both theoretical and empirical. Regarding the theory, and considering that literature dealing with ecosystems and environments of fourth sector organizations is very limited, relevant elements may not be present in our framework nor identified in our empirical exploration. Regarding the empirical case, it is to mention that the dynamics of the organizations under study show collaboration and that they operate in an increasingly enabling policy context, so some of the ideas and results may not be useful in contexts with more conflicts and constraints.

Future research may address these limitations. It could theoretically propose and empirically identify other key elements of the environment that can facilitate or limit the development of fourth sector organizations. It will particularly relevant to explore different geographies and domains, maybe trying to find cases in which competition, conflict and tension are more present. This may allow comparing findings and find common trends in order to build a more robust theory and evidence regarding the underexplored debates on fourth sector organizations and ecosystems.

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Energy Cooperatives: Socially Innovative Cooperative Enterprises in the Spanish Renewable Energy Industry



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Abstract In this work, an exploratory investigation is carried out into socially innovative initiatives with renewable energies in Spain in order to identify projects which combine renewable energy generation with democratic and equitable management and property ownership. The investigation was carried out by creating a group of search terms that could be used on an Internet search engine to query existing databases in Spain. A structured online questionnaire was then made available to the person in charge of communication at each of the active energy cooperatives. The questionnaire consisted of blocks of questions about different areas, which were ecological objectives, social objectives and the funds used for these objectives. The objective is to provide empirical evidence on the peculiarities of national businesses in this type of cooperatives, in order to find the social dimension of these social enterprises in the fourth sector. Energy cooperatives in Spain are social organizations which primarily supply community energy. Spanish energy cooperatives can be included into the fourth sector of the economy because of the service provided to society by helping the public and creating tangible results whilst being a social enterprise with a commitment to social impact. Spanish energy cooperatives positively combine ecological and social aims with economic goals.

Keywords Energy cooperatives · Socially innovative initiatives · Fourth sector · Benefit corporations · Spain

1 Introduction

Subirats (2012; p. 70) states that “the economy is an established process of interaction between man and the surrounding environment which results in a continuous supply of material to satisfy needs”, according to Polanyi. In the last 30 years, there

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has been an increase in the number of organizations that carry out their business combining strictly social and business objectives (Gawke et al. 2019). This increase has been greatly motivated by the progressive acceptance of social enterprises as a valid tool for confronting current social and environmental problems, which is becoming increasingly necessary (Wry and York 2017). The aims of such organizations transcend merely generating economic gains (Becker et al. 2017; Cetindamar 2018) and are being seen as a valid alternative to conventional types of business (Kay et al. 2016). Kay et al. (2016) pointed out that this type of organization is included in the curious category of *things* that most people know about but cannot usually define precisely.

Social enterprises have the main differentiating feature of integrating social welfare into the business logic of the organization. They are highly committed to helping society whilst being able to sustain themselves financially without the need for public funding such as aids and grants (Ramus and Vaccaro 2017). In current times of economic austerity, the creation and upkeep of this type of organization has become increasingly interesting and attractive (Jenner 2013). These enterprises do not have to choose between the extremes of maximizing the capital invested in a profit-making organization and abandoning profits altogether with non-profit organizations (Stecker 2016). Neither social and environmental sustainability nor profits are put at risk (Chell 2007).

There is an increasing trend nowadays for both the economy in general, and business activities in particular, to serve all citizens. This has proved to be a decisive incentive for the creation of social enterprises, especially since the last global economic and financial crisis (Kay et al. 2016; Baena-Luna et al. 2020). The ideas which had been followed until then were that the concepts of enterprise and social dimension should only be linked to non-profit organizations, in which members and administrators receive a stipulated amount in reward for their work. However, this idea has given way to new concepts in which innovative organizational models have been incorporated into the business world (Katz and Page 2010). Non-profit organizations were considered the main alternative to the traditional profit-making enterprises. However, the present boom in social enterprises is motivating a growing interest in legal contexts for social enterprises (Toepler 2019), as two concepts are brought together. These are entrepreneurship and the social scope of an organization (Rey-Martí et al. 2016). Combining these two concepts results in a type of organization that is involved in business but which also defends the society and community in which its works (Becker et al. 2017).

Another result of the increasing interest in social enterprises is the increased attention given by the scientific field (Alegre and Berbegal-Mirabent 2016). Instead of studying the concept of social enterprises, Defourny and Nyssens (2012) studied the management styles used and the results obtained. The study found connections between the different fields of organization theory, management, sociology, geography, political science and environmental economics (Doherty et al. 2014) along with a recognition of their contribution to and importance in society (Rey-Martí et al. 2016).

The group of social enterprises includes the so-called fourth-sector companies, or benefit corporations. These originated in the United States of America (USA) (Kopaneva and Cheney 2019) and are one of the few legal types of organization in the world which was especially designed for social companies (Kuratko et al. 2017; Cetindamar 2018). Hybrid companies can therefore be created in this way to try to incorporate the best of both profit-making and non-profit organizations (Sabeti 2011). These new approaches in business management give rise to a group of companies which are called fourth sector. As well as giving importance to the necessary objectives of economic and financial profitability, these organizations seek to contribute to different areas of society (Vives 2012). When it comes to launching business initiatives, it is now thought that obtaining benefits and favouring a better relationship with society and its problems can go hand in hand (Brakman 2011).

This type of profit-making organizations are committed to benefiting society and are also concerned about and determinedly committed to improving the environment (McMullen and Warnick 2016; Roncancio et al. 2018; Bianchi et al. 2020). This means that many of them become the perfect type of industry for the implantation of social organizations (Stecker 2016). A new type of organization has been created that aims to bring together different hybrid forms of social economy and enterprises (Vives 2012).

Included in the fourth sector or benefit corporations are the so-called energy cooperatives, which have had a relative boom in recent years. These cooperatives are formed as plausible alternatives for the generation of energy from renewable and community-owned sources, and thus have the socio-economic involvement of the citizens (Schmid et al. 2020). These initiatives, whilst considered to have a modest impact in environmental terms at a quantitative level, are undoubtedly recognized as crucial organizations for the exchange of knowledge and as an inspirational model for future initiatives (Magnusson and Palm 2019).

Vancea et al. (2017) note how energy cooperatives can engage in projects beyond their local community without losing their collective and democratic style of operation and ownership. The authors also point out that social entrepreneurship can provide an appropriate approach when it comes to avoiding local taxonomy as different organizational and ownership styles are included in the sector. Even though these cooperatives may differ in size, strategy and achievement of their goals (Wierling et al. 2018), it must be recognized that they encourage the active participation of society in current social problems (Magnusson and Palm 2019) such as reducing the environmental impact of energy generation.

Companies in the fourth sector, especially energy cooperatives must work within the guidelines for the member states of the European Union (EU) for the period 2014–2020, which decree a 20% reduction in greenhouse gases compared to 1990 for member states, an improvement of 20% in energy efficiency, and that 20% of the energy used in the EU must be renewable. Nowadays, countries, as in the case of Spain, have a national strategy for working against energy poverty which includes these initiatives for 2024. The race for renewable energies has started, which means that energy cooperatives are thriving in European countries because of

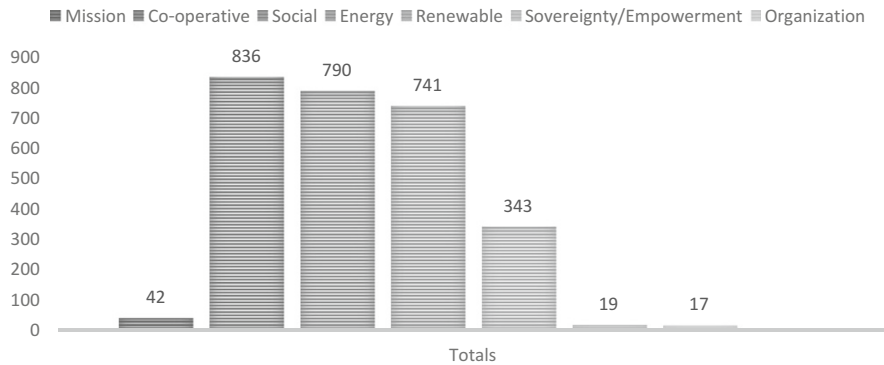


Fig. 1 Brief analysis of the content of Spanish energy cooperative websites (Source: Author's elaboration)

environmental concerns. These cooperatives allow citizens to invest in community-based energy-efficiency projects and measures (Becker et al. 2017). Due to the increase in the emergence of cooperative enterprises, the question has arisen about whether the cooperative style of enterprise is really an effective method of social transformation. This question needs to be investigated further (Koirala et al. 2016). These cooperatives have been seen, however, to play an important role in the transition from traditional to renewable energy systems. This is seen from the way in which the increase in the number of energy cooperatives in different areas coincides with the development of support structures in the same areas (Wierling et al. 2018).

These cooperatives are included in the organizational model of the fourth sector because they are created to defend society as can be seen from the aims published on their websites, as shown in Fig. 1. It must be noted that *social* is the second most frequently used word on the websites of Spanish energy cooperatives.

This work is structured as follows: first, there is an introduction, followed by a definition and explanation of companies in the fourth sector, with special emphasis on energy cooperatives. The methodology used in the research is then presented, followed by the results obtained and a discussion. Finally, the main conclusions derived from the results are shown.

2 Theoretical Framework

Profit-making companies are becoming increasingly concerned about environmental and social issues, whilst, at the same time, non-profit-making organizations are being commercially organized structures. A new sector is emerging that encompasses companies that produce quality goods and services whilst providing a positive social

and environmental impact, with all these goals being part of their strategy (Grijalva-Jordán et al. 2017).

This new group includes organizations that seek to reconcile economic profitability whilst being committed to the environment and society, coupled with total transparency in management and giving special importance to the impact of the activity on stakeholders. This new group is known as the fourth sector. These organizations are founded with the three principles of obtaining economic profit whilst creating a positive impact on environmental and social sustainability. This has been called triple balance (Balaguer et al. 2007).

Companies in the fourth sector, unlike traditional business organizations, *must* have and do have measurable social outcomes (Sabeti 2011) in order to achieve a sustainable economy and environment (Mittwoch 2016). Social enterprises have become a useful tool when working with cross-sectoral organizations as some of the most important problems for today's society can be effectively dealt with (Cooper and Weber 2020). This type of organization works on these social problems and possesses the potential to dramatically transform or change society (Cetindamar 2018).

In order for an organization to become a benefit corporation, it must provide a benefit for the general public. This benefit must have a positive and uniform impact on society and the environment so that the well-being of all stakeholders is improved (Roncancio et al. 2018).

Organizations in the fourth sector have business models which are strategically aligned with objectives that are not merely economic. This is a key point when creating profitable, sustainable and ethical companies which are committed to society (Rubio-Mozos et al. 2019). These types of organizations are called for-benefit or hybrid because they seek to integrate social and economic goals with environmental transparency, whilst looking after their human capital and maintaining a commitment to society and the environment. These organizations are present in most, if not all, economic sectors. Energy and electricity cooperatives are studied in this research. These, as Kaplan de Drimer and Drimer (1975; p. 221) point out, are "corporate societies that generate, distribute and/or market energy with decentralized production and which are managed by members". This business model is part of an extensive movement towards the active participation of citizens and communities in the exploitation of common goods (Huybrechts et al. 2018; Bauwens et al. 2019).

According to Becker et al. (2017; p. 28), there is a consensus among researchers that community energy should benefit the communities in which they work, both financially and in other ways. It is often argued that community energy creates added value for regional development. Other objectives for community energy projects include fighting climate change, an overall reduction in energy consumption, protection of biodiversity, sustainable agriculture, achieving a transitional city or social justice. The same research shows that community energy projects often link profit-making and non-profit enterprises. Energy is treated as a common good, and is also considered as such by other researchers, political groups and energy cooperatives (Huybrechts and Haugh 2018). Common goods transcend the dichotomy of public

versus private property and allow for the democratic management of resources belonging to the community, which regulates their use. This is called democratic energy. Indeed, the concept of communal property and energy generates an ecological use of resources, as both renewable energy and a new type of relationship with the environment are prioritized. Experts from this field point out that “a public-community energy model could take advantage of the synergies reported by different cooperatives which have worked for energy sovereignty together with the public sector, in order to achieve the necessary transition” (Lopez and Luengo 2018).

Electricity cooperative societies can be found in the Spanish energy sector. These originated in areas of small and distributed population in Spain at the beginning of the twentieth century (Capellán-Pérez et al. 2018). Now, electricity distribution and commercialization cooperatives are an example of efficiency and good management when providing a common need. This allows them to guarantee the supply of energy to their members, and to an increasing number of customers at competitively cheap prices using the principles and procedures of a sustainable energy model whilst paying special attention to the social benefits provided by this type of society (Arnáez 2011).

Energy cooperatives can be seen to be an important socio-economic factor in the world today. Several authors have identified them as an important research area (Bauwens 2016; Bauwens et al. 2016; Becker et al. 2017; Warbroek et al. 2019), and the research in Spain was by Miriam-Hermi (2012), Romero-Rubio and De-Andrés-Díaz (2015), Capellán-Pérez et al. (2016) and Jaio et al. (2016). Moreover, Capellán-Pérez et al. (2016) state that there are different organizational structures operating in the Spanish energy sector. Romero-Rubio and De-Andrés-Díaz (2015) reported “an increase in the number of renewable energy generation plants and also in energy consumption, especially in the electricity sector” in Spain.

Romero-Rubio and De-Andrés-Díaz (2015) pay special attention to the role of green energy cooperatives in Spain. Twenty-two active energy cooperatives were identified in their 2014 research paper. Four of them were green energy cooperatives. Jaio et al. (2016) identify the socio-economic profile of a typical member of a cooperative and, by analysing six cases of renewable energy cooperatives in Spain, investigated whether these members are entitled to social benefits. The authors make a distinction between an energy cooperative and a green energy cooperative because they have different origins and missions. Capellán-Pérez et al. (2016) also isolates the so-called green energy cooperatives because, unlike in other European countries, they appeared in Spain at a difficult economic time with hostile regulations. The authors found that the collectives considered as energy cooperatives in Spain are renewable cooperatives (green energy operatives) and electricity cooperatives.

Capellán-Pérez et al. (2018) investigated renewable energy source cooperatives in Spain because this business model has the advantages of building networks, being adaptable and is an attractive option in the current market. Heras-Saizarbitoria et al. (2018; p. 1042) agree that the ability of these societies to adopt similar structures and organize themselves into partnerships or networks helps them overcome important challenges. However, this type of enterprise is only a minority in the Spanish energy

system, although it has been recognized as a potentially important part of the energy transition process. This type of modern cooperative movement is in an initiation phase and has emerged as an attractive alternative to several difficulties, such as the oligopoly of the electricity market, energy poverty, the new regulations on electricity trade and national policies on renewable energy (Capellán-Pérez et al. 2018).

Heras-Saizarbitoria et al. (2018) also considered the social dimension of energy cooperatives. The authors point out the contribution made by these enterprises to both the community and the environment and discuss their purpose because in some cases the objective is only to sell green energy, whilst, in other cases, “the objective is quite different because they aim to start projects which produce renewable energy” (Heras-Saizarbitoria et al. 2018; p. 1042). This will all be taken as the basis for this research paper so that a valuable contribution can be made to the discussion.

Current research into energy cooperatives in Spain is recent and limited, which means there are opportunities for empirical scientific studies. Heras-Saizarbitoria et al. (2018) found that academic research into these organizations was dispersed and limited and identified a gap in the current literature. This research therefore aims to provide additional information about the phenomenon of energy cooperatives in Spain.

Following the research of Becker et al. (2017), a social enterprise is understood as “an organization involved, at least to some extent, in the market, with a clear social, cultural and/or environmental purpose, mainly serving the local community and ideally having a local base and/or democratic ownership structure, which means ‘one member, one vote’ instead of ‘one euro, one vote’” (Johanisova et al. 2013; p. 11). This definition is adopted in this study of collectives in the energy sector, as it includes the features of internal organization, decision-making and collective ownership of social enterprises. Becker et al. (2017; p. 28) define the community energy social enterprise “as a non-profit making enterprise that has clearly defined social, cultural or environmental goals”. These enterprises generate or provide community energy whilst supporting a range of social objectives, such as social justice, climate change, protection and preservation of the environment.

This research is analytical and researches the business purpose and ecological aims, along with the social and economic goal of the social enterprise. The main characteristics of Spanish energy cooperatives are presented, which include their profile, production level, social goals and member participation. This research intends to address two questions: (1) can Spanish energy cooperatives be considered social enterprises for community energy? and (2) what are the characteristics of the Spanish energy cooperatives included in the fourth sector?

3 Methodology

In Spain, the energy cooperatives group is made up of different composite sectors. On the one hand, there are so-called renewable cooperatives, which originated in the twenty-first century, that proliferate despite an irregular regulatory framework (Real

Decreto Ley 244/ 2019, April 5th). These are understood as cooperatives of citizen participation that market 100% certified renewable electricity. Another group is the electric cooperatives which date back to the early twentieth century when power grids could not reach mountainous parts of the country. These cooperatives are founded by electricity distributors and are used to supply electricity to citizens in these areas. Heras-Saizarbitoria, Sáez, Allur & Morandeira (2018; p. 1042) point out that Spain is a “good example of how strong the new generation of energy cooperatives can be”, in addition to serving the local society.

The empirical data were found from an exploratory research on socially innovative initiatives with renewable energy in Spain, which identified existing projects that combine renewable energy generation with democratic and equitable forms of organization and ownership. These companies were identified with an inductive and qualitative approach that combined previous findings about different types of organizations found in previous research (Romero-Rubio and De-Andrés-Díaz 2015; Jaio et al. 2016) and an analysis of current open category documents. The investigation was carried out by creating a group of search terms that could be used on an Internet search engine to query existing databases in Spain. The search terms used two main criteria, one was that the organization had a collective form of ownership and also that the organization had social ambitions which went beyond power generation. The initial investigation identified a list of just over 30 cooperatives and, as there is no single specialist directory with information about this type of organization, some relevant energy cooperatives might not have been successfully identified with this search method. The data used in this investigation were gathered from public documents, reports, the cooperatives’ websites and newspaper articles.

A structured online questionnaire (Jaio et al. 2016) was then made available to the person in charge of communication at each of the active energy cooperatives. The questionnaire consisted of blocks of questions about different areas, which were ecological objectives, social objectives and the funds used for these objectives. The questionnaire design followed the example used by Becker et al. (2017) and then complemented with the classification of social enterprises by Johannisova et al. (2013) and Nogales-Muriel (2017).

The invitation to the survey was sent between March and July 2018 to the 32 energy cooperatives operating in Spain (research population). Twelve cooperatives completed the survey (research sample) (Heras-Saizarbitoria et al. 2018), which allowed to find indicative results for the objectives of this research. The questionnaire included questions about the basic descriptive features of the cooperative, as well as the different operational areas, such as the ecological, social and economic objectives, participation of members in decision-making and integration in local community. The questionnaire was composed of a series of statements that the respondents rated according to how much they agreed with each one. The marking was done using a Likert scale from 1 (totally disagree) to 5 (totally agree).

Once the data were collected, a statistical treatment was carried out (Romero-Rubio and De-Andrés-Díaz 2015), a descriptive study (mean, mode and standard deviation). With descriptive statistical techniques used in scientific research as a means of finding the characteristics of the subject under study in order to compare it

with other similar ones, as used by Pérez-Suárez et al. (2017), Espelt et al. (2019) and González and Valiente (2019).

4 Results

This section shows the results of the research and describes the characteristics of Spanish energy cooperatives, defines their social purpose and positions these societies in the fourth sector.

4.1 Characteristics of Energy Cooperatives in Spain

Firstly, the profile of Spanish energy cooperatives is presented, which is then followed by the main characteristics of their economic activity.

Of the cooperatives, 73.33% have been constituted since 2010, that is, at a time of economic crisis. The following results were found for the life cycles of the cooperatives: Initiating (1 year): 13.33%; Growth (2 to 7 years): 53.33%; Mature (8 to 16 years): 6.67%; Advanced maturity (17 years or more): 26.67%.

Most of these cooperatives are in northern Spain: Cantabria (6.67%), Catalonia (6.67%), Navarra (13.33%), Galicia (6.67%), Basque Country (6.67%) and Asturias (13.33%) with the highest percentage in the Valencian Community (26.67%). Territorial polarization can be seen.

All the cooperatives indicated that they have more than 3 members and 80% have 10 or less working people; 53.33% have a managerial figure in their organization diagram, but only in 13.33% of cooperatives is the maximum representative female.

Of the energy cooperatives, 53.33% have an income of less than 500.000 euros per year whilst 33.33% earn more than 2.000.000 euros. None of the energy cooperatives are large in size, which indicates that they cover only a small segment of the Spanish population. There is not a significant representation of female members in the management of these enterprises and this is being challenged by the women with energy group which is working against various prevailing horizontal and vertical gender discrimination in the energy sector (Table 1).

The cooperatives operate regionally (46.67%), nationally (33.33%) and locally (20%). The main activity of energy cooperatives consulted is the commercialization of energy (93.33%) which supplies family residences (73.33%), the tertiary sector (20%) and industry (6.67%). Spanish energy cooperatives are energy marketing companies (93.33%).

53.33% of the cooperatives said they have less than 600 partners/customers. The rest of the cooperatives usually have between 1.000 and 9.000 partners/customers. 46.67% of the cooperatives have 100–600 supply points, whilst 40% have between 1.000 and 10.000 supply points. The territorial polarization found verifies that

Table 1 Profile of Spanish energy cooperatives

		Percentage
Company age	Initiation (first year)	13.33
	Growth (2–7 years)	53.33
	Mature (8–16)	6.67
	Advanced maturity (17 years or more)	26.67
Autonomous community	Cantabria	6.67
	Castile y León	13.33
	Catalonia	6.67
	Community of Madrid	6.67
	Regional community of Navarra	13.33
	Valenciana community	26.67
	Galicia	6.67
	Basque country	6.67
	Principality of Asturias	13.33
Number of people	10 or less workers	80.00
	11–50 workers	13.33
	51–200 workers	6.67
Female representation	No	86.67
	Yes	13.33
Income	Less than 500.000 €	53.33
	Between 500.000 € and 1.000.000 €	6.67
	Between 1.000.001 € and 1.500.000 €	6.67
	More than 2.000.000 €	33.33

Source: Survey data

46.67% of Spanish energy cooperatives consulted work in the autonomous community where they have their headquarters.

The average Spanish energy cooperative has been working for between 2 and 7 years, is located in the Valencian Community and has an annual turnover of less than 500.000 euros. It has 10 or fewer staff and its maximum representation is male. Its economic activity is regional and is the commercialization of energy for residential purposes. It has between 100 and 600 supply points and serves less than 600 members/customers (Table 2).

4.2 Ecological Goal of Energy Cooperatives

The cooperatives feel that ecological objectives are important and gave the following points to the different objectives (Table 3), caring for the environment (4.20) and the energy transition to cleaner energy (4.33). Reducing energy consumption and the use of green energy (4.47) are the most important. A secondary but also important goal is to offer an alternative to the use of nuclear energy (3.73). The data collected show

Table 2 Activity of the Spanish energy cooperatives

		Percentage
Area de influence	Local	20.00
	Regional	46.67
	National	33.33
Type of activity	Commercialization	93.33
	Generation	6.67
Use of the electricity	Industrial	6.67
	Residential	73.33
	Tertiary	20.00
Partners/customers	Less than 600	53.33
	1.000–9.000	40.00
	More than 9.000	6.67
Supply points	0 supply points	0.00
	100–600 supply points	46.67
	601–999 supply points	0.00
	1000–11.000 supply points	40.00
	More than 11.000 supply points	6.67

Source: Survey data

Table 3 The ecological objectives of Spanish energy cooperatives

	Mean	Mode	Standard deviation
Promote environmental conservation and biodiversity	4.20	5	1.15
Renewable energy generation as part of environmental transition	4.33	5	1.11
Support green energy generation	4.47	5	0.92
Reduce energy consumption	4.47	5	0.64
Oppose nuclear power	3.73	5	1.39
Reduce overall energy consumption	4.33	5	0.82

Source: Survey data

that the main ecological goal is to promote the efficiency and conservation of the environment.

4.3 Social Goals of Energy Cooperatives

Four areas were considered when investigating the social goals of Spanish energy cooperatives consulted. These were origin, purpose, intention and relationship with the cooperative members.

When considering social objectives of the origin of its constitution (Table 4), the cooperatives gave importance to the need to propose an alternative to the existing energy market (4.80), secondly fighting against energy poverty (4.13).

The goal of being an alternative in the energy market (4.80) whilst working towards the necessary energy transition makes these enterprises very attractive. This has resulted in initiatives like the creation of the European Cooperative Society Mecise (Observatorio Económico de la Economía Social 2019) which has the social aim of supporting energy transition and democracy. Spain has been declared deficient in energy transition matters by the 2019 World Economic Forum.

The results show that the most important social goals of Spanish energy cooperatives consulted (Table 5) are providing access to energy, favouring free competition (a non-oligopolistic energy market: 4.80) and reducing energy price instability (4.40).

Other secondary goals are empowering citizens (4.47), training people as members-managers of a common good such as energy (4.40), and creating an activity that generates employment (4.00).

Lastly, the social intention of energy cooperatives consulted (Table 6) prioritizes social issues (4.53). These enterprises all recognized themselves as social enterprises on the understanding that this is a type of organization with clear social, cultural and/or environmental purposes (Johanisova et al. 2013; p. 11), established in and mainly serving the local community and ideally having a local basis with a democratically owned structure. These organizations are shown to be citizen-based initiatives, which are collective organizations that do not rely on the state. The active citizens in these cooperatives live locally and, in the case of energy cooperatives,

Table 4 Social goals: the origin of Spanish energy cooperatives

	Mean	Mode	Standard deviation
Address the need to generate clean energy	3.27	5	1.62
Address the basic need for energy	4.13	5	1.30
Offer an alternative to the existing energy market	4.80	5	0.41

Source: Survey data

Table 5 Social goal: the purpose of Spanish energy cooperatives

	Mean	Mode	Standard deviation
Empower people as members-managers of a common good such as energy	4.40	5	0.83
Create jobs	4.00	5	1.00
Reduce energy price instability	4.40	5	0.74
Empower citizens	4.47	5	0.99
Find value chains for energy	3.87	4	1.13
Favour a non-oligopolistic energy market	4.80	5	0.56

Source: Survey data

Table 6 Social aims: the intentions of Spanish energy cooperatives

	Mean	Mode	Standard deviation
Reduce energy poverty	4.47	5	0.74
Address social issues	4.53	5	0.74
Promote common ambitions (job creation, power generation as a communal good)	4.53	5	0.74
Sponsor cultural and social events	4.47	5	0.74
Be recognized as a social Enterprise, that is, an organization involved in business, but with clear social, cultural and/or environmental goals, established in and mainly serving the local community and with a democratic ownership structure (one member = one vote" instead of "one euro = one vote)	4.47	5	0.64

Source: Survey data

Table 7 Relationship of the members with Spanish energy cooperatives

	Mean	Mode	Standard deviation
Members of the cooperative are motivated by the business project	4.53	5	0.64
Members have a sense of belonging to the business project	4.93	5	0.26

Source: Survey data

participate in community projects, such as investing in photovoltaic plants in local villages, helping communities implement solar power plants, implementing educational projects for energy-efficient schools and promoting the self-reliance of households.

One of the most important elements that guarantee the success of a cooperative is the people who work there. In Spanish energy cooperatives, people are motivated about the business project (4.47) and have a strong feeling of belonging to it (4.53). The data indicate that Spanish Energy Cooperatives consulted are social enterprises for community energy (Table 7).

It can be seen that these enterprises are interested in combating the social inequalities involved with climate change, strengthening social ties to live with the climate change (Bauwens and Devine-Wright 2018).

4.4 *Economic Aim of Energy Cooperatives*

Cooperatives, like all companies, aim to make a profit (3.67) and only when this has been done will they attend to the problem of energy price instability (2.33) in the domestic market. Unlike commercial enterprises, cooperatives endeavour to make an economic profit that allows the viability of the enterprise whilst creating employment, that is, the remuneration of cooperative members and workers. It has been seen

Table 8 The economic aims of Spanish energy cooperatives

	Mean	Mode	Standard deviation
Reduce energy price instability	2.33	3	1.11
Make profit	3.67	4	0.81

Source: Survey data

Table 9 Economic aims for the success of Spanish energy cooperatives

	Mean	Mode	Standard deviation
Optimize assets	3.27	3	0.59
Use new business models	3.73	3	0.79
Create a value chain (know-how)	2.73	2	1.33

Source: Survey data

Table 10 Economic aims for investment and income distribution

	Mean	Mode	Standard deviation
The company has identified investment sectors	2.80	1	1.42
The company has a fixed regime for the distribution of income	4.27	5	0.88

Source: Survey data

that the business strategy of Spanish energy cooperatives consulted does not include maximizing profits. People, society and the environment are put first.

It can be seen that although the economic goal of the enterprise is important, it is not as important as the social and ecological goals. Spanish energy cooperatives create employment, ensure eco-friendly improvements in society (energy education, collective actions), greater energy efficiency, less pollution and greater use of renewable energy (Table 8).

Three objectives stood out as being considered the most important for the success of the cooperatives. These are having a value chain (3.73), optimizing resources (3.27) and incorporating new business models (3.73). The data show that Spanish energy cooperatives are using innovative business models in the energy sector (Table 9).

Table 10 shows the regulatory and accounting regulations which energy cooperatives must comply with in Spain. Reserves exist for the distribution of income, which are the Compulsory Reserve Fund (CRF), the Refund or Update Fund (RF) and the Voluntary Reserve Fund (VRF). Each energy cooperative states in its founding statute how any excess money earned will be distributed. In addition, Spanish energy cooperatives have Cooperative Education and Promotion Funds.

4.5 Participation in Decision-Making at Energy Cooperatives

One of the characteristic elements of cooperatives is the equal and democratic participation of all its members in the management of the company. The elements which energy cooperatives use for their decision-making processes were studied.

Cooperatives are formed by the people working in them (Table 11), which can be seen from the results showing that people consider them a way to participate in and control the cooperative (4.13). This type of social enterprises is also considered an optimal way to integrate local groups (3.93). In particular, renewable energy cooperatives have helped promote the energy transition and now face the challenge of integrating their considerable social capital into the wider energy system (Brunner and Herbes 2018).

Spanish energy cooperatives consulted are facilitators of cooperation at work and for decision-making. The people who form these cooperatives have a homogeneous cultural and demographic profile and mostly come from a medium-high socioeconomic class (3.73). Despite the high degree of homogeneity in preferences, interests and shared values (3.27), this does not make collective decision-making easier (2.07). Spanish energy cooperatives are the result of citizen participation in order to promote the democratic management of the enterprise.

Finally, being a member of an energy cooperative does not imply that the member is pro-environmental, as shown by the low value given to this characteristic in Table 12 (Members of the cooperative are pro-environment and trust others: 2.93).

Table 11 Participation in decision-making in Spanish energy cooperatives

	Mean	Mode	Standard deviation
A cooperative is a way for people to participate in and control an enterprise	4.13	5	1.19
A cooperative is an organization that integrates local groups	3.93	5	1.28

Source: Survey data

Table 12 Characteristics of Spanish energy cooperative members

	Mean	Mode	Standard deviation
The homogeneity of preferences and interests facilitates collective action because people who share values are more willing to cooperate	3.27	3	1.49
Different generations have different ethical ideology	3.73	3	1.10
Having homogeneous interests reduces the difficulty of making collective decisions	2.07	1	1.22
Members of the cooperative have a homogeneous cultural and demographical profile and come from the medium-high socioeconomic class	3.73	4	1.03
Members of the cooperative are pro-environment and trust others	2.93	3	1.44

Source: Survey data

The people who make up Spanish energy cooperatives have a homogeneous cultural and demographic profile, are environmentally aware and interested in a range of environmental issues.

In concordance with Warbroek et al. (2019), it is noted that evidence from academic studies analysing the social and institutional factors that influence the success of community energy projects is still scarce.

4.6 *Activities of Spanish Energy Cooperatives*

The Spanish government is campaigning for a progressive energy model and a low-carbon economy, which has led to some of the challenges which the energy industry is currently facing. These include a system which provides sufficient energy with energy serving society as the most important policy (energy governance) and allowing for innovation in the energy sector (Table 13). As a result, a stable commitment to developing and using new technologies is valued highly (4.60).

Cooperatives are included in the group considered social enterprises, which means that they have a link with the local community, and are all interested in promoting the endogenous resources of their local territories (the cooperative is founded by activists from the social movement, 4.60). The results for local integration mean community energy is used to provide local benefits from local investment (4.07), and the company is integrated in the local communities (3.87) shows that a local focus is important for the cooperatives that are being created throughout the country. Some of these are La Corriente, Som Energía (Pellicer-Sifres et al. 2018), GoiEner or Nosa Enerxia which are examples of the new style of enterprises trying to ensure the availability of renewable energy. It can be said that these cooperatives are ‘socializing’ renewable energy.

Table 13 The scope of Spanish energy cooperatives

	Mean	Mode	Standard deviation
There is a stable commitment to developing and using new technologies	4.60	5	0.63
Local integration means community energy is used to provide local benefits from local investment	4.07	5	1.03
The cooperative is established in the local territory to provide public power/services	3.60	5	1.35
The cooperative is founded by activists from the social movement	4.60	5	0.63
The cooperative promotes local development	3.80	5	1.37
The cooperative is integrated in the local community	3.87	5	1.25
Extension outside the local area creates “interest groups” which result in common ideas and a shared organizational structure	2.73	3	1.39
Extension outside the local area complicates local relationships	3.67	4	1.23

Source: Survey data

Spanish energy cooperatives consulted as collective enterprises work locally and are reluctant to expand further. In this way, they can work towards local development.

4.7 Spanish Energy Cooperatives in the Fourth Sector

The results above indicate that the most important objectives for energy cooperatives are social and thus are directly linked to the fourth sector. Spanish energy cooperatives can therefore be considered fourth-sector organizations as shown in Table 14.

Table 14 Relationships between the features of the fourth sector and Spanish energy cooperatives

Characteristics of the fourth sector	Characteristics of Spanish energy cooperatives
Social service	Empowering citizens (4.47)
Public good	Energy (energy marketing, 93.33) Renewable energy (renewable energy generation as part of environmental transition, 4.33) Train people as members-managers of a common good such as energy (4.40)
Social enterprise	The enterprise has a clear social, cultural and/or environmental purpose, established in and serving mainly the local community and having a democratic ownership structure (4.47)
Social commitment	The cooperative is founded by activists of the social movement (4.60) There is a stable commitment to developing and using new technologies (4.60)
Social impact	Alternative to the traditional energy market (4.80) Alternative to nuclear energy use (3.73)
Ecological goal	Work towards green energy generation (4.47) Reduce power consumption (4.47) Renewable energy generation as part of environmental transition (4.33)
Economic goal	Make profit (3.67)
Social aim	Address social issues (4.53) Address energy poverty (4.47) Sponsor social or cultural activities (4.47) Create employment (4.00)
Entrepreneurship	Provide an alternative to the traditional energy market (4.80) Life cycle: 13.33% initiation (1 year); 53.33% growth (2 to 7 years)
Tangible results	Reduce energy price instability (4.40) The enterprise has a fixed regime for the distribution of income (4.27) Local integration means community energy is used to provide local benefits from local investment (4.07)

Source: Survey data

5 Discussion and Conclusions

5.1 Discussion

This research found the profile of Spanish energy cooperatives to be the following. They are polarized territorially and are small in size, which means that they can only cover a narrow segment of the Spanish population. There is not any significant female presence in the management of the organization. The main economic activity is the commercialization of energy. The typical Spanish energy cooperative is an enterprise which is between 2 and 7 years old and is located in the Valencian Community with an annual turnover of less than 500.000 euros. It has 10 or less staff, including cooperative members and external workers. The head figure of the organization is male. Its economic activity and accounting is carried out in its Region and consists of the commercialization of energy to residential areas, having between 100 and 600 supply points which provide energy to less than 600 cooperative members or customers.

The environmental aim of Spanish energy cooperatives is to generate green energy and reduce energy consumption. They also have important social objectives which are to offer an alternative to the traditional energy market, demand a non-oligopolistic energy market and address social issues. These objectives allow them to be recognized as social enterprises. Creating relationships with the cooperative members so that they feel actively involved in the project is also considered an important aim. Along with the economic objective of profit making, the key to the success of Spanish Energy Cooperatives is the implementation of a new style of business model in the energy sector where the distribution of income and investment conform to the regulations stipulated by the corresponding RF.

It has been shown, however, that Spanish energy cooperatives are a result of the collaboration of citizens but which must improve their democratic management mechanisms. The members of a Spanish energy cooperative have a homogeneous cultural and demographic profile and are ecologically aware of a range of environmental projects. These cooperatives have a permanent commitment to the development of new technologies and guarantee their local base and locally generated renewable energy.

6 Conclusions

In this work, the practical study of the concept of the fourth sector, its relevance and progress are addressed. Subsequently, the relevant literature to energy cooperatives has been analysed, and finally empirical evidence has been provided that adds to those already affected in the review of previous research.

The first objective of the research was to characterize the profile of Spanish energy cooperatives, which has given the following distinctive features: being in a

period of growth, generally having a regional area of influence, having a number of employees and an organization chart, having female presence in decision-making, and a number of customers and supply points.

The second objective was to find the social dimension of these social enterprises as fourth-sector organizations. The most important concerns of the cooperatives were found to be a transition to cleaner energies, favouring free competition and creating an activity that, in addition to generating employment, works on social issues such as empowering citizens and fighting against energy poverty. Obtaining economic benefits was relegated to a lower position of importance, even though it is obviously necessary for the viability of the cooperative. The cooperative society as a legal structure has been shown to be a means of guaranteeing the control, participation and integration of local groups. An added advantage of this type of organization is that sharing a common project and values, and belonging to the cooperative, favour the decision-making processes in the cooperative.

The two research questions raised at the close of the first paragraph are now answered. It can be seen that Spanish energy cooperatives are social enterprises supplying community energy that can be considered fourth-sector companies as they comply with the necessary characteristics set out in the relevant literature. They have precise social, cultural or environmental purposes, such as social justice, climate change, protection and preservation of the environment, and generate community energy for the benefit of the whole community. It is important to highlight the strong attachment of these fourth-sector companies to the territory and the people who live there. This allows strong links to be established between the companies and the society in which they are located. Within this category, social results should be investigated and determined to be measurable and quantifiable results of the Spanish energy cooperatives. In the first instance, the business model of energy cooperatives is situated as the hybrid fourth-sector organizational model (Bauwens et al. 2019).

The potential implications of this research are that the knowledge gathered can be used by the management of Spanish energy cooperatives when identifying the ecological and social aims of the enterprise. The results of this research can also be used by those developing and implementing public policies. It can also be used in projects for governmental measures which promote the creation, documentation and distribution of the aims and objectives of Spanish energy cooperatives, as it has also been seen that this type of enterprise is not yet widely known in Spain. The findings obtained in this research in Spain may be of interest in other countries and can be used to support research in other nations and regions.

The limitations of this research are due to the descriptive and exploratory methodology used, which can be remedied in future research. Whatever methodology is used for field work, research using samples is generally subject to a bias of social convenience and researchers tend to rely on information published by the companies themselves (Heras-Saizarbitoria et al. 2018; p. 1042). Limitations also come from the methodology (time scope and data sources), which can be overcome in the future by considering a longer timeframe, such as collecting data from different years, and increasing the amount of data collected and the number of observed variables and quantitative techniques used. Future research could

investigate the benefits of Spanish energy cooperatives in Spain with regional case studies, comparative studies, action research or observation of cooperative members and/or customers. This is clearly an interesting area of business and academic opportunity.

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The Case of “La Hormiga Verde”: Recycling Electronic Waste (e-Waste) as a Paradigmatic Example of a New Entrepreneurial Trend in the Fourth Sector



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Abstract This chapter proposes a research study based on a case methodology examining the La Hormiga Verde company, an example of entrepreneurship in the Fourth Sector, within the regional scope in Spain.

Currently, society demands companies to be involved in the creation of a fairer and more sustainable economy, and hence the rise of the so-called Fourth Sector. La Hormiga Verde is a clear example of sustainable entrepreneurship in this sector, both because it is a Special Employment Centre (SEC), with almost 100% of its workforce being disabled persons, and because the company focuses its activity on processing electronic waste through the recycling of the polluting materials that this waste contains.

This is an innovative case of value creation in the Fourth Sector, due to both the regional environment in which the business project is developed and the business model it follows. Its business model stands out because of its contribution to the creation of economic value and above all social value, thanks to promoting employment among people with disabilities and to the recycling of electronic waste because of its environmental impact.

On the one hand, La Hormiga Verde creates regional economic value, thanks to its different business model based on solving two problems of local environments—reaching everywhere in its region, and meeting the recycling needs of the final consumer (households).

And on the other hand, La Hormiga Verde is a company that is strongly supported by the creation of social value. To this end, it hires people with disabilities, guaranteeing their well-being and their working conditions in the job market, as well as using social marketing strategies such as organizing recycling contests in schools and raising awareness among the younger population.

La Hormiga Verde provides solutions to a global problem through local actions, instead of vice versa. Thus, it solves some of the important challenges facing

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sustainable companies, and, as an SEC, provides a business model for the Fourth Sector that is replicable and viable as a contribution to the United Nations 2030 Agenda on Sustainable Development.

Keywords Fourth Sector · electronic waste · recycling · disability

1 Introduction

Since the end of the twentieth century, the need to put a brake on climate change, conserve the planet's natural resources, and defend human rights has stirred the conscience of businesses (Dacasa 2017). Although nowadays organizations are rushing to develop corporate social responsibility (CSR) policies, the urgency of new challenges was already made clear in the Sustainable Development Goals (SDG) for 2030 set out in 2015 by the United Nations (United Nations 2020). Despite this, there is still no universal consensus criterion on how companies can advance firmly towards achieving those goals (Rubio-Mozos et al. 2019).

However, a significant number of initiatives have emerged that highlight the need to change from the obsolete but dominant economic model based on continuous growth, the main exponent of which is the macroeconomic magnitude, to a sustainable model focused on people and the planet and which prioritizes individual well-being and social prosperity (Rubio-Mozos et al. 2019).

In recent years, the boundaries between the public, private, and non-profit sectors have become blurred (Fourth Sector Network Concept Working Group 2009), and the Fourth Sector is creating its own path in the form of companies that combine approaches based on the private for-profit sector and the social and environmental objectives of the public and non-profit sectors. According to Zurbano et al. (2012), the differentiating elements of the Fourth Sector are Corporate Social Responsibility, Social Entrepreneurship, Inclusive Businesses at the Base of the Pyramid, and Fair Trade.

Along this line, it can be said that the examples of entrepreneurship in the Fourth Sector represent the new ways society has of solving new social problems. This paper addresses the case of La Hormiga Verde, a company created in 2018, whose business model is based on the need to recycle all types of electronic components (WEEE) (computer, electronic, and audiovisual equipment, etc.) that are not only kept in households, but also in large institutions.

The activity of the company already by itself represents a contribution to the development of a sustainable environment, and is part of the so-called Circular Economy that has grown in popularity in recent years (Lahane et al. 2020). In addition, the company is a Special Employment Centre (SEC) that supports its business plan on a fundamental pillar: designing a model that can create social value.

La Hormiga Verde is a clear example of the Fourth Sector, a company with a business model that seeks social benefits without ignoring the economic ones. Its

model is far from the traditional one that does not take into account the social and environmental factors generated by economic activities.

This chapter analyses, therefore, the case of a private and for-profit company with activity in the region of Extremadura (Spain), La Hormiga Verde, as an experience of regional entrepreneurship in the Fourth Sector, since it is considered to be a Special Employment Centre (La Hormiga Verde 2020a). The research question is focused on knowing what the keys are for the La Hormiga Verde business model to be successful, and highlights the way in which they manage to create social and economic value in the Fourth Sector and at the regional level.

The objective of this study is to describe the business model adopted by La Hormiga Verde, emphasizing its establishment as a Special Employment Centre (SEC) and as an innovative model within a regional environment. To this end, the main results will be presented which provide the keys to the company’s business model for the creation of social and economic value, as well as the impact these social and economic values have on the economy, society, and environment.

2 Preliminary Aspects: La Hormiga Verde as a Special Employment Centre in the Fourth Sector

Social demands are among the causes of profound transformations in society which is demanding responsibility and transparency from all types of organizations. As a result of these social changes, the so-called Fourth Sector emerged as being those companies that seek to have economic profitability as well as having an interest in the environment and society as added value (Haigh and Hoffman 2012). In the Fourth Sector, SECs are configured as a particular business type since they are spaces for the social integration of workers with disabilities, and promote the efficiency of these workers and encourage innovation and synergies with other businesses (Gimenez Rodriguez 2012).

As a way to promote a fairer and more inclusive society, in Europe, there has been an increase in initiatives that promote the inclusion of people with disabilities. In Spain specifically, among the strategies carried out in favour of the employment of people with disabilities, the Royal Decree 1/2013 stands out as it guarantees the right of employment for these individuals and establishes that public and private companies with more than 50 employees must reserve 2% of their staff for people with disabilities.

In this respect, SECs were defined in Article 42 of the Law 13/1982 of 7 April on the social integration of disabled persons as a type of organization that makes it possible to reconcile economic viability with social commitment, since they are companies where at least 70% of the workforce has a recognized disability. SECs pursue two fundamental objectives. On the one hand, they offer products or services in a free and open market while being economically viable. And on the other hand, they respond to a social purpose by offering opportunities for people with

disabilities, as well as developing and improving the quality of their employment (Valls and Peña 2015). The proliferation of SECs shows their economic viability (Gelashvili et al. 2016), whereas the social repercussion of these centres is a more complex aspect to measure, although it must be taken into account due to its positive effects on the company (Atadi Employment Report 2018).

In this sense, the social impact of SECs should not be measured solely using economic indicators since, in this type of organization, the social return on investment is as important or more important, and is not included in traditional financial accounts. The impact on the quality of life of the people employed by these centres is relevant as has been shown by studies such as that of Romeo et al. (2020) which concludes that the employees of SECs present medium-to-high levels of affective commitment to the values of the organization and medium levels of general satisfaction.

The situation of the job market in Spain, with high structural unemployment, makes it difficult for people with disabilities to be professionally integrated. They have an employment rate of 25.5% (Odismet 2020). Since just one in four people with disabilities has a job, social economy companies can be of vital importance for the employability of people with disabilities and the improvement of their quality of life. SECs are, without a doubt, the main instrument for the job insertion of this sensitive group (Bengoetxea 2014).

As an SEC, La Hormiga Verde is a type of organization that corresponds to the Fourth Sector, and is an SEC in accordance with the General Law on the rights of people with disabilities and their social inclusion which states that: “The Special Employment Centres are companies whose main objective is to provide workers who have disabilities with productive and remunerated work, appropriate to their personal characteristics and which that facilitates their integration into the ordinary job market”. Therefore, the case of La Hormiga Verde can be considered to be exemplary to improve society and local environments since it promotes protected employment for people with disabilities and, in addition, within its regionally closer context, adapts to the characteristics of the local population, as well as contributing flexibly to their personal development.

In order to comply with current regulations for SECs, La Hormiga Verde, based in the region of Extremadura (Spain), complies with the Decree 117/2012 of 29 June, which regulates the requirements necessary to obtain the qualification and subsequent registration as an SEC in the Register of Special Employment Centres of the Region of Extremadura. This is an administrative registry in which SECs must be inscribed which have their headquarters and conduct their activity in Extremadura (Spain). As described in Article 2, Paragraph 3 of the aforementioned Decree, companies must prove the personality or legal capacity of the applicant entity, justify the technical and financial viability of the centre, prove that the workforce will be at least 70% of workers with disabilities, and foresee the incorporation into the workforce of any technical and support staff necessary for workers with disabilities. In addition, the registered headquarters and activity must take place in the territory of the Region of Extremadura (Spain).

La Hormiga Verde’s business activity is part of the so-called Circular Economy, and has a strong impact on the improvement of the local environment since it works to promote the efficient use of WEEE in Extremadura (Spain) through the recycling and reuse of components from WEEE, offering as an added value the ease of recycling such waste no matter where one lives, no matter how isolated. Thus, Gonda et al. (2019) emphasize the need to take into account the regional context when collecting WEEE. Bahers and Kim (2018) also note the main dysfunctions of the WEEE management system, which include the lack of participation of local authorities and final consumers, spatial dispersion, and the low recycling rate at local levels, problems which La Hormiga Verde is trying to solve.

The activity of La Hormiga Verde contributes to the achievement of the objectives set in the 2030 Agenda on Sustainable Development (Sustainable Development Goals, United Nations, 2030) which stresses the need to implement actions related to responsible production and consumption and climate action. It is an international proposal to achieve the efficient use of resources and the creation of fair remunerated jobs with good working conditions. All of this translates into achieving general development plans that reduce economic, environmental, and social costs, and increase competitiveness (United Nations 2020).

The United Nations is calling for a systemic approach and cooperation among the component members of the supply chain, from the producer to the final consumer. In this context, La Hormiga Verde is committed to the Circular Economy as an alternative to the linear model (Ecoembes 2020). The Circular Economy is emerging as a sustainable development strategy that requires a complete reform of the entire business system. It includes both adaptation of the production processes and activities related to the supply chain (Sehnm et al. 2019). Thus, under the umbrella of the Circular Economy, the concept of circular supply chain management (CSCM) has appeared (Farooque et al. 2019). This can be defined as forward and backward supply chains, that is, those that incorporate reusable products, by-products, and flows of waste, and that help organizational sustainability (Batista et al. (2018). It is here where La Hormiga Verde’s business model takes on meaning, and where its clients and collaborating partners appear.

The policies of the European Union, through the Action Plan in Europe (MITECO 2020), are also focused on promoting smart, sustainable, and inclusive economic growth. The said plan considers that it is necessary to act with the different stages of the life cycle of products: design and production, consumption, waste management, and use of the resources contained in the waste through its reintroduction into the economy. Within this frame of reference, there are gaps in research on WEEE in the context of the Circular Economy (Bressanelli et al. (2020). It is understood that is essential to pay attention to the WEEE stored in households (not only in companies and institutions) without recognition of its usefulness to be recycled, reused, or repaired (Kaya 2018). This is the sector in which La Hormiga Verde carries out its work.

As a whole, it can be said that La Hormiga Verde is a socially and environmentally innovative company, since one form of innovation is environmental innovation through recycling (Morales Gutiérrez 2009). Its fundamental characteristics also

include job insertion and the preservation of the local environment. This case study thus becomes a paradigm of a Fourth Sector company that provides social value as an SEC and in the form of environmental benefits as well as economic value, and that, although it is developed in a regional environment, is replicable to any context since it does not depend on its own context's particularities but tries to resolve that context's problems.

3 Methodology: The Case Method

According to Yin (1994), case-study research is an empirical form of research that is used to analyse a contemporary phenomenon within its real context, especially when the limits between the phenomenon (in this case, new business models) and the context being studied (the Fourth Sector at the regional level) need to be exemplified and analysed. Thus, a case study tries to review a reality in which there are many variables of interest beyond the directly observable quantitative data.

In this case, and within the possible types of design for case studies according to their typology (Yin 2009: 46), the "type of design for a single case" was chosen. The case is considered to be a single unit of analysis that is original and relevant enough to be representative of the context in which the work is being approached. La Hormiga Verde is a different company since it is dedicated to recycling WEEE in Extremadura (Spain), and has little competition in this region. It is relevant as a case study in the new ideas and business models of the Fourth Sector, and especially as being an SEC.

In addition, within case studies, Stake (2005) states that there are several types depending on their purposes. In our research, we opted for the "intrinsic type of case study", which must have its own specificities and a value in itself. In this type of research, the case is studied in order to describe its uniqueness and because it is itself of interest to exemplify a specific reality within the study context. These premises are fulfilled by La Hormiga Verde because it is a company representative of the problem that it illustrates and solves (the recycling of WEEE), and because the case itself is interesting to know examples within the Fourth Sector and SECs in the local context of Extremadura (Spain).

Regarding the presentation of results, Pérez Serrano (1994) puts forward different possibilities for presenting the research report. For this research, we chose the "descriptive case study" in which a report of the phenomenon under study is presented without excessive prior theoretical foundation, in order not to be guided by pre-established hypotheses and to provide basic information on the different fields of study.

Therefore, the analysis of the case is based on multiple sources of evidence that must converge on a previous model that guides the collection of information and analysis (Monge 2010). Along these lines, three areas of analysis are established a priori (Table 1) as being where La Hormiga Verde creates value as an SEC in a regional ecosystem.

Table 1 Areas of analysis and value creation

Areas of analysis	Value creation
Economic scope: Study the economic keys of the company that help to maximize the social impact, but attending to the for-profit motive and observing the fundamental laws of the economy	Creation of economic value through the way of defining and developing its activity within a different business model, strongly supported by social marketing strategies
Social scope: Describe the role that the company plays in creating social value as a Special Employment Centre (SEC)	Creation of social value because of being a Special Employment Centre (SEC), a place of employment for the disabled with the activity of recycling electronic waste
Regional environment: Analyse the development of business activity focused on recycling electronic waste in a regional environment (Extremadura, Spain) and contributing to supporting a social cause represented by caring for the environment	Creation of environmental value, making the Circular Economy the basis for the creation of its economic value, helping the sustainability of the environment, and raising awareness regarding ecology and recycling

Source: Author’s elaboration

To carry out the study, a qualitative research design was implemented in which the information collection methods were aimed at filling the gap that exists in social science research on these issues (Rubio-Mozos et al. 2019). They were the following:

1. In-depth semi-structured interviews with the head of administration and the director of the company.

The first interview focused on aspects of business management and was divided into blocks:

- (a) The origin of the business idea and the difficulties encountered in creating the company
- (b) The business model: Value creation, scope of the firm’s market and description of its services, results and viability of the project, human resources policy, awareness about recycling, and approach as a socially responsible company
- (c) The implications for the business as a Special Employment Centre (SEC) and the creation of social value

The second interview focused mainly on social marketing and communication policies, and on actions in offline and online channels. In addition, two guided visits were made to the facilities to see the work they were doing, and the activity in situ was noticed. Both the interviews and the visits were carried out in February 2020.

2. The documental review of secondary sources through the analysis of documents generated by the company: analysis of its Web pages, analysis and extraction of traffic data on social networks, analysis of advertising brochures and the annual report published by the company in 2019. The collection of this information was done in the months of February and March 2020.

4 Analysis Model

Starting from the study areas described in Table 1, the study of the information obtained was carried out based on an analysis model prepared for this purpose (Table 2). Following Rubio-Mozos et al. (2019), this analysis model addresses the role that La Hormiga Verde has to play to advance towards the United Nations Agenda (2030) as a company within the Fourth Sector.

In overall terms, the analysis model is based on three fundamental aspects (Economic Activity, Social Integration of Disabled Persons, and Environmental Care) to guarantee the business project, forming a unit among themselves despite being apparently different spheres. All these dimensions are important and depend on each other, not being separable at the strategic level of the company but rather at the analytical level to study the organization and its business. The creation of social value must be analysed through the way in which the company carries out its activity, seeking social integration and care for the environment. Regarding the creation of economic value, the business activity must be efficient to have a positive effect in this area. In turn, the economic efficiency of the company also depends on its social impact, since environmental awareness and the effort of social integration

Table 2 Analysis model and creation of new companies

Creation of economic value	Creation of social value	
Economic activity of the business	Social integration of disabled persons	Environmental care
Analyse the key resources and activities that define the competitive capacity	Define what the social project and the future impact objective are like	Define the environmental value proposition that is developed through the activity carried out
Assess the company’s capacity for growth and the possibility of replicating the business model	Establish the type of social enterprise (cooperative, Special Employment Centre, . . .)	Know how waste management and recycling are done within the Circular Economy
Study the management of operations and logistics	Delimit the scope of social need at geographical, quantitative, and qualitative levels	Delimit the scope of the environmental need at geographical, quantitative, and qualitative levels
Know the marketing strategies developed	Explain how to satisfy social need with the agents involved	Explain how to collaborate in environmental care with the agents involved
Analyse the economic profitability (know how they obtain profitability)	Analyse alliances and associations with social agents and institutions and public or private companies, keys to the activity	Analyse alliances and associations with social agents and institutions and public or private companies, keys to the activity
Know how they carry out management control	Assess the capacity for permanence of the present and future social activity	Assess the capacity for permanence of present and future environmental activity

Source: Author’s elaboration based on Osterwalder et al. (2015)

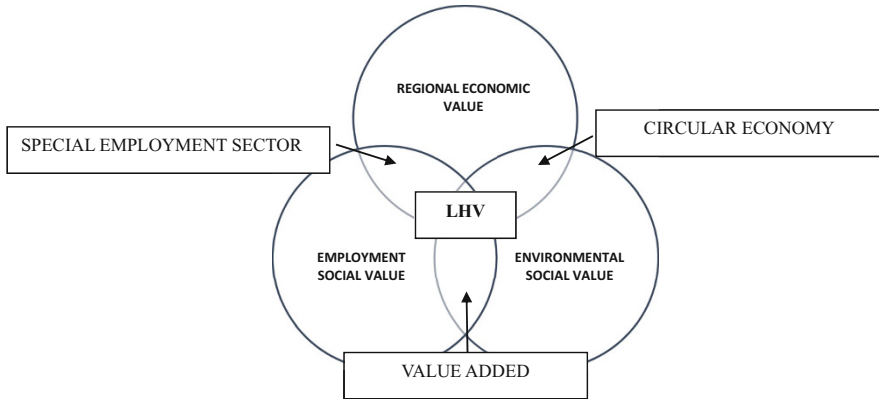


Fig. 1 Value areas of the business model. Source: Author’s elaboration

can make its turnover grow. Thus, one can say that there is an indissoluble and necessary trilogy between the three areas (Fig. 1).

In this way, as another important consideration, the three dimensions will be interrelated in their activity and must be developed in three temporal action planes—the strategic plane (where the paths to follow are established and the long-term approach is delimited), the tactical plane (where the way to achieve the short and medium term goals is defined), and the operational or application plane (where the specific action policies are established).

Next, we shall define the areas of value creation and the aspects on which it is convenient to focus within each of them and on which each area depends, in order to obtain an X-ray of the company as an SEC within the Fourth Sector and a creation model for new organizations that wish to replicate it.

This model (Table 2) summarizes the key aspects, and has been adapted by the authors based on the contribution by Osterwalder et al. (2015).

After conducting the interviews and gathering the necessary documentation, we shall proceed to present the results obtained for the different areas of the La Hormiga Verde business model established in Table 2.

5 La Hormiga Verde: Creation of Social and Economic Value

Taking the above into account, we can specify that La Hormiga Verde follows a business model that deals with the creation of economic, social, and environmental value within the Fourth Sector, since it develops its activity according to the Circular Economy model and has a strong social focus, being an SEC in Extremadura.

According to the company itself and the approach described above, its objectives as an organization focus on the following basic aspects, which are intended to

respond to the two large areas of value that they generate (economic value and, above all, social value):

1. Create an electronic waste management model that is scalable and replicable in neighbouring geographic areas
2. Generate benefits also for social purposes such as non-profit organizations
3. Create stable employment for people with disabilities
4. Offer solutions to better manage waste

5.1 La Hormiga Verde as a Special Employment Centre for the Integration of Disabled Persons

As already indicated in Table 2, the creation of social value is carried out in La Hormiga Verde, in part, through the social and professional integration of people with disabilities because it is an SEC. This delimits the scope of social need that is attended to and the way to satisfy it, valuing also the capacity for permanence of the social activity in the future.

The company creates stable jobs for people with disabilities who have a morning-concentrated work-day and all the guarantees to be able to carry out their work. Along these lines, according to the annual report of the company, in 2019, it generated 10,970 hours of work through collecting electronic waste (La Hormiga Verde 2020a).

Since the values that are most mentioned by the La Hormiga Verde management team are commitment, cooperation, transparency, collaboration, rootedness, sustainability, inter-cooperation, and solidarity, the company looks for employees committed to the project among the towns closest to its location (a town in the south of Extremadura, Spain). In this sense, it is worth highlighting the important recruitment work that they carry out thanks to their knowledge of business management from the world of disability experienced from within, since the person responsible for this task is from this group.

Therefore, with its jobs, La Hormiga Verde offers an opportunity to people who need it. The degree of satisfaction of these employees with the company is very high. It should be taken into account that they have a salary above the average for this type of worker (even higher than what they earn in many administrations and public institutions), and that they perform their full-time jobs only in the morning, and with a working load of 35 hours a week.

5.2 La Hormiga Verde and Caring for the Environment Through Recycling Electronic Waste

The creation of social value is also carried out at La Hormiga Verde through environmental care, trying to respond to the aspects highlighted in the above analysis

model (Table 2) for this section. In the following paragraphs, the main aspects related to the field of environmental care are discussed, including knowing how WEEE management is done. The scope of the need to be addressed and the form of action are also delimited, thus estimating the capacity for permanence of the environmental activity in the future.

The company is dedicated to the correct management of electronic waste (WEEE), from its weighing, classification, and calculation of its value, to its new incorporation as a raw material into the environment of production, and taking advantage of more than 95% of that waste (La Hormiga Verde 2020a). Regarding the amount of waste recovered and treated, the amount managed in 2019 by La Hormiga Verde was 157.4 tons. Most of the waste collected is iron, computer and television monitors, and highly polluting electronic equipment components.

Its scope is regional, limited at the moment to Extremadura, although with the establishment as future goals of the possibility of growth in neighbouring areas, both outside Spain (Portugal) and within Spain (in the Region of Andalusia).

It is important to highlight that La Hormiga Verde provides a service in Extremadura for the free collection of electronic waste, adapted to the needs of the rural world and solving problems in a flexible way, e.g., including the recycling of new waste that was not initially foreseen, such as batteries, toners, computer screens, etc., and covering a gap in the market that had not been detected or attended to before. This implies a greater effort, but the commitment to the activity carried out, the collection of WEEE, is prioritized.

In the case of Extremadura, and according to the latest data available from 2017 (MITECO 2020), for each inhabitant of Extremadura, a total of 5.67 kg of WEEE was collected that year. However, in 2019, the objective for Extremadura of the MITECO was to collect about 9 kg per person (MITECO 2020). This objective cannot be contrasted at present. However, it is presumed not to have been reached, since the known trend in the region is that during 2017 only 41% of the WEEE that producers put on the market in the previous 3 years was collected. Taking into account that the national objective for that year was to collect 50% of the waste generated from devices previously introduced to the market, the presumable reality is that Extremadura continues to be below the minimum national limits.

In addition, the evolution of WEEE recycling in Extremadura (Fig. 2) underwent a decrease in 2016, only partially corrected in 2017, when 116 tons of discarded electrical equipment and components were collected, out of the 54,599 tons recycled throughout Spain (INE 2020).

Therefore, the reality is that, despite the efforts made, the Region of Extremadura is clearly in the tail-wagon of recycling in Spain. In this sense, initiatives are needed to channel European and state indications about the collection and recycling of WEEE.

Currently, in addition to La Hormiga Verde, there is only one company in Extremadura dedicated to recycling electronic waste. La Hormiga Verde has two differential values over the other organization: firstly, it employs only people with disabilities, therefore, being an SEC is a very important differentiating and competitive advantage, and secondly, it guarantees, unlike the other company, collection at

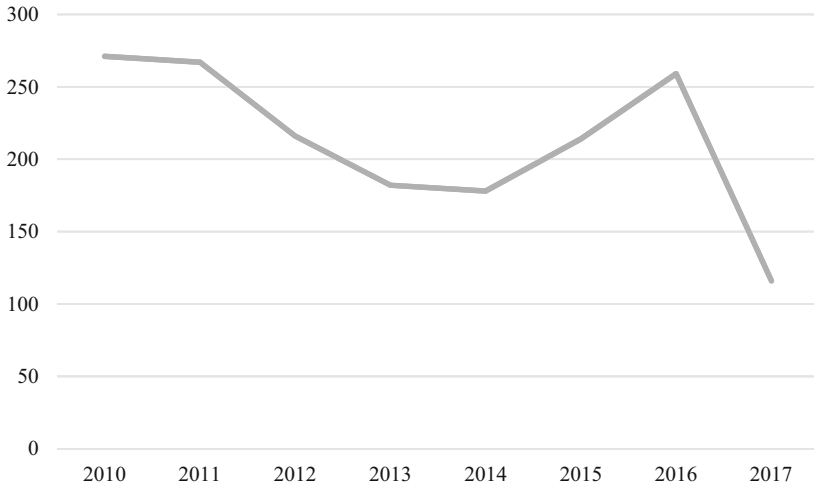


Fig. 2 Weight in tons of WEE discarded in Extremadura. Source: Author's elaboration based on INE (2020)

the point of origin of the waste, regardless of where it is located in Extremadura even though Extremadura is constituted by the two largest provinces in all of Spain.

To date, in terms of the services they offer, the collection of electronic waste is carried out through a network of 200 micro greenspots, located in associated centres and establishments, reaching the most central and also the most remote towns of the whole of Extremadura. The objective of this service is that anyone can take their electronic waste to a place close to their home. Even if they live in a remote area, La Hormiga Verde is committed to travel to collect it.

Thus, they manage to reach the end consumer of the products they recycle—households, including the most remote—and enter the family environment through the schools attended by the young.

La Hormiga Verde works with different SCRAPs (Spanish acronym for Collective Systems of Extended Producer Responsibility) such as non-profit organizations dedicated to the collection of used packaging and waste from electrical and electronic equipment for their recovery. Among them, it collaborates with Recyclia, Ecolec, Tragatoner (toner and printer cartridges), Ecopilas (batteries), and Ecolum (lighting and lamps), establishing alliances to achieve synergies in the logistics of collecting materials.

La Hormiga Verde's dissemination of its environmental work is essential to the success of its activity. Communication highlights key elements of social marketing (such as education), and, although today its communication lacks adequate strategic planning, it is essential for the creation of environmental awareness in the long term.

The company's management personnel are clear that the objective to be pursued is to make the population aware of the need to dispose of electronic waste in a correct and sustainable way. The development of the market may depend on communication

of this goal. However, raising public awareness is a long and costly path, especially for organizations with limited resources and when the sector does not make any great effort in this regard.

To achieve this objective, the main purpose of its communication is education, and this is done through free talks given by company managers in educational centres and, in addition, through guidance and instruction about recycling given to their own clients. Therefore, the strategy is eminently educational, based on information, the modification of everyday attitudes (such as the disposal of any type of waste and its subsequent recycling) so that the social actors involved know what types of electronic waste can be recycled. With this, La Hormiga Verde intends to create new behaviour in different stakeholder and social groups, especially the younger ones, as well as to contribute to the company’s objective—to be an SEC that addresses educating in social values, whether environmental or the integration of disabled persons.

5.3 La Hormiga Verde’s Economic Sustainability and Creation of Economic Value

This section explains how La Hormiga Verde generates economic value as it is a private for-profit company. The aspects highlighted in the analysis model (Table 2) are explained for this section. The main areas related to the economic field corresponding to the organization are discussed, analysing the key resources and activities that define its competitive capacity, assessing its growth capacity, logistics capacity, and marketing strategies, and highlighting its way of obtaining economic profitability and its control mechanisms.

In this line, La Hormiga Verde does not differ from other for-profit companies. Thus, its results must be sufficient to guarantee the survival of the company and meet the expectations of its ownership partners, as well as its growth objectives. It is therefore essential to cover all costs, mainly labour, on which its business model as an SEC is based. This leads to a management system based on control for the proper consolidation of its accounts.

5.3.1 Key Resources and Activities That Define the Business Model

The business idea was based on the fact that there was a little exploited market that could be accessed. The initial figures for this market were 14,000 tons per year of WEEE in Extremadura, of which 5000 tons were being handled by the competition. This left La Hormiga Verde with a great margin of action.

La Hormiga Verde’s business model differs from that of the competition principally in two aspects:

- Recycling is usually done in two ways: paying for the materials, which is what waste management companies do (for example, large scrap metal dealers), as well as some other company in Extremadura, or charging for its pick-up, as is the case of the main and most direct competitor of La Hormiga Verde. Instead, La Hormiga Verde neither pays nor charges for the pick-up of materials.
- The other aspect that distinguishes its business model is that it is mainly dedicated to the withdrawal of WEEE from homes, without renouncing that from institutions, public administrations, and companies. This is completed with the idea of carrying out a fast and efficient WEEE collection service covering anywhere in the Extremadura region.

The problem with this business model is twofold. One is that a solution must be found as to how to get the waste materials to the company, that is, how to convince Extremadura households to hand over their electronic waste. The second problem is what to do with these materials once they have been disassembled, that is, to whom to sell them. It should be taken into account that a priority for La Hormiga Verde is that no material ends up in a landfill or thrown away, as this is one of the three design principles of the Circular Economy according to McDonough and Braungart (2002).

As it is a growing company, it not only has to develop new and more precise activities economically speaking, but it also has to obtain greater knowledge of its environment and of the activity it carries out in order to improve its processes and look for solutions to the problems that arise. In this sense, the organization has two raw material suppliers: households (families) and institutions (especially other companies, administrations, and educational centres). But, a priori, it lacks the discourse and the effective means to reach those potential suppliers on a large scale.

Beyond these ideas, for correctly making use of the market (especially reaching households), strong actions of promotion and awareness are required, which would need heavy investment. In this sense, the lack of competition leads to the lack of investment in awareness campaigns. There is less need to carry them out since the growing environmental awareness of the population means that there is enough volume of WEEE to keep La Hormiga Verde supplied and for it to achieve growth, without its having to make financial efforts that could put it at the limit of its resources. However, in as far as it is able, La Hormiga Verde makes an effort to raise awareness and provide important information given the few means it has available.

In terms of logistics, the resources they use are their own vehicles and the economic optimization of the routes for the periodic collection of the waste from the recycling points or “clean-points” scattered throughout the remotest places in the region. These clean-points are established by La Hormiga Verde after prior agreement with the corresponding institution, almost always a public place. These localized places are where families can leave their electronic waste. It should be noted that economic optimization is almost always contingent on speed of service. It should be taken into account that Extremadura is a region in Spain with around one million inhabitants and an area of 41,634 km². The wide dispersion and the low population density condition the resources that need to be invested to guarantee good service.



Fig. 3 Process followed by materials in La Hormiga Verde. Source: Author’s elaboration

5.3.2 Reception, Treatment, and Sales Operations

Once the WEEE has been retrieved from its collection points, the first phase consists of weighing and classification. This is followed by manual disassembly, taking advantage of more than 95% of the waste. The resulting parts and components are classified again, accumulated, and valued. The third phase consists of sale of the resulting materials. The process followed by the materials in La Hormiga Verde is described in Fig. 3.

Thus, the company is opening a new line of business focused on the reuse of equipment after it has been repaired, which is termed PTR (Prepare to Reuse), that is, to revalue and reuse it. This is one of the six principles of the new Circular Economy strategy: reuse, reduce, recycle, redesign, remanufacture, and repair the products, by-products, and services used (Ludeke-Freund et al. 2019). These products are sold to companies that can in turn sell them directly or through sales platforms. The company is dedicating resources to reuse as well. Some of the best-selling reused products are computer equipment, metal cabinets, PC fans, etc.

In the constant search for new knowledge, the management seeks solutions for dismantled materials that have no known reuse, for example, conducting some tests for the application of plastic waste crushed and mixed with concrete to use in flooring. In this line, their last and most important challenge in innovation and search for solutions to the problems of their activity is to find a feasible solution for their own plastic waste generated in their electronic waste management processes, in order not to discard it in landfills. In this sense, the company has launched an ideas contest for the entire population (“Enterprising with plastic has a reward”) (La Hormiga Verde 2020b).

5.3.3 Communication and Marketing

In La Hormiga Verde’s business model, we must point to and highlight its promotion and communications policy, not because of the resources and planning dedicated to it, but because it has naturally become the main link between its business and social profiles. Taking into account that the company is of recent creation, it still does not have a clear marketing and communication structure, a strategic plan, an assigned budget, or any control systems for these purposes.

Its main communication action consists of a school contest that brings the world of electronic recycling closer to the youngest population, the under-16s, thus carrying out an educational task that involves families as a whole, and allows the children to be the ones who press their families into taking the waste to the clean-point at their

school. Thanks to the contest, the company is managing to raise awareness in the nearest rural environment of the importance of caring for the environment by getting rid of the electronic waste that has accumulated in homes. The educational objective of the contest is for the pupils to get to know everything related to the recycling of WEEE as an example of the Circular Economy. Hand in hand with the contest, La Hormiga Verde offers talks in the schools in which the problem of sustainability is addressed, so as to convey to the pupils the importance of a production model aimed at preventing the generation of waste, and how we can take advantage of the materials they contain so as to avoid the depletion of finite natural resources.

The means of dissemination that will allow the company to get in touch with the public are eminently digital, for a cost reason. Currently, the company has a strategy to disseminate its online activity that is focused on two Web sites (www.lahormigaverde.org and <http://www.concursolahormigaverde.org/>) and a corporate page on Facebook (La Hormiga Verde Centro Especial de Empleo).

The corporate profile they have on Facebook disseminates the company's work and updates the information related to the contest. Hashtags such as the Spanish language versions of #CircularEconomy, #SocialEconomy, #Sustainability, and #recycling are frequently used which position the company as an organization concerned with the environment, the circular economy, and the social economy. In this way, the company is able to promote interaction, build a brand, and meet an interesting potential audience, directly accessing the young population between the ages of 18 and 35.

5.3.4 Revenue and Costs

La Hormiga Verde's revenue, as we have noted, comes from the sale of the different materials extracted from the electronic waste—metals, electronic material, plastics, components. . . These materials are supplied to companies who reintroduce them into the market. Operating expenses (personnel, equipment, supplies, financing, etc.) must be subtracted from this revenue generated by the sale of materials. Economic income has grown sixfold in the last year (La Hormiga Verde 2020a).

As already mentioned, the resources available to La Hormiga Verde are limited and the funding is largely its own. It seeks to self-finance from its activity, and has received numerous subsidies for aid to Special Employment Centres and for recycling activities.

This WEEE management model as an SEC is replicable and also extensible to other areas. The employment of disabled personnel suitable for the activity carried out has allowed the firm to gradually increase its processes, generate new products, and thus increase constant hiring. The company reinvests the profits in more services and improvements, as its commitment is to create the maximum quality employment among the disabled because it believes in cooperation and being very proactive in the execution of its project.

The main obstacles are usually of a bureaucratic nature since it is an activity not clearly recognized in any sector of those laid out by the public administration. This

has harmed them on numerous occasions by adding further obstacles to those of a legal and legislative nature that are normal in their lines of business.

6 The Keys of La Hormiga Verde’s Success

In synthesis, this model generates benefits to help society since it solves a social problem (the integration of disability and its visibility as an SEC) and another environmental problem, also contributing to the reuse of waste and its re-incorporation into the chain of production.

6.1 The Social Impact

At the environmental level, the social impact of La Hormiga Verde is closely related to the educational work it is doing in schools, educational institutions, and wherever it is required, by means of talks about WEEE, the environment, and the Circular Economy. An important contribution is the contest that they organize in the different primary and secondary schools. This social impact can also be seen in the results of their communication through social networks.

On another extremely important level from the point of view of social impact, La Hormiga Verde does a commendable job in incorporating disabled people into the workplace. According to Romeo et al. (2020), these people are committed to the company and its values. Thanks to this employment, they have financial independence and a life of their own. The disabled people who work at La Hormiga Verde do a very professional job, gaining in self-esteem and working as a team into which they quickly integrate since the processes are especially designed to be carried out by this group of persons.

Finally, an indirect social impact comes from the fact of the significance of entrepreneurship in a region such as Extremadura, which has one of the lowest per capita incomes in Spain, and suffers from a constant flight of young talent. In addition is the fact that it is a company located in a rural area that has been suffering from a notable exodus demographically and economically. La Hormiga Verde thus contributes to the improvement of the rural world by promoting internal solidarity as an SEC and by making an important commitment to local development, as highlighted by Vilar Sáez (2018).

6.2 The Economic Impact

The best demonstration of its innovative entrepreneurial capacity is that it has been recognized by different institutions in the form of awards. In October 2018, it

received the EMPRENDE24 CIRCULAR award for the “Best Business Idea in the Green and Circular Economy” awarded by Acción Contra El Hambre in Extremadura. It has also received awards at the Extremadura Empresarial Awards 2019 (Finalist in Best Social Company), Demolab Maker Awards (Project of Greatest Projection), and Demolab Maker Awards (Best Project Aligned with the Green and Circular Economy).

The company carries out very professional management, and the management team forms an interesting tandem that enables decision-making to be analytical as well as intuitive and creative.

The economic activity is profitable, which encourages growth in both market penetration and expansion. In a short time, it has managed to be regarded as a benchmark in the region and has consolidated its business.

Finally, there are numerous growth possibilities that La Hormiga Verde is discovering day by day. This will mean new business and employment opportunities, which will lead them into the difficult terrain of having to make strategic decisions to get the path and purpose right without giving up being an SEC as a hallmark. What is certain is that, whatever economic decision they make, they will always prioritize its effect on the creation of social value.

6.3 Synergies: The Fourth Sector Economy

Finally, it is worth talking about the synergistic effect between social and economic impact. Thus, on the one hand, the contribution of La Hormiga Verde to the Circular Economy is remarkable since they are constantly looking for solutions for the recycling of any material, with new applications in different industries. They do this in an intuitive and resource-poor way, but also with enthusiasm, professionalism, and contacts.

In addition, as a result of its activity, La Hormiga Verde shows care for the effects of its actions by obtaining a “Quantified Certificate of Corporate Social Responsibility” by which it quantifies the effects of the electronic waste it receives from its institutional suppliers in aspects such as CO₂ emissions, electrical energy saved, and, something which is very important, work hours generated for its disabled staff. Thus, and in accordance with Etilé and Teyssier (2016), CSR must be incorporated into brand building strategies through third-party certification, which endows the brand with a real value rather than just an estimated value.

Finally, the economic results will be those that can prolong this activity over time. But, on the other hand, as if it were a vicious circle, its social activity as an SEC at the service of the circular economy positions the firm strategically, providing it with a promising future since it has been able to integrate disabled persons as agents of social change, with the important repercussions that this has in the global, and therefore local, context.

Table 3 presents an X-ray picture of the social value that La Hormiga Verde provides. The presentation is divided into the three action planes to be taken into

Table 3 Radiography of La Hormiga Verde's social value

Management of social value		
Action planes	<i>Social Integration</i> Special Employment Centre	<i>Environmental Care</i> WEEE management
Strategic plane (vision)	Be a recognized Special Employment Centre within the Fourth Sector This vision is framed in the context of Objective 12 of the United Nations (2020) in the section referring to the generation of stable jobs	Understand that recycling WEEE is a way to fight pollution and electronic waste This vision is framed in the context of Objective 12 of the United Nations (2020) in the section referring to the fact that consumption and production should be sustainable, and therefore that one should work to do more and better things with fewer resources
Tactical plane (mission)	We delimit social need at geographical, quantitative, and qualitative levels. Quantitatively: the employment of disabled persons increases Qualitatively: employment is improved, and helps to solve the problem of social exclusion of the disabled by improving their conditions and quality of life	We delimit social need at geographical, quantitative, and qualitative levels Quantitatively: solve part of the WEEE problem in the local environment, reaching the remotest places Qualitatively: offering WEEE recycling solutions directly to households and facilitating for them the task of recycling. Thus, the company's mission is clearly reflected in its positioning itself to be the company that reaches everyone easily and helps solve their specific problem, whether they are a home or a business
Application plane (business project)	Agents involved and geographical context: disabled people, and institutions and society in general in the Extremadura region It is a project framed in the social and circular economy, sustainable and expandable, which includes disabled people as agents of change	Agents involved and geographical context: partnerships and associations with public institutions and schools in Extremadura. The strategy is for the service to reach everyone and to enter the household context through the youngest part of the population
	Strategic orientations and principles of action in the design of specific policies: Company oriented to human resources, seeking for 99% of the work to be carried out by disabled people, although the obligation for it as an SEC is only 70% of its workforce	Strategic orientations and principles of action in the design of specific policies Company oriented to products and services WEEE collection through setting up micro greenspots Also attending to the demand for free warehouse cleaning Search for new solutions to the waste that it collects

(continued)

Table 3 (continued)

Management of social value		
Action planes	<i>Social Integration</i> Special Employment Centre	<i>Environmental Care</i> WEEE management
	Strategic orientations and principles of action in the design of specific policies: Company oriented to making its values compatible with the emotional and economic well-being of its employees	Strategic orientations and principles of action in the design of specific policies: Company oriented to suppliers and customers—institutions and organizations with which they have an agreement, educational centres, and places of installation of micro greenspots Customers to whom they sell the recycled raw materials
	Strategic orientations and principles of action in the design of specific policies: Company oriented to guaranteeing jobs, looking for compatibility with its financial results	Strategic orientations and principles of action in the design of specific policies: Company oriented to distribution The company has a network of micro greenspots, which act as suppliers and clients, where it collects waste free of charge. Moreover, it invoices and delivers orders to its customers through another distribution network
		Strategic orientations and principles of action in the design of specific policies: Company oriented to resources and costs The resources are limited and the financing is to a large extent its own, coming from its activity and from aid to Special Employment Centres Its cost policy is restrictive, taking advantage of recycling to solve furnishing needs, for example Although it operates in a rigid environment in terms of decision making and legal limits and gaps, it also reinvests its profits in the business
		Strategic orientations and principles of action in the design of specific policies: Company oriented towards promotion and communication: Design of actions: contests and formal communication channels, website, and Facebook

Source: Author’s elaboration

account for any organization that wants to replicate this model: the strategic plane, which represents its vision and therefore its path of action; the tactical plane, which is specified in the medium and short term missions; and the operational plane, which is defined through the business project to be developed by the application of specific policies.

Finally, it should be noted that the business is in the growth and consolidation phase, facing a series of weaknesses, threats, and, above all, major challenges and opportunities. Among the main weaknesses are the paucity of invested resources, its only very recent trajectory, and the lack of qualified personnel which means that key activities such as communication are not managed by experts.

Thus, it also faces a series of threats that are centred on the insufficient awareness of the population regarding recycling, dependence on the evolution of the very volatile markets for raw materials such as copper, gold, and platinum, for example. La Hormiga Verde’s billing will depend in part on the prices set in those markets.

However, the strengths it has are important given that it enjoys a strategic position based on the circular economy and making recycling easy for households no matter how far away they are. It is also a strength to have integrated the business model within the format of an SEC, which improves social awareness towards the disabled who, thanks to the recycling work of La Hormiga Verde, have a better life and are considered agents of social change. This fact encourages the firm’s signing of collaboration agreements with public entities, such as regional governments and educational institutions, and also encourages families to collaborate with education centres to achieve a greater amount of WEEE recycled, and also contribute to a good social purpose by promoting a type of employment that has had little protection. Finally, their strong point is also in offering a solution to a global problem through local action (in a regional environment), and in that they depend on themselves to take advantage of any opportunities that arise, given the scarce competition they have, increased awareness with regard to disability, the natural expansion of their market, and legislation favouring recycling.

7 Conclusions

The case of La Hormiga Verde clearly solves a need already expressed by Rubio-Mozos et al. (2019), and responds, as does that previous study, to two important challenges. One is the urgent need to modify the current economic model with metrics aligned with the characteristics of companies oriented to the United Nations Agenda (2030). And the other is the design of new business models which, within what the aforementioned authors call an “ecosystem of participation”, allow companies in the Fourth Sector to make real contributions with their business models to get closer to the seventeen Sustainable Development Goals for 2030 proposed by the UN in 2015.

Some of the particular aspects that make La Hormiga Verde as an SEC stand out as a case of entrepreneurship within the Fourth Sector and in the regional ecosystem,

and that endow it with originality, and whose contributions might be very interesting for business management in this sector, are centred on the form of generating synergies between the creation of social (labour and environmental) and economic value. Thus, La Hormiga Verde combines in a single case the characteristics described by Zurbano et al. (2012) for the Fourth Sector, since it is a company that does business socially, is itself inclusive in its integration of disabled persons, promotes the sustainable management of WEEE, has opted for a circular economy model, and fosters the preservation of the environment.

La Hormiga Verde is also a case of economic and social value creation in a developing region, helping to increase the entrepreneurial projection of Extremadura and of the company itself by offering an unprecedented solution to a global problem from actions at the scale of its own region. According to Zhu et al. (2017), the environmentally friendly handling and efficient recycling of WEEE have become a social issue globally. Initiatives such as this are milestones for regional progress, also contributing to the advancement of society and the conservation of the planet. This gives the company a dimension that surpasses its own geographic scope, since its model as constructed can be replicated anywhere. Thus, it can be said that a very important aspect of this business model is that La Hormiga Verde does not provide a local solution to a global problem, but rather the contrary—its model is replicable in other areas, and therefore contributes a solution to a global problem from a local action.

Another aspect that La Hormiga Verde resolves in its business model is that it responds to the challenge proposed by Zhu et al. (2017) by going directly to the final consumers of electronic devices, including to households as the smallest dimension core where WEEE accumulates. Those authors explain that consumers have a significant effect on the WEEE recycling process, and that greater attention paid to the influence of consumer behaviour on the recycling process could help achieve more effective results.

La Hormiga Verde is also a paradigmatic case within the Fourth Sector as regards its creation of social value. This is because it helps the employability of disabled persons by integrating them into the ordinary, rather than necessarily protected, job environment (González 2020). This may lead to improvement in the existing knowledge about disability, taking advantage of the extra motivation of these people who have become an active population without any of the previous stigmas deriving from belonging to an organization related to disability (Romeo et al. 2020).

La Hormiga Verde's circular business model guarantees economic viability and the creation of economic value. It allows discarded products and materials to be in use for as long as possible (by processing all the materials the firm receive as raw materials, thus tending towards zero waste), protecting the economy against the scarcity of resources and the concomitant increase in the costs of raw material (since the firm recycles what nobody wants, at no cost to the user), obtaining the maximum value from those materials and improving circular waste management practices (Braun et al. 2018).

This circular business model leads to the offer of new business opportunities for manufacturing industries and contributes to sustainable business growth. Thus, in

line with the Sustainable Development Goals (United Nations 2020), the development of its economic activity in a sector of priority action for the European Union places the company in an exemplary position for others to emulate, both in its nearby environment and further afield, showing that financial viability is not incompatible with sustainable social and environmental development.

However, despite the obvious social, economic, and environmental benefits of La Hormiga Verde, according to Rubio-Mozos et al. (2019) it is necessary to demonstrate progress with results, which may be done by means of certifications based on a more reliable and precise system of indicators of social and environmental benefits. This would undoubtedly help the company to improve its management and to become more transparent in its activities.

Finally, La Hormiga Verde contributes beneficially to sustainability by collaborating with different institutions (schools, institutes, and other public administrations) in training about recycling in talks and visits. The company has based its communications policy on education, taking advantage of the powerful resource represented by entering society through its younger generations, who are more flexible to environmental awareness, to change of habits (Mallick and Bajpai 2019), and to social awareness (Afuape 2016) related to diversity. Gaining the trust of young people allows adults to be reached by inverse example—in this case, from young people to adults (Casey et al. 2019).

In addition, the main source the firm uses to spread awareness is education through the competitions it organizes in schools to see who is able to recycle more kilograms of WEEE. The results of these competitions are very satisfactory from a social marketing perspective (Stafford and Brain 2017) since there is intelligent integration of a social marketing action (the organization of a competition) with the productive activity itself (the acquisition of raw materials in the form of kilograms of WEEE). Thus, it not only converts an isolated marketing action into the means of developing a part of its activity (the acquisition of raw materials), but it also achieves value for its brand since its strategy is based on transmitting the social values that it fosters in its own staff of disabled persons, such as camaraderie, team work, and the ability to share achievements, outwards to the case of the prize in the competition, since it is the winning school that gets the award, with the spotlight not on individualities but on the collective, which is where the strength of society and La Hormiga Verde lies.

As a coda, in sum we might state that La Hormiga Verde is sowing seeds for the future through involvement of the younger community, promoting values such as respect for the environment, the fight against climate change, and the generation of job opportunities in favourable conditions for persons with disabilities. This is done with a vocation for service and expectations for the future, and always with a clear social character, offering an innovative, dynamic, and flexible model that can be replicated within the Fourth Sector.

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Managing Creative Industries Through Cooperation: An Evidence of New Business Models in the Fourth Sector



Luis Manuel Cerda-Suarez

Abstract The existence of museums is an important pillar of the cultural and economic system in the fourth sector in both developing and developed countries. It is known that aesthetics is the most important criteria for differentiation in museum experiences; however, the importance for cultural institutions to increase incomes and revenues, improve their benefits and transform their models towards experience-focused practices has led to highlight a visitor orientation in order to make these institutions accessible to tourists and visitors. This work intends to describe the implementation of Lean Six Sigma methodologies in the context of the cooperation between several institutions evidencing new business models in the fourth sector. Firstly, a framework of such approaches is presented and secondly a rigorous managerial process is validated. Additionally, in this chapter, a guidance on process innovation is described. The main conclusions of this chapter reinforce the importance to improve the quality of leisure services regarding the nature and competitiveness of cultural services, and the relevance to intervene on certain variables at different levels of management performance. Additionally, this study provides new insights into how organizational and relational elements impact management in the fourth sector. The results and conclusions of this research are relevant not only in decisions of operational practice, but also on the management theory in the scope of this study.

Keywords Creative industry · Fourth sector · Business model · Cooperation, museum

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1 Introduction

In the last decades, it is observed an extension of the traditional characterization of cultural industries (recorded music, cinema, audio-visual, and so on) to the concept of creative industries, including economic activities with a creative dimension, for example, fashion, tourism, architecture, design or electronic and videogames. For this reason, culture and creative sector represent a relevant source of innovation (Hania et al. 2012). According to Shubik (1999), culture has received broad state and private support, described by various factors: that is, the prestige linked to the construction of large buildings such as museums, the intention to enhance heritage, the facilitation of education, and its potential to generate economic and shared value.

According to several authors, museum as a cultural and creative industry is one of the most significant industries worldwide. In the last decades, the importance of museums in society and economy has been continuously growing. The Louvre Museum in Paris is a good example year by year; in 2000 this institution had about 6.1 million of visitors, in 2011 8.8 and in 2018 10.2 approximately (Ahmad et al. 2013; Causevic and Neal 2019; Horváth and Szabó 2019; Pallud and Straub 2014). Additionally, the commercial potential of museums is accelerating itself with the opening of subsidiaries abroad, for example, such as the Louvre in Abu Dhabi and the Pompidou Center in Spain and Belgium. A relevant sample of reasons for this interest in museums are the following: for example, related to provide new creative space for community, support social and intangible resources, and improve quality of life for visitors and citizens. A decade ago, the European Union highlighted that cultural institutions and museums are clearly linked to creativity and innovation in societies (KEA European Affairs 2009).

The fourth sector is configured by different features distinguishing it from the other three sectors, that is, the public sector (governments), the private sector (businesses), and the non-profit sector (civil society in general). Two defining characteristics are the following: a primary commitment to social purpose and a predominantly earned-income business model. Additionally, one or more secondary characteristics are related to inclusive ownership (ownership rights are allocated among stakeholders in accordance with their contributions); stakeholder governance (decision rights are distributed among stakeholders); fair compensation (employees and stakeholders are compensated in proportion to their contributions); reasonable returns, social and environmental responsibility, transparency (i.e., performance and impact are assessed and reported), and protected assets (social-purpose assets are preserved upon dissolution, conversion, or ownership transfer).

In terms of symbolic and iconic representations, museums are adequate objects to analysis in the fourth sector showing how to serve not only to the community, but also to both tourists and natives (Bjerregaard 2015; Kwon et al. 2015). Before the creation of a legal structure supporting for-benefit organizations, there were three structures available to institutions: for-profit (that is, private sector), non-profit (i.e., social sector), and government (public sector); museums operate in all three of these sectors. However, beyond the specific legal structure, there is blurring among the

three sectors: commercial activities in non-profits, for-profits with socially minded owners, and government agencies collaborating with both sectors. For example, some museums pursue more commercial activities: they have gift shops, externally located bookstores, cafés and restaurants open to the general public, etc. The consequences of these commercial actions vary based upon mission and potential competition with for-profit organizations. This change towards an earned-income model is a way for museums to become more self-sustaining.

Certainly, aesthetics is a very relevant criterion for differentiation in museums; however, museums are reinforcing the importance of design and management for commercial purposes because of visitors and tourists represent attractive segments to be linked to these institutions (Anuşlu and Firat 2019; Causevic and Neal 2019). Additionally, museums operate in a more for-profit manner through the use of corporate structures. In terms of the changing legal and operational context of non-profits, for-profits and public agencies, some museums are adopting a for-profit financial structure.

Recently, several authors point out that museums represent an important opportunity to evidence particularities improving business processes. Moreover, the relevance for cultural institutions to increase incomes, improve their benefits and transform their models towards experience-focused practices has reinforced a market orientation on which researchers have focused (Recuero et al. 2019).

Regardless of any consideration in formulating business-level strategies, several authors point out that the most significant aspects for managing successful museums are focused on reducing costs and gaining sustainability (Camarero et al. 2015; De Backer et al. 2014; England and Miller 2016; Lo et al. 2019). Particularly in the Islamic countries, the satisfaction of consumers as a relevant paradigm is showing a great interest in Business and Marketing disciplines. For this reason, a focus on business processes in creative and cultural institutions oriented to experiences justifies this research regarding the importance of information technologies, operational processes and communication systems impacting on performance in museums (Dela Santa and Tiatco 2019).

In the Islamic countries, cultural tourism is a relevant phenomenon emerged from the development of museum industry. In practical terms this means that many Muslim countries are trying to attract the tourist's market by providing the best cultural services, destinations and facilities to cater their preferences and needs (Ch'ng et al. 2019; Napp et al. 2016). However, in this area, a shortage of theoretical, empirical and managerial researches is evidenced.

While the museum field is considering this fourth sector, little is known about for-profit museums and how they operate. Consequently, in order to conceptualize the for-profit museum model, more information is necessary. The purpose of this research is to understand how a museum operates when it uses a for-profit organizational structure. Utilizing a business process model, this study explores how one for-profit institution provides a context for understanding the for-profit museum sector.

Museums can benefit from this information; for this reason, this research addresses a void in the literature that allows them to further appreciate other

available museum models. In order to cover the main effects of technological change and institutional behaviour through cooperation on the fourth sector, this chapter aims to describe the strategic business practices and key developments such as new business models, marketing and governance and operational issues emerging along the fourth sector, with focus on regional organizational ecosystems. Based on references of business process in cultural institutions, this chapter intends to describe the application of operational methodologies in business processes. Our specific objectives are the following:

1. To characterize the Lean Six Sigma methodology as a set of techniques providing positive outcomes in the creative industry
2. To evaluate the main dimensions for the success of these core processes in an Islamic country, in empirical terms

Additionally, the implementation of these techniques is oriented to improve operational processes, innovate in working methods, and increase agility reacting to rejections and complaints.

This case study describes how the Ministry of Culture in Oman, Muscat, assigned to five relevant companies this important project, a Spanish firm in particular. Each of these firms had their particular staff and employees but working together, it is evidenced that outsourcing can cause “white spaces” when several organizations became linked to any process (i.e., the specific spaces between different phases in process). Several authors mention that technologies such as Virtual Reality and Quick Response (QR), information systems, and the Internet influence the manner that visitors interact with museums. For this reason, it is relevant to describe the experiments evidenced by the literature and the tools used for evaluating those experiments (Entradas et al. 2016; Han et al. 2018; He et al. 2018; He 2019).

Given the presence of different organizational cultures in many institutions, some of the specific activities and tasks to be implemented in an operational process are analysed in this chapter. As an instrument for analysis, in this paper, the Lean Six Sigma methodology is implemented in the operational process of the National Museum of Oman.

The outline of this research is as follows. The contextual and conceptual framework considering academic literature is exposed in the second section. Design and details of the methods and materials are described in the third section. Findings and discussion are highlighted in section number four and finally conclusions, managerial and theoretical contributions are exposed in the fifth part of this paper.

2 Literature Review

The application of operational methodologies such as Lean Six Sigma for improving business processes is a well-known strategy to manage many organizations, as it is evidenced by several authors (Ghobakhloo 2020). Currently, the environmental challenges that the world faces require the consideration of best practice for

organizational behaviours that contribute to develop new business models in the fourth sector.

2.1 Relationship Between the Fourth Sector and the Creative Industries: New Business Models

For-benefit organizations included in the fourth sector are a rapidly growing class of institutions that are giving rise to this new sector of the economy. Like governments and non-profit organizations, for-benefit corporations pursue a wide range of primary objectives in social and environmental terms. Furthermore, for-benefit organizations earn their revenues by selling a broad range of services and products, create jobs, and contribute to the economy in general.

In general, cultural industries mean kind of industries which preserve culture, including tangible and intangible culture. Creative industries are a new concept of the industrial components of the economy encompassing a broader range of activities which include all cultural production, whether live or produced as an individual unit.

The definition of the cultural industries and its related terms has been the subject of intense debate over the last few years. Creative industries and cultural industries are two terms used interchangeably. Moreover, there is little appreciation of the difference between the two concepts. The definition of cultural industries refers to industries or sectors which combine the creation, production and commercialization of contents which are intangible and cultural in nature. Frequently, the contents can take the form of goods and/or services; furthermore, cultural industries generally include multimedia, phonographic and cinematographic productions as well as crafts and design (UNESCO 2020).

According to UNESCO (2020), museums are included in the field of creative industries. Museums contribute to the development of creative and cultural industries in terms of values and symbols created by the cultural sector in general (Han et al. 2018). Several authors are suggesting museums consider a for-benefit model because of recent funding challenges facing them and the rise of social entrepreneurs and social benefit corporate structures. However, little is known about the for-benefit museums in part because they are private entities and not easily identifiable.

In recent years, a range of for-benefit institutions and entrepreneurs has led to the creation of new types of corporate structures in the cultural industries. These structures allow social-minded businesses to maximize profits and to obtain some public benefits (Gomez 2012). Additionally, there are numerous individuals and for-profit organizations who want to invest in socially responsible business models because of the potential for investment return as well as the positive corporate reputation the museum offers. In this sense, the business models found within the fourth sector offer attractive approaches for addressing not only the economic, but also the social and cultural values of museums. For this reason, museums are seen by

several authors as part of the emergent fourth sector, driven by global concerns over cultural and creative considerations. This new fourth sector allows hybrid entrepreneurs to develop new business models falling outside the traditional sectoral boundaries regarding the public (governments), the private (for-profit) and the social sector (non-profit organizations). Examples of the fourth sector organizations are cooperatives, non-profit organizations, social businesses, and civic enterprises, in terms of same organizational models which fall outside the traditional three sectors based on Sabeti and Sector Network Concept Working Group (2009).

Although there are lots of examples of successful larger organizations such as the National Museum Wales, Victoria and Albert Museum, National Galleries of Scotland, the creative and cultural sector is dominated by small companies. According to Pattinson (2015), 85% of companies in the sector employ fewer than four people, 14% employ 5–50 people and only 1% employs more than 50 people. Both the secondary research and case studies highlight the importance of providing support to the sector to help these organizations develop sustainable business models that ensure their long-term success.

Previous research has indicated a promising instrumental power of cooperation and co-creation in relation to attitudes, intentions, and behaviours to implement new business models (Presenza and Messeni 2019; Sung 2015). For example, adopting an in-depth case study approach for investigating how the chefs innovate their business models over time, Presenza and Messeni (2019) describe the relevance of motivations and mechanisms that chefs use to innovate their business model. Particularly, this paper analyses not only four main intrinsic motivations, that is, creative freedom, legitimation, reputation, and need to grow but also some structural mechanisms (standardization, strategic thinking, co-operation, and internationalization) along which the business model is developed. Furthermore, this research suggests that chefs generally engage in entrepreneurship in order to innovate without restrictions and maximize their reputation for profits.

In the same line of research, Landoni et al. (2019) carried out an exploratory analysis of their business model innovations that cultural and creative institutions implement along their life-cycle. Investigating the role that creative and cultural companies have in the economic development of different countries, they evidenced how the lack of managerial capabilities and complexity in value chain relationships tend to maintain these small businesses, mainly due to certain industrial tensions and constraints. Building on a historical study of three firms operating in the mobile gaming industry, two main results emerged from its research in order to: (1) organize their resource architecture to build a strong reputation, and (2) dedicate resources to innovation in product portfolios by providing platforms that support the development of new creative solutions.

According to several authors (Pattinson 2015), the characteristics that define a museum are the following:

- Having a clear social or cultural mission set out in their governing documents
- Being controlled in the interests of the social mission
- Being autonomous of governments

- Generating the majority of their income through visitors
- Reinvesting the majority of their profits
- Being transparent

However, recently several authors pointed out that the most relevant aspects for managing museums are to gain sustainability and reduce costs (Camarero et al. 2015; De Backer et al. 2014; England and Miller 2016; Lo et al. 2019). For example, in this line, Gamble et al. (2017) analysed in an exploratory study how rewards-based crowdfunding influences business models for music industry artists, labels and live sector companies in particular. Through a methodology based on a qualitative, semi-structured interview design with senior executives from industry, results in this research indicated that the financial model benefits of crowdfunding for independent artists are influenced by demographic variables relating to age and genre due to sustained apprehension from younger audiences. For this reason, similarly several authors mention that major labels are now presenting some user-centric financial models as a significant innovation strategy. In addition, these authors reinforce that the effect of crowdfunding on their marketing model may already be initiating its development in terms of strength, creativity and relations.

In the last years according to several authors, it is observed a tendency towards more human-based perspectives based on collaborative knowledge, networking and diffusion among employees and employers (Martínez et al. 2018; Recuero et al. 2019). For example, Benita and Urzúa (2018) and Santoro et al. (2018) highlight that in the current competitive environment, institutions tend to establish networks and alliances with external parties or cultural and creative industries in order to acquire different sources of knowledge. For this reason, innovation becomes developed by a diverse set of industries and can impact firms' performance. Accordingly, this research evaluated whether both informal and formal cooperation affect performance. The findings in this research indicate that it is very important to reinforce knowledge in companies and alliances (Santoro et al. 2018). Furthermore, business models implemented in cultural institutions act as an effective action for change in such organizations (Castaldi 2018; Ch'ng et al. 2019).

However, according to Li (2018), the new business models are often not 'new' in the traditional sense, that is, business model innovations are firstly reflected in using digital technologies to expand a range of business models than previously are available for a firm. According to this author, a significant trend is the adoption of multiple business models as a portfolio within one company, especially in firms of all sizes. That is, one company uses multiple business models to respond to different segments, sell multiple products, or engage with diverse markets, or to use different business models over time. Through a recursive process, our understanding of business models using digital technologies is reinforced, facilitating business model innovations in the creative industries (Li 2018).

To sum up, according to Rodríguez et al. (2018), previous literature has focused on the contribution of cultural and creative industries to innovation of the wider but the effect of region on cultural and creative industries has been completely neglected. However, in this paper, it is argued that the innovative performance of

this type of industries may be influenced by the specific geographic context where they operate. In so doing, in this research the findings showed that the regional context determines not only the innovative performance of cultural and creative industries, but also firm age has a negative impact on the probability of having patent activity, while size and venture capital have a positive influence on performance.

2.2 Lean Six Sigma in the Context of the Fourth Sector: A Tool for Managing Creative Industries

A business model describes the rationale of how an organization captures value in economic, social, cultural and other contexts. The process of constructing a business model is part of business strategy. Certainly, business models can operate as repositories for managers and leaders providing a starting point for organizations to develop their own model.

There has been limited scholarly interest not only into the specific conditions of operational processes in cultural industries, but also into the identification of the business models they have adopted (Landoni et al. 2019). For instance, recently Li (2018) presented how digital technologies facilitate business model innovations in this type of industries through a systematic literature review, a holistic business model framework and analysing the empirical evidence from the creative industries. A relevant finding of this research is that digital technologies facilitate changes in business models and as a result, some trends have emerged.

In terms of the role of business models, an interesting question is related to the difference between the roles of an existing market-based industry and a newly emerging industry. Yun et al. (2019) analysed the status of the technologies and business models in the car and robot industries using model patents. Additionally, they investigated the simulated market growth of these industries using system dynamics. Some relevant conclusions of this research are as follows: in the case of existing marketing-based industries, a strategy focused on a business model when the firm is initiating, whereas one oriented to technology is relevant in the mature stage. For example, in the case of an industry such as robots, a strategy focused on technology is useful in the early stage but one focused on technology is preferred in the mature stage.

According to Rask et al. (2018), there are several examples of successful institutions in the creative and cultural sector. For example, Tap the Table Theatre Company is an organization focused on issues related to youth employment which have created a set of workshops and programmes to facilitate these issues. These services are in demand by a range of organizations (businesses, councils and universities, and so on) which provides regular revenues. For this reason, they do not have to rely on charitable donations or public funding. Similarly, in Scotland, the Cultural and Creative Social Enterprise Network (CCSEN) provides opportunities for social enterprises in the sector to come together and share best practice and provide peer support.

Other examples include Hoda Production, an enterprise with a musical and creative arts background engaging young people, and generating income through film making, workshops and similar productions. In the same line, Almond Valley Heritage Trust is a living museum with woods and fields extending for almost a mile, and Mill Farm is a traditional farm, home to many animals: the daily activities allow the visitors to get up close and personal experiences displaying an interactive exhibit that illustrate local history.

According to several authors (Han et al. 2018; He et al. 2018; Taalbi 2017), studies reinforce the importance to assess the experiments described in the literature and the instruments used for evaluating those events. For instance, particularly in museums, Entradas et al. (2016) pointed out that elements such as information systems, technologies and the Internet influence on the way that visitors experience with museums, in terms of the use of different solutions to transform customer experiences in public spaces (Rich 2016; Ruiz-Alba et al. 2019).

Furthermore, the implementation of processing modelling in institutions has caused advantages and opportunities to several organizations; however, these considerations tend to be reported during commercial events and referred to reengineering activities. For this reason, they rarely support the successful development of these processes. According to Avilés and Canizalez (2018), the establishment of innovative forms of production and commercialization in cultural and creative industries contributed to an increase in culture, however there is a lack of instruments to assess these innovations.

For-benefit museums are a recent trend but as a consequence of their private nature, there is little published research about these organizations. The literature is mainly found on blogs and websites, not academic in nature. However, there is a wealth of literature on public, profit and non-profit structures. Additionally, several fields such as non-profit organizations and the use of marketing and operational techniques in non-profits and public museums are of great interest. In this sense, a relevant literature has been developed since the 1980s on the management and the commercialization of museums (Kotler et al. 2008; Anderson 2012). Essentially, this literature is mainly confined to books on planning and development strategies, trying to facilitate an approach through checklists and best practices. This literature review introduces the thinking of New Public Management by explaining the methods and precepts of strategy, marketing, human resources and quality management. A relevant objective in these fields is to develop new resources through marketing: targeting, positioning, pricing policy, communication, etc.

The managerial literature proposes ways to optimize the functioning of sales spaces, with emphasis on dynamic management of the product offerings, their renewal, and the quality of welcome (Theobald 2000; Gautier 2014). In addition, the importance of cultural tourism is not new, but the increasing integration of museums into tourist itineraries is of relevance (Anderson 2012; Gautier 2014). According to the World Trade Organization (WTO), there will be 1.8 billion tourists in 2030 compared to 1 billion in 2012, before the COVID-19 crisis. The managerial challenges for museums are twofold: to assess the needs of different types of tourists and visitors according to their origin and cultural background, and to impulse the

contribution of tourism by engaging professionals and tourist agencies in a proactive promotion.

Beyond these considerations, the use of technology in museums raises important discussions (Freeman et al. 2016). Offering an empirical evidence to explain the possibilities of growth of spatial agglomerations at the Toronto Central Metropolitan Area in Canada, this study relied on a quantitative methodology based on information to evidence that cultural industries improve the development of the regional and local economies. The results demonstrated that the local and the regional geography establish a cycle of growth in which diverse factors such as specialization, human capital, agglomeration and complementarity between organizations influence the competitiveness of the region and the city as a whole, and the emergence of a creative architectural cluster (Avilés and Canizalez 2018; Ghobakhloo 2020).

Particularly in a cultural context, museums represent an important opportunity to analyse in comparative terms an institution on which researchers has focused (Recuero et al. 2019). The relevance for these institutions to increase incomes and revenues, improve benefits and transform their experience-focused practices has led to highlight a market orientation in order to bring culture closer to visitors and consumers' demands and expectations (Adamides and Karacapilidis 2006; Horváth and Szabó 2019).

In the last years, many managers in cultural and creative institutions have evidenced a great interest in technologies applied to these industries (Causevic and Neal 2019). However, literature shows the existence of contradicting opinions between the particular implementation of the traditional visions and the interactive and novel techniques (Dela Santa and Tiatco 2019; Entradas et al. 2016; Rustiadi 2015; Sciarpi et al. 2015). In this context, Lean Six Sigma techniques and methodologies might be considered a set of relevant and adequate tools for managing creative and cultural industries (Martínez et al. 2018; Pallud and Straub 2014).

Several authors (Castaldi 2018; Niewiadomski et al. 2019; Su and Teng 2018) point out the relevance of aesthetics in museums, that is, attractive designs will lead visitors to these institutions. However, studies in Management and Business have not reported details in this topic. According to Martínez et al. (2018), the development of business processes methodologies in cultural and creative industries requires to implement the following actions:

- Do it right the first time
- React to rejections, inspection and repair
- Gain confidence to organizational change
- Align with other commercial processes
- Analyse relationships with several processes

Lean Six Sigma is a methodology used in a broad set of disciplines and sub-disciplines, for example, in Operations Management and Engineering but also in creative and culture industries (Martínez et al. 2018). Initially, several authors often considered the concept of Lean Six Sigma linked to the analysis and use of operational systems and procedures but nowadays, numerous evidences show that this methodology is still relevant in management (Martínez et al. 2018; Napp et al. 2016).

An important example in this line of research is the following. In their study, Darvishmotevali et al. (2020) investigated the main aspects of environmental uncertainty on organizational creativity and their findings show that organizational agility moderates the negative impacts of uncertainty on creativity in organizations. That is, these results suggest that in dynamic environments, organizations must reduce bureaucracy to manage the challenges of uncertainty offering new contributions to the relationship between environment, organizational creativity, and organizational agility in several industries.

Similarly, in a recent study, Huang and Liu (2018) described a model of effects in which culture serves as an important mechanism that clarifies the relationship among brand image and travel benefits considering the main dimensions of a creative experience (peace of mind, escape, unique involvement and interactive opportunities). The results provided support for an integrative model across evidencing a positive impact of brand image on travel benefits caused by culture learning. Additionally, creative and cultural experiences enhance the positive influence of travel benefits through brand image. In short, in this study, the results show that an interactive experience may have positive effects on peace of mind through opportunities for unique involvement and escape experiences. Using alternative models to measure the significance of the findings, this pattern of moderated mediation could be explained by means of religious beliefs focused on foreign tourists' cultural experiences (Huang and Liu 2018).

As a relevant consequence of this theoretical framework, the reconfiguration of procedures to design and put into practice several Lean Six Sigma methodologies is oriented to improve organizational performance (Camarero et al. 2015; Martínez et al. 2018). However, recently there is an increasing interest to make operational systems more flexible using different techniques (Benita and Urzúa 2018). For example, according to MAN (2014), in terms of the relevance of the security system in showcases in cultural and creative industries such as museums, the National Museum of Oman evidenced 247 showcases and approximately 3000 security devices in 2014. In comparative terms, the Spanish Archaeological Museum in Madrid had 337 showcases in the same period.

In this chapter, we aim to describe a case study for evidencing a conceptual framework related to cultural and creative industries and institutions. According to several authors (Sciurpi et al. 2015), some environmental conditions such as temperature and energy were not acceptable for the preservation of exhibitions, as is describing by the experience of "La Specola" Museum in Florence. In our research, the implementation of the Lean Six Sigma techniques was very important to reinforce some contextual and environmental aspects that can impact to the showcases and exhibits.

This research analyses creative industries by using the concept of cooperation and the Lean Six Sigma methodology, which sheds light on how the characterization of the activity system in institutions and organizations delivers value in terms of the exploitation of entrepreneurial opportunities over time (see Table 1). The results will contribute to the development of creative industries, offering relevant contributions on the approaches adopted by creative entrepreneurs to compete over time.

Table 1 Capabilities and challenges regarding the Lean Six Sigma methodology in creative industries

Capabilities	Challenges
Speed	To reduce some activities that do not add value, such as excessive inspections by the client (NMO)
To be agile	To be able to react to rejections, analyse, repair and turn in inspection again the alarms in showcases. Learn to do the first
Alignment to the client	To gain confidence by the client in a process that is improved day by day
Innovation	To improve the working and operational methods looking for alarm assemblies in showcases, and get done first time

Source: own elaboration

Additionally, these aspects provide rules to understand how creative firms can explore innovative businesses.

3 Methodology

3.1 *Scope of This Study: The National Museum of Oman*

The purpose of this research was to understand how a museum operates utilizing a for-benefit and profit structure. Nowadays, museums are discussing the options provided by adopting a new operational way to manage and consequently, little research has been conducted on how they operate. This study was designed to understand how a museum defines what it means to be a for-benefit museum in terms of operations, service, visitors, and other elements specific to museums, such as collections. This museum was selected regarding the following considerations: the inclusion of the word “museum” in its name, the special for-benefit status, and its willingness to participate in this research. Four for-profit museums were contacted to participate in this study based upon the same criteria. Four of the five museums previously contacted responded; two of those declined to participate attributing the decision to their particular status as are private entities; that is, they do not have the same requirements of transparency that the rest of organizations do.

In order to evidence the two main specific objectives of this chapter, the improvement of the operational process in the National Museum of Oman (NMO) was exposed by means of the head of coordination, studying the operational actions and activities and using some key indicators referred to the number of errors identified in exhibit and showcases. The individual who participated in the study was contacted because of his or her presence at the museum since its founding, and subsequent knowledge of the museum and its operations. The project on which the case study is carried out was awarded by the Ministry of Heritage and Culture to five companies. Each of these companies subcontracted work to third parties, which in turn had their own employees. It is important to notice it because it can be produce

more 'white spaces' when more organizations participate in the business processes. Furthermore, each company comes from a different country with personnel from different cultures.

The NMO is the most relevant museum in the Middle East. Nowadays, it represents 4000 m² approximately, and it is located in the capital of Muscat, Oman. It comprises 247 showcases of 22 models of exhibitions, that is, 7000 exhibited objects and interactive devices are showed, approximately. Within the Exhibition Area of this museum, there were identified three main processes: showcases, furniture and objects-content (i.e., objects and information). A significant aspect to evidence, in this case, is that the main processes here described work together, but two of them (showcases and furniture in particular) are required to complement the other (i.e., objects-content).

In terms of the five firms considered in this case, the Spanish company participated in this project working in two main areas as described by: a) the construction of the museum and b) the exhibition of this institution. The operational process related to the construction of Exhibition Area experimented numerous adjustments until the building was edified.

3.2 Sources of Information, Protocol and Research Procedure

The work was divided into two main areas: Construction of the new building (which was commissioned by the Main Contractor) and Exhibition Fit-Out (which was commissioned by the Exhibition Fit-Out Contractor). The installation of Exhibition Fit-Out began without having finished the construction phase of the building, which led to continuous adjustments in the initial planning. Usually, the fit-out work does not start until the construction is finished and clean and the building is dust-free. Within the Exhibition Fit-Out area, there were three main operational processes: Furniture, Showcases and Content (objects and information). The first two prepared the continent on which the objects would be installed. Their problems and delays mediated the operability of the installation of objects.

The client (NMO) did not coordinate the execution of the study process: there was no Security Manager (who should be in charge of the control of the security system in showcases as well as in the whole museum) and the Security Consultant merely over-see the process. An important particularity is that the three main operational processes work in parallel, the first two ones (furniture and showcases) are necessary to operate the third one (objects). The installation process of objects had to be delayed due to the lack of client-approved showcases. At the time when the beginning, improvement project after detecting the problem, was established, there were 150 showcases installed of the total of 247. The client had only approved 20, mainly due to their demand for aesthetic finishes much higher than the usual quality standards. In addition, no display case had the client-approved security

installation. To give an idea of the volume that the process of installation of showcases represents, it can be used as a reference that the Spanish National Museums, from which information has been collected, have about 20% of the showcases alarmed, and in many cases wirelessly. The object of this work has 247 showcases connected by wire and a number of almost 3000 security elements installed. In comparative terms, the number of showcases in the National Archaeological Museum in Madrid is 337 (Museo Arqueológico Nacional 2014).

As a tool for analysis and improvement of processes, in this research, the CMP (ciclo de mejora de procesos, in Spanish) methodology is used. Also, in this procedure a lean guidance and the process innovation techniques are used, such as identification Process mapping, value mapping, relevance matrix and robustness, process form creation, value-added analysis (VAA) and process modelling techniques. The project above-mentioned presents a large number of processes that have not been regulated or written previously. Given the complexity of cultures and organizational structure, many of the activities to be carried out are slowed because their implementation requires developing many steps mostly bureaucratic. Consequently, in order to achieve the main objective of this project, both the improvement of the security process in showcases and the capabilities are analysed. Furthermore, the challenges to be achieved are set out in the table below using as an indicator the number of errors in inspections of the alarms in showcases. In this sense, to increase client satisfaction by providing a sense of security in the protection of installed objects and solve or alleviate the coordination problems encountered are relevant challenges to managers in museums.

Regarding the main sources of information and the specific research procedure, the so-called Ciclo de Mejora de Procesos grounded in Hammer and Champy's proposal (Martínez et al. 2018; Taalbi 2017; Vanolo 2015) was applied in this research, mainly due to its opportunity, versatility and flexibility. This methodology is a specific eight-step process identified as DMAIC (i.e., Define, Measure, Analyse, Improve and Control), with two additional phases (or steps) from the introduction to the control stages and finally, a final one related to training. Specifically, this process has identified several tasks and activities into sequential steps ending in a rigorous quality control (i.e., the final phase of this process).

In order to evaluate the improvement implemented in this study, several indicators (or key performance indicators, KPI) were used: (1) the ratio approval of showcases/total, (2) the ratio showcases with errors inspected/total, and finally (3) the ratio showcases without connection box/total. Additionally, a mapping including all operational processes was designed and the main specific KPI was defined in order to evaluate the degree of inefficiencies and satisfaction here identified. In the context of this research, the number of approval of showcases was measured in terms of percentage/total, as the main variable to measure for management. Also, in this research, some criteria focused on the reduction of the degree of dissatisfaction in operational processes were considered.

To sum up, the variables that influence the number of approval/total were the following: dissatisfaction, satisfaction, extrapolation to other projects, opportunity for improvement and operational waste. Particularly, a rigorous census of all the

Table 2 Main key performance indicators on dissatisfaction (KPI)

• Customer dissatisfaction (number of problems causing dissatisfaction)
• Customer satisfaction (level of service)
• Extrapolation to different projects
• Opportunity for improvement
• Operational waste reduced

Source: own elaboration

Table 3 Indicators, variables and main objectives (MNO)

Indicator	Variable	Main objectives for each variable
Operational waste	Speed	To eliminate activities not-adding value (e.g., in terms of number of inspections)
Customer dissatisfaction Customer satisfaction	Agility	To reactions to rejections To repair and learn to do the first
Opportunity for improvement	Alignment	To improve the interaction among employees
Extrapolation to different projects	Innovation and diffusion	To improve some operational techniques and introduce novelties

Source: own elaboration

processes and indicators was characterized in terms of the three main operational alternatives here described, that is: showcases, furniture and objects-content (see Table 2).

The operational process was divided into sequential activities with the suppliers and clients for each activity; this particularity diminished the error in the final stage. Additionally, in order to evaluate certain inefficiencies in coordination, the process mapping in this research was elaborated and the main indicators were established in terms of the degree of satisfaction and dissatisfaction of the participants, operational waste, extrapolation to other projects, and opportunity for improvement. As a result, Table 3 shows the main indicators, variables to manage and the main purpose to reach when the improvements on the processes were implemented.

In this research, by means of using the technique of two-dimensional process analysis, it was assessed the main priority for an immediate improvement, that is, the relevance (the process generating value) and robustness (i.e., the process has the qualities to give the expected service) is valued. In order to establish the criteria of relevance and robustness, we have considered the problems that affect its operation and identify the relevance and robustness according to high, medium and low grades. The processes will be placed in the following four quadrants (see Table 4).

The responsible of the process improvement in concordance with the department managers involved in the processes decided on the process candidates for improvement. The assessment of the candidates for improvement is described in Table 5. The most relevant actions for improvement are the following: inspection of showcases and revision of the security installation in showcases; between the two processes, the

Table 4 Classification of the identified processes

Quadrant	Process strategy plan
Q1	Priority processes that require immediate improvement
Q2	Key competence. Market differentiations to be exploited
Q3	Offer of potential services
Q4	Potential candidate to outsourcing

Source: own elaboration

Table 5 Assessment of the candidate for improvement

Processes	Relevance	Sturdiness	Quadrant
Installation of showcases	High	Medium	Q2
Adjustments in showcases	High	Medium	Q2
Preparation of graphics	Medium	Medium	Q3
Supervision of showcases	High	Low	Q1
Review of security in installation of showcases	High	Low	Q1
Logistics of showcases	Low	High	Q4
Adjustments of illumination	Low	High	Q4
Review and approval in installation of objects	High	Medium	Q2

Source: own elaboration

second one was selected. This fact complies with all the key decision criteria above-mentioned, in particular, because it was a very appropriate moment to carry out the improvement. For this reason, it required an effort in coordination; in order to be extrapolated to other projects, it must involve a reduction in the waste of the operations and also it must reduce the degree of avoidable dissatisfaction.

4 Results

In order to empirically evidence this research proposal, this project considered all activities and tasks configuring the operational process. As a result of the diversity of organizational structures and cultures comprising the alliance here described, several activities were implemented weakly due to bureaucratic limitations. The particular methodology in this research was carried out many times in order to implement other processes. The main objective was to diminish the speed according to the deadline and to successfully finish each stage on time. Working in coordination among firms, under the contractor as the specific leading company with interest in this process, the showcases and exhibits were adjusted to the work. The showcases and boxes (i.e., elements of union to the general security system of the museum) were delivered using the display according to the Security Consultant of the museum (see Table 6 for details).

Table 6 Summary of results (in percentage/units)

Main Indicators (KPI)	Initiation	Forecasting	Finalization
Operational waste	15%	10%	8%
Customer satisfaction/dissatisfaction	73%/27%	80%/20%	82%/18%
Opportunity for improvement	85%	90%	92%
Extrapolation to different projects	15%	20%	22%
Approval of showcases	11.3%	60.7%	41.7%
Percentage of showcases with errors	72%	5%	2.3%
Showcases without connection box	45	15	14

Source: own elaboration

Initially, when the Spanish firm started the process of installation, the number of showcases installed was 247. At the beginning of this improvement process, 11.3% of the showcases were approved and finally the figure was 41.7%. Similarly, there was a 72% of showcases with errors and to the end of the process, the figure was 2.3%. In terms of showcases without connection boxes, the initial number was 45 items and finally, the final result was 14. In short, after the Lean Six Sigma methodology was implemented, the majority of the showcases were approved, only 2.3% of them had errors and 14 showcases were recorded. The operational waste was reduced, and the customer satisfaction, opportunity for improvement and extrapolation to different projects were increased (see Table 6).

In order to implement some actions, the chief manager of the project planned the execution of the processes, and these activities allowed the reconfiguration and adjustment to the new needs of the participants in each iteration. For example, as it is evidenced, the process under study considered the following results in terms of the following indicators: the percentage of approval of showcases/total of the project, the percentage of showcases with errors, and the number of showcases to repair in each case without connection box. In this research, the results showed that the implementation of the processes was developed by the staff and the internalization of the Lean Six Sigma methodology was reached. Moreover, it was allowed to appreciate a significant improvement of the identified processes.

As it is shown in Table 7, the CPM methodology was iterated several times, due to the progress of other processes shortened the deadlines and more speed was needed to successfully finish on time. The increasing robustness of the process under study allowed its re-elaboration and adjustment to the new needs in each iteration. It was possible to work in coordination under the command of the company that had a greater interest in the process: The Exhibition Fit-Out Contractor. It was done adjusting the works of their subcontractor Installer of Showcases and the installer of Junction boxes (element of union to the general security system of the museum). The lack of a Security Manager was supplied by delivering each of the display showcases at the end of the project with the security system completely checked (according to the Security Consultant and the Museum Security installation). At the end of the project this process was continually adapted to the main Process of Installation of Objects to which it served as a support process.

Table 7 Display control milestones for showcases and security elements

Gallery	Total showcases	Phase 1: Installation of showcases		Phase 2: Junction boxes		Phase 3: Security		Phase 4: Security				
		Installed	% installed	% ready to install	Show-cases and boxes	Reviewed	%	Re-viewed	%	Objects	%	
LP	34	0	0	2	32	100	0	0	0	0	0	0
MH	8	6	75	2	6	100	6	75	1	13	4	8
AA	15	11	73	2	13	100	9	60	11	73	175	82
CM	20	0	0	0	0	0	0	0	0	0	0	0
AF	2	0	0	0	1	50	0	0	0	0	0	0
CU	3	0	0	3	0	100	0	0	0	0	0	0
TL	7	7	100	0	7	100	7	100	7	100	40	100
PH bat	3	1	33	0	3	100	0	0	0	0	0	0
PH fri	12	10	83	0	12	100	10	83	11	92	49	98
PH magan	28	20	71	3	22	89	22	79	22	79	657	73
SI	41	34	83	0	41	100	39	95	12	29	59	23
OW	25	4	16	9	16	100	0	0	0	0	0	0
RN	9	4	44	1	6	78	0	0	1	11	6	3
IH	5	5	100	0	5	100	5	100	5	100	41	100
CO	8	0	0	7	1	100	0	0	0	0	0	0
UC	12	0	0	0	12	100	0	0	0	0	0	0
Others	4	0	0	3	0	75	0	0	0	0	0	0
Temporary	11	0	0	3	0	27	0	0	0	0	0	0
	247	102	41	35	177	86	98	40	70	28	1031	26

Source: own elaboration

5 Conclusions and Contribution

5.1 *Conclusions and Limitations*

Nowadays, environments present increasing unpredictability. Not only small- and medium-sized enterprises, but also other organizational models possess advantages of flexibility and adaptability, which helps them cope with technological advancements and combine market-based approaches of the private sector with the social and environmental aims of the public and non-profit sectors to maintain competitiveness and sustainability.

Creative and cultural industries' increased global presence evidences a rapid and radical transformation. This type of industry has grown rapidly and obtained a grand-scale by leveraging the growing cultural economy and its global market in particular. At the beginning of the twenty-first century, economic power is shifting towards service industries, bringing economic and social influence as well. Cultural and creative industries' increasing role as major global industries has attracted global attention, especially from social and economic opinion leaders in both developed and underdeveloped countries. Undeniably, these type of industries cannot be viewed as merely the consolidation of services industries might. Given recent cultural developments, some companies may choose to temporarily refocus on growth in their domestic and international segments and markets. For this reason, this chapter sought to inform these critical and relevant issues. The main conclusions, implications and further research are described as follows.

The recent presence of for-benefit museums have stimulated a debate about the different legal structures available to museums. Essentially, the museum discussed in this study operates using permanent collections as well as exhibits. This kind of organization works with an advisory board in some capacity and capitalize on unique claims related to their niche subject matter. The mission of this museum suggests that it provides their visitors with some type of educational value and it appears to be relevant to each institution's visitorship. Additionally, the museum chose to operate as for-benefit and clearly articulated the earned income because it makes them less reliant upon donative sources of income.

In this research, a business model was described to understand how the museum operates. The model suggests that the museum has a wide and diverse range of one-time visitors that visit the museum because of its newness. The business model also suggests that the mission plays a role in every aspect of the museum's organizational structure. The data suggest that the museum's reliance upon earned income allows the organization to be intentional and selective about the money that it does receive in the form of corporate sponsorship or investments. The National Museum of Oman business model was used as a tool to better understand how a for-benefit museum operates.

When creating this model, literature struggled with some previously held ideas about what certain elements of a museum business model should look like. For example, there is the notion that museums should strive for repeat visitorship.

However, if the organization is not achieving repeat visitorship, the model should be understood as operating using one-time visitors. Throughout the process of creating a business model, assumptions about operations are challenged and the organization can understand what it actually needs to deliver, create and provide value. Regarding the two specific objectives related in this case study, our insights reinforce how important is to evaluate some variables and indicators in order to well manage different cultural and creative institutions.

To sum up, this research may be considered as a conceptual and contextual framework of knowledge with application to similar cultural contexts, taking into account the specific aspects of an Islamic country in particular. This chapter includes different experiences captured by actors and firms as a best practice. Furthermore, these results contribute to reinforce the relevance of diverse aspects regarding the three main processes in museums, that is, improvement of furnitures, showcases and content-objects. The specific key performance indicators here developed reinforce the importance of certain instruments in order to manage on certain dimensions. Additionally, some aspects considered as limitations are as follows: for example, the difficulty to coordinate agents and collaborators from different countries and and the different visions of the firms involved in the construction of this project in particular.

In conclusion, the presence of experiential projects in cultural and creative industries facilitates the implementation of a standard of quality in the management of cultural events and institutions. The repository of knowledge generated by this case study is oriented to the generalization of these results and findings as a manner to extrapolate these insights to further research. From a comparative perspective, the application of Lean Six Sigma methodology in the context of cultural and creative industries demonstrates the usefulness to focus on diverse variables and indicators at different levels of management.

In terms of limitations of this research, this is a case study looking at one museum in Oman that operates as a for-benefit museum. For this reason, it may not be generalizable to how other museums operate or how other museums operate outside of this country. Additionally, there were limitations that affected the manner in which data were obtained. Due to scheduling conflicts, only this museum was able to participate.

5.2 *Contribution*

In this case study, the main contributions related to conceptual, contextual and managerial implications are oriented to describe some operational processes led by managers and implemented through a broad range of diverse activities. Some indicators such as reduction of errors, customer satisfaction and dissatisfaction, and increased opportunities for improvement are of great interest in order to facilitate the operational coordination among diverse institutions and organizations.

This chapter illustrates the implementation of Lean Six Sigma methodologies between several institutions regarding new business models in the fourth sector. For

this reason, these pages are focused on describing the design and implementation of commercial processes regarding a modern museum, the National Museum of Oman (NMO), in Muscat. Particularly, in these pages we have described some indicators, variables and attributes which are playing a significant role in a creative environment, such as a museum. Moreover, our results and insights can be generalized to other environments and contexts.

For members of the museum to understand how a museum operates utilizing a for-benefit legal structure, certain established norms and assumptions about the sector and field need to be addressed. The first established norm and assumption to be addressed is that for-benefit organizations are not mission-focused and are only concerned about making money. The literature and the data suggest that to be successful, both non-profits and for-benefit organization needs to be mission-oriented and intentional about how the staff realize that mission. For-benefit museums have published missions that are similar in scope to those for non-profits and, as the data from the museum suggest, are used in making operational decisions.

Another assumption about the museum field is that the use of commercial activities in museums leads to mission drift. The data suggest that museums can be for-benefit that put the mission first by adopting a benefit model or including certain provisions and articles of incorporation like the museum. Additionally, the data from the museum show that for-benefit museums can utilize non-profit foundations to manage collections and allow donors to receive tax benefits.

Museums should consider which model allows the organization to best achieve their mission. A museum should not adopt a for-benefit structure just because it believes it will make the museum more financially stable. Non-profits can engage in similar commercial activities as for-benefit and can make a profit, though unlike a for-benefit it may not distribute that profit. To sum up, the decision of which legal structure to incorporate should be decided based upon what makes the most sense for the specific organization.

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Part III
Insights and New Trends

New Trends in Marketing Aimed at the Fourth Sector in the Fashion Industry



Estela Núñez-Barriopedro and Maria Dolores Llombart Tárrega

Abstract In the current environment, markets are becoming increasingly globalized and more competitive. So, organizations are challenged to differentiate themselves or die. The textile and clothing products sector represent a very important and well-established industry that also provides a dynamic boost to the Spanish economy. Especially on the fashion industry, it can be seen how large companies aim to follow the latest trends, it is known as fast fashion.

This work analyses the case of ECOALF, it can observe that this company has implemented a marketing strategy that revolves around sustainable marketing. Briefly developing ECOALF marketing strategies we can observe the following.

Regarding product strategies. Their garments are made from recycled materials, such as plastic bottles from the bottom of the ocean, recycled nylon, cotton and wool and recycled used tyres. The production points go along with the collection's points of the products, which are made in different countries such as Spain, Portugal, Taiwan or Japan among others. The aim is to create products that promote sustainability among consumers seeking design and quality. In addition, ECOALF does not incorporate natural fur or leather in its garment collection

Regarding the price, in the case of ECOALF, the high cost of manufacturing is reflected in the price of the final product to the consumer.

Based on multi-channel distribution, through online sales, but also with a distribution not only in their official stores (Spain, Netherlands and Germany), ECOALF has presence in different boutiques and shops in many countries: Besides having stands and points of sale in department stores.

Its communication strategy stands out because ECOALF seeks to retain and attract buyers by increasing the perceived quality of the brand, not only by increasing its social networks, or with the product placement or making alliances with more established brands in the market or celebrities. The company constantly seeks to improve the tangible attributes of its products. The philosophy behind brand

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management is not only based on sustainable marketing but they also want to communicate the quality of fabric and design.

The original of the case study is the change that is taking place in consumers' purchasing decision and how the world of fashion is evolving. On the one hand, the consumer culture and, on the other hand, consumers more aware with the Fourth Sector and sustainable fashion.

Keywords Marketing · Fourth Sector · Fashion industry · Sustainability · ECOALF

1 Introduction

Current concerns about values that are taking place in recent decades are driving companies to integrate sustainability into economic models (Romero 2018). This shift in the society occurs because of all the information to which it can have access in the twenty-first century. Sustainability can be explained as a principle of economic, social and environmental viability being a key point in the business strategy (Bocken et al. 2014). The fashion industry has contributed to the depletion of natural resources and has engaged in malpractice since its main purpose is profit-making. Nowadays, a change in the values of the textile sector is taking place. Companies are more aware to offer what it is known as “slow fashion” offering ethical fashion that benefits society and is conscious with the environment.

One of the main objectives of this paper is to analyse the characteristics of the ECONALF business model to be considered as a good example for benchmarking purposes in the Fourth Sector.

ECOALF is the company that will serve as a case of study, since its philosophy as a company is totally focused on the Fourth Sector. On the one hand, this chapter will help to have a clearer vision of how society and businesses are increasingly aware of the social and environmental problems caused by the fast fashion model and how companies have adopted new business models and consumers have changed purchasing patterns to consume sustainably. On the other hand, the sales and profitability of the company ECOALF will be analysed as it follows a sustainable business model.

2 Fourth Sector

The key challenge for twenty-first century corporate leaders is to develop innovative ways of doing business that integrate profit and social impact. The Fourth Sector is a fundamental pillar where business and citizens are involved in achieving sustainable production and social welfare. Increasingly, more consumers are betting on ethical companies, which go beyond the simple product characteristics. The interesting

point is the remarkable characteristics of ECOALF business model benchmarking purposes in the Fourth Sector.

The fact that companies are increasingly concerned about social and environmental impacts and traditional forms of corporate profiling have evolved between for-profit and non-profit enterprises, as it is very restrictive. Aspen Institute defines the Fourth Sector has a very broad definition and includes: corporate social responsibility, sustainability marketing with a cause, risk philanthropy, social investment, among others (Fourth Sector Network 2009).

The Fourth Sector is also a term that is related to Corporate Social Responsibility (CSR) (Navarro García 2008). Corporate Social Responsibility is the voluntary commitment of companies to the development of society and the preservation of the environment, from their social compassion and responsible behaviour towards the individuals and social groups with which they interact (Corporativa 2014; AECA 2004). The main objective is to introduce management and management elements aimed at innovating and improving the impact of companies, so that they generate socially responsible externalities (AECA 2004). The key is including Corporate Social Responsibility (CRS) within business objectives since an ethical and solvent business model guarantees greater business success and social progress (Cuesta-Valiño et al. 2019).

2.1 Business Model and Hybrid Organizations

In order to define the term business model, there is no universal definition. A successful Business Model must have the following four elements: key resources, key processes, customer value proposition and a profit formula. These four interlocking elements create and deliver value. The most important is the customer value proposition, followed by profit formula, key processes and key resources (Johnson et al. 2008).

The business model is an approach of an organization, which includes three main dimensions (Chesbrough 2010; Osterwalder 2004):

1. How key components and functions, or parts, are consolidated to deliver value to the client
2. How those parts are interconnected within the organization and throughout its supply chain and stakeholder networks
3. How the organization generates value or creates profit through those interconnections

However, among the definitions that can be found in the literature, there are two main lines of research. On one hand, some authors define the business model as the way in which organization carries out its activity. For example, Zott and Amit (2009) defines the concept as the way in which a company carries out its activity and the way in which it relates to its stakeholder, such as partners, customers and suppliers.

On the other hand, it is found that some authors describe the business model as the way an organization creates, delivers and captures value. For example, Osterwalder et al. (2004) define the business model as a conceptual tool that contains a set of objects, concepts and their relationships with the aim of expressing the business logic of a specific company. Therefore, they consider that such concepts and relationships allow a simplified description and representation of what value is provided to customers, how it is done and with what financial consequences.

Concerning sustainability, a sustainable business model helps to describe, analyse, manage and communicate the company's sustainable value proposition to its customers and all stakeholders, how it creates and delivers this value and how it captures economic value while maintaining or regenerating natural, social and economic capital beyond its organizational boundaries (Schaltegger et al. 2012).

To be successful, companies must commit to creatively integrating eco-efficient and eco-efficient innovations that contribute to the improvement of natural, social and financial resources into their main activities (Castelló and Lozano 2011; Jackson 2009; Rifkin 2014).

A practical tool to coherently integrate economic, social and environmental concerns into an organization's global business model vision is the Triple Layer Business Model Canvas (TLBMC). This model is built by adding two layers, environmental layer, which is based on a lifecycle perspective, and social layer, which is based on a stakeholder perspective. Taking together the three ranks of the business model, it is easier to see how organizations generate economic, environmental and social value.

According to Haigh et al. (2015), hybrid organizations are those that pursue with their activity and their business model to mitigate a social or environmental problem. For this purpose, they carry out both profit and non-profit practices. This is the case of ECOALF, the three main bases on which ECOALF is promoted are sustainability, innovation and sustainable design.

Hybrid business model focuses on creating social and environmental improvement and not just reducing the negative social and environmental impacts caused by business activity. These models seek mutually beneficial connections between communities, businesses and the natural environment around them (Haigh and Hoffman 2011).

The hybrid business model is articulated around three main aspects. First thing is achieving the social and environmental objectives, and the rest is secondary. Next, the most important thing is the relationship with suppliers, employees and customers that are mutually beneficial, not the cost and last and not least seek to shift traditional industry standards towards those that pursue social and environmental objectives (Haigh and Hoffman 2011).

Hybrid organizations are the key in sustainable business. An innovative business model can either create a new market or allow an enterprise to create and exploit a new window of opportunities in existing markets. Hybrid models are characterized by creating close relationships between communities by employing local people, involving them in decision-making and training them in specific sustainable techniques. Furthermore, paying fair wages allows a better quality of life. Relationships

are based on trust, positive consideration, compassion and vitality, which have proven to be fundamental to institutional resilience, learning and innovation. In this way, the renewal of social and environmental systems is encouraged. Companies must be thinking about adopting hybrid business model. According to Penelas Leguía et al. (2012), in 10 years, the idea that a company only cares about profit will be conceived as old-fashioned and irresponsible. Hybrid organizations have taken advantage of niche market opportunities, which has favoured competitive advantages and differentiation from other organizations.

Over and above fulfilling the characteristics of the hybrid business model, ECOALF is the first fashion brand in Spain to become a B Corp company. The community of B Corp companies represents a global movement of more than 3000 companies in 70 countries, which include more than 150 sectors. The purpose is clear, companies must compete to be the best for the world and society can create cycles of shared and lasting well-being. Companies with B Corp certificate go far beyond the economic target. The main objective of these companies is to innovate in order to maximize positively the impact on their employees, the relationship with the community and the environment.

However, it should not be forgotten that these companies meet the standards of social and environmental performance, transparency and accountability to solve not only environmental and social problems but also to contribute to sustainable development (Ravina Ripoll et al. 2019).

2.2 Sustainable Marketing and Green Marketing

Spain is classified as one of the most entrepreneurial countries of the present time, according to Global Entrepreneurship Monitor (2018–2019). If it is focused on the fashion industry, one can find different companies that are taking advantage of business opportunities contributing differently for a better world.

Nowadays, there is a growing interest in the ethics applied in the manufacture of sustainable products, which positively influences the purchasing decision of responsible consumers (Zarfino 2010). The notion of sustainable fashion (also known as ethical fashion) refers to a form of design, supply and production of products that maximizes the benefits of individuals and communities, while reducing environmental impact (Ethical Fashion Forum).

Over recent decades, the study of sustainable consumption has been a problematic issue and a novel field of scholarship (Cuesta-Valiño et al. 2020a). On the one hand, it can be conceived as a contradiction, since the meaning in the dictionary defines “consume” as the action of “destroy or extinguish”, a definition completely opposed to the meaning of sustain (Peattie and Collins 2009). On the other hand, sustainable consumption requires a different perspective from that of more conventional academic thinking, especially in the disciplines of marketing and economics. Broadly speaking, when consumption is discussed, it is usually about the context of

“buying”, different from the majority view in the literature of “intent to buy” (Junior et al. 2014).

There are different ways to approach a more sustainable model, and different responses can be perceived in companies that work day by day to be more sustainable. On the one hand, there are companies focused on those processes and activities over which they exercise direct control; nonetheless, others support an external collaboration strategy with a multi-stakeholder approach (Worley et al. 2010).

The concept of sustainable fashion is not only implemented by small innovative companies in their business model but large companies are also forced to include it since it has increased its significance in the value proposition.

However, small companies that include sustainability in the business model implies a competitive advantage through which you can obtain differentiation in new market niches, creating brand identity and thus survive in the competitive market (Caniato et al. 2012).

In the framework of green marketing, the consumer’s attitude towards the environment and perception of the brand’s performance have gone separately. Nevertheless, as the company ECOALF has carried out, when a brand offers sustainable attributes, attitude and performance are associated, and the brand becomes part of the set of associations that the consumer determines regarding a product and its sustainable functionality.

As a result, the buyer is thinking about purchasing a sustainable product and, automatically, the consumer would consider the brands that offer the sustainable attributes that he wants to find in the good that he will acquire (Spry et al. 2011).

The involvement of sustainable companies has led to changes in the marketing-mix plans to make the planning of a sustainable product or service more strategic (Kotler 2011). The proposal is based on the 4Ps of Marketing Mix developed by McCarthy et al. (1979).

Regarding the product, compared to the previous heading, Kotler (2011) determines the tendency of manufacturers to develop biodegradable or reusable packaging, which is why this physical attribute stands out as one of the marketing-mix axes that was traditionally ignored. With regard to distribution, it promotes sustainability and local manufacturing, declining towards decentralized production. Highlighting the omni-channel management due to the proliferation of digital channels and their coexistence with more traditional channels (Alonso-García et al. 2021). In the same vein, the author refers to promotion, recommending the promotion online.

Sustainable consumers are willing to pay a supplement for a sustainable product that meets their environmental and social concerns, as they associate the increase in manufacturing externalities (Peattie 2001; Kotler 2011). Peattie has already taken into account the importance of the price strategy in the process of changing towards corporate sustainability (Peattie 1999).

ECOALF brand guarantees to offer the sustainable attributes that consumers look for in their products, so that when the buyer thinks of sustainable products, he automatically associates the ECOALF brand with production sustainability. This shows how the credibility of the brand (the ability to offer the sustainable attributes that it promises and that the consumer seeks) can significantly influence the

consumer's perception of the ecological image of a brand and its brand equity. Thus, the brand boom emphasizes the need to manage the brand effectively, in order to maximize the company's profit and value (Keller 2008; Cuesta-Valiño et al. 2020b). Furthermore, Keller and Ailawadi (2004) ensure that creating a strong green brand equity allows companies to positioning their differentiated products in the market and gain competitive advantages.

Sustainable marketing seeks to create a sense of relevance through the brand. This not only affects the sustainable economic behaviour of the consumer towards the brand but also affects positively on the environmental commitment of the consumer. Kotler (2011) assures that to achieve a sustainable marketing in the global market there are different challenges, such as changing the guidelines, to establish new patterns in management fields and propose new combinations and strategies in marketing mix.

The key in the field of sustainable consumption is the need to create connections between consumer behaviour and the social and environmental consequences of consumption, as well as the impact on production systems. For their part, responsible consumers are satisfied because they are aware of the benefits of sustainable purchasing (Peattie and Collins 2009). As far as distribution is concerned, trademark notoriety is also involved. Any action that allows brand exposure will contribute to the creation of brand notoriety (Keller 2008). Moreover, products are organized by category so that consumers receive brand exposure (notoriety) by category, which will facilitate the connection between the product category and the brand.

2.3 Fast Fashion and Slow Fashion

The idea of Fast Fashion is broad defining, which responds to consumer preferences by providing new trends and to those of the industry by keeping pace with a globalized and interrelated world. There are two reasons why this phenomenon occurs. On the one hand, variety takes precedence over durability; in other words, garments do not last more than a season in stores, are rejected and discarded while new garments are incorporated in shorter and shorter cycles. On the other hand, the tight deadlines are due to the pressure on suppliers to deliver on time (Cobbing and Vicaire 2018). Fast Fashion is described as current fashion, affordable and economical (Bick et al. 2018).

This business model needs to satisfy its customers with garments that keep up-to-date styles and trends and that are also purchased at affordable prices. This makes companies compete with each other in terms of price and product renewal (Caro and Martínez de Albéniz 2014). In addition, this model is being affected by social and environmental impacts as a result of the speed with which trends change causing excessive textile consumption (Cobbing and Vicaire 2018).

The impact of this type of fashion on the environment is mainly caused by the long production chain behind each garment, since from production to the end of the garment's life, "it is contaminated with gases and chemicals, soils, air and water"

(Gómez 2018, p.1). According to Loetscher (2017), this industry contributes to global warming by emitting 1.7 billion tons of CO₂ per year, increasing toxin emissions, water pollution and generating 2.1 billion tons of waste.

Concerning social impacts, it should be noted that this industry employs 40 million people in low- and middle-income countries that generate 90% of world textile production. In most cases, workers are subjected to inhuman and intolerable conditions, exposed to health risks, as they breathe the toxic materials used in the production chain and are physically forced to perform various and repeated tasks of movement, leading to situations of stress and injuries (Bick et al. 2018).

The textile industry is being forced to transform its business model to minimize impacts, given high social and governmental pressure. Because of this, collaborations between firms and the most significant stakeholders are becoming increasingly important (Bocken et al. 2014).

Nowadays, it is very difficult for large fashion firms to implement sustainable measures. However, companies are suggesting certain models to incorporate sustainability into existing business models, reducing gas and energy emissions, and reducing waste and resources intensity (Bocken et al. 2014).

The circular economy is a production and consumption model that aims to preserve and restore natural capital and optimize the yield of resources, minimizing the risks arising from the process. The circular economy supports the care of nature, economic prosperity and the well-being of society, in which the aim is that technical and biological resources remain along the value chain of the products manufactured and consumed for as long as possible, trying as far as possible to keep the material within the production cycle, taking as a rule at all times, the optimisation of resources (MacArthur 2013; Cerdá and Khalilova 2016).

The circular economy has three main principles (MacArthur 2013):

1. Protect and repair natural capital by controlling finite resources and balancing natural resources
2. Optimization of performance in the technical and biological cycle to maximize the number of consecutive service life cycles
3. Reduction of damage to techniques and areas affecting the environment and society.

According to MacArthur (2013), with these three principles, the circular economy seeks to use renewable and higher-yielding resources through technology and innovation to improve nature by allowing its regeneration. The manufacture of products from their recycled components and materials are constantly in circulation with the objective of not generating waste and increase the useful life of the products, reaching its maximum use. The circular economy also eliminates different types of pollution. As a result, a better management of resource use is achieved.

Slow Fashion is not only the opposite of fast fashion but it is also a different vision of the business model, values and processes for the production and marketing of a garment. In addition, it is a vision that offers products and brands a new marketing angle, as it gives them durability and a long heritage of design (Fletcher 2010).

The Slow Fashion concept is characterized by being an emerging alternative textile model that carries rooted ethical, sustainable and ecological movements. It emerges as a new option to balance and resolve negative social and environmental aspects that cause a textile business model not to be sustainable (Jung and Jin 2016).

This model is distinguished by using less intermediation, in order to reduce the distance between producers and consumers, and encouraging local production, which helps to reduce the carbon footprint. In other words, it uses local natural raw materials or local resources, as well as nearby suppliers, to create more transparent production systems and facilitate collaboration between designers, producers and consumers (Ozdamar Ertekin and Atik 2015). Thus, generating stronger links between brand and stakeholder.

Moreover, Jung and Jin (2016) also stress that both local production and transparency in the system underpin the development and diversity of the population, one of the main components of social sustainability. The term Slow Fashion aims to bring value and make the consumer see the garments as an investment, providing quality and durable designs (Ozdamar Ertekin and Atik 2015).

3 Methodology

The main objective of this chapter is to study in depth the ECOALF case as an outstanding example of a for-profit company that prioritizes social and environmental objectives following the principles of the Social and Solidarity Economy. Specifically, the characteristics of ECONALF's business model are examined in depth so that it can be considered a good example for benchmarking purposes in the Fourth Sector.

An exploratory study has been carried out with an extensive review of the literature and secondary sources, such as books and academic journals, and information from the company itself has been analysed, in this case ECOALF, in addition to the processing of economic data from the SABI database.

Specifically, an extensive analysis of ECOALF has been carried out to relate the most important terms that are covered in the Fourth Sector. Additionally, the sales of ECOALF compared to two direct competitors of the company, Skunkfunk and El Naturalista, have also been analysed, since the three Spanish companies that use sustainable marketing in their business models have a vision of Slow Fashion and take part in the Fourth Sector. Likewise, the evolution of Return on Equity (ROE) of ECOALF is analysed.

Through this analysis, it can be seen how purchasing patterns are changing and how they are evolving as consumers become more aware of sustainable business model. Even though the results are not so favourable, they cover market niches.

4 Results

Achieving the characteristics of the circular economy, ECOALF is characterized by manufacturing products of 100% recycled waste, designed to last over time. These products are manufactured in the countries where the recycling of waste is carried out fulfilling a fair labour force. The company recycles. To do this, the company requires high research and development in order to look for materials that can be recycled and transformed with the least impact on the planet and society.

This has become the engine of its business activity belonging to the movement Slow Fashion previously described. Its founder, Javier Goyeneche, in 2009 created the company with a clear philosophy: to respect the environment and recycle products in a world where almost nobody does.

The company ECOALF promotes a positive social and environmental change as an organizational objective, the relationships that the company maintains with suppliers, employees and customers and the way to interact with the market, competition and industry that fulfil as explained above with a hybrid business model. As a matter of fact, the way in which it promotes social and environmental change in a positive way as an organizational objective is taken into account in the mission of the brand to integrate environmental objectives, in the control of its production process. Although it is longer and slower, it is more sustainable. Most of its products are 100% recycled. The company oversees recycling six different types of materials, PET plastic bottles, discarded fishing nets, used tires, post-consumed coffee and post-industrial cotton and wool.

Most of these products have a lifespan of 10 s into a jacket with a lifetime of 30 years. ECOALF develop its own fabrics. They have developed over 300 fabrics in the last years. The benefits of recycling depend on the product.

In case of used plastic bottles, there is 20% less consumption of water, 50% less consumption of energy and 60% less production of greenhouse emission (ECOALF 2020). The same happens when the company recycles wool or cotton, there is a reduction in the consumption of water and energy and there is less production of greenhouse emission. As a result of using fishing nets (the company only use 6.6 nets) to produce the best polyamide, the process is done only by seven chemical steps. If it is compared with the polyamide that comes from petrol, it needs 17 chemical steps. Also, the company started their first project in Spain, manufacturing flip-flops from used tires. Moreover, ECOALF has an agreement with a big cafeteria chain in Taiwan, where they recollect the post-consumer coffee and they humidify the compound, and after drying it, convert it into powder. This powder mixed with polymers from plastic bottles is used to manufacture technical fabrics throwing chemicals. Perhaps it should be pointed out the fact that the company never move the waste around.

One of the most ambitious communication campaigns being carried out by the company is called “Upcycling the oceans”, launched in 2015 in northern Spain. It is a revolutionary initiative that is intended to be carried out in other parts of the world as well. The main purpose of the campaign is to collect the garbage that is destroying the Mediterranean Sea and turn it into a top-quality thread. In order to carry out this

campaign, ECOALF counts on an intense research and development during years, as well as the support of specialists of the sea, in the case of Spain, the fishermen of Levante.

Regarding the price, many companies in the textile sector have sought their market niche by begging for discounted pricing strategies due to the phenomenon of low prices. Companies such as H&M, Primark, C&A and some Inditex chains offered various types of low-cost clothing. This was due to the possibility of producing in China and India, mainly, where the labour force together with the volumes of clothes is cheaper, as well as not having big advertising campaigns, which allows them to have a product in trend, regardless of whether the garment only lasts a season. On the other hand, in the case of ECOALF, the high cost of manufacturing is reflected in the price of the final product to the consumer. The brand also incurs transport costs from the place where their products are manufactured to the point of sale. Including production costs of I+D for tissue research and distribution costs makes the product more expensive.

Based on multi-channel distribution, through online sales, but also with a distribution not only in their official stores (Spain, Netherlands and Germany), ECOALF has presence in different boutiques and shops in many countries, besides having stands and points of sale in department stores.

To do this, they create multidisciplinary stores, where the consumer can better know the manufacturing process, learn about the brand and have a pleasant shopping experience. Gaining prestige through social media, they have 124K followers on Instagram.

Although ECOALF is a relatively young brand, since its creation its turnover has increased exponentially, using much of its benefits for research in innovation and technology in order to be more efficient and discover ever better ways of doing things. This has allowed them to develop over 60 patents on fabric together with a consolidation in international markets. The latter has been achieved, thanks to numerous strategic alliances that the group has formed with international brands, thanks to their distinctive capabilities: innovation and sustainability (Løw 2018).

Finally, making the lifecycle of the clothes as a circle under the condition of producers' and consumers' responsibility, an important contribution can be made to the preservation of our planet. The use of basic rules of sustainable fashion will help the producers to make not only environmentally but also economically profitable business.

The case of ECOALF is a good illustration to give an explanation to the business model and hybrid organizations. The company ensures the mutual benefit to itself and to the local communities of its suppliers by paying workers a living wage and investing time and resources in the training of sustainable techniques. In addition, ECOALF produces consistently at the same place from which the waste is taken, as the company claims that it would make no sense to use sustainable materials if they were then moved to Europe with all the environmental impact that it entails.

It must be pointed out that especially concerning the relationship with its suppliers, ECOALF makes sure to choose only those who hold certain environmental and social certificates. Regarding the interaction that ECOALF has with the market,

Table 1 Basic information of ECOALF

Characteristic	ECOALF
Country of origin	Spain
Size	Small
N° employees	55
Geographic presence	9
Sales in € (2018)	6,192,047

Source: Author's elaboration based on ECOALF webpage and Information

Table 2 Sales and earnings before interest and taxes

	ECOALF	SKFK	El Naturalista
Sales in € (2018)	6,192,047	754,679.09	3,898,894

Source: Author's elaboration

competition and industry, what is more, the company wants that its business model serves at all times as an example that benefits can be obtained at the same time, contributing positively to society and the environment. For this reason, ECOALF continuously gives talks and conferences.

ECOALF is also an example of for-profit businesses that prioritize social and environmental objectives following the principles of Social and Solidarity Economy. Since its creation in 2009, the company had a clear objective, create a truly sustainable fashion brand (Table 1).

Despite the fact that ECOALF is a small Spanish company, with only 55 employees, it continues growing and has a presence in nine countries (Germany, Austria, Spain, Italy, Switzerland, Japan and the United States) and has recorded in 2018 a sales figure of 6,192,047 €.

Table 2 shows that ECOALF's sales figure is 6,192,047 € in 2018, which is considerably higher than its most direct competitors, Skunkfunk (SKFK) and El Naturalista, in this sector.

On the one hand, Skunkfunk was founded in the 90s by Mikel Feijoo. Today it is known as SKFK, becoming a casual fashion brand without losing sustainability, its main value. It is present in 38 countries and all its pieces are designed with sustainable fabrics, natural fibres and organic cotton in the Basque Country and subsequently produced and supplied in a sustainable way in Europe, India and China.

On the other hand, El Naturalista is a Spanish brand that was born in La Rioja and was founded by the De la Peña brothers in 2001. But it was not until 2003 when they began with a strategic plan and the internationalization of the brand. It is currently part of the Life Concept group and has a presence in more than 40 countries. Besides betting on sustainable materials, they have a line of vegan footwear.

As it can be seen, the return on equity ratio (ROE) (Table 3) is responsible for measuring whether the company is making good use of its assets to earn revenue. This relationship besides being quite high is also positive, which means that it is a profitable company in terms of the correct use of its resources, with quite solidity and is able to create value for its shareholders. ECOALF is a company that, given its

Table 3 Analysis of the evolution of Return on Equity (ROE) of ECOALF

	2013	2014	2015	2016	2017	2018
Return On Equity (ROE)	-46.69	-222.93	566.35	89.68	272.40	121.31

Source: Author's elaboration

explained characteristics, needs a large volume of financing in order to be able to carry out new productive systems and R&D of new materials that make its garments completely sustainable.

The rapid recovery of the ROE stands out, starting negative in 2013 (-46.69), worsening considerably the following year (-222.93) and then rising and remaining positive from 2015 onwards.

On the other hand, it is important to study the coefficient of return on total assets (ROA) which is used to measure the efficiency of total assets of companies, regardless of the sources of finance used or to measure the ability of each enterprise to generate income. In the case of ECOALF, the ROA is negative and where this is the case, it is possible due to the large investment required by the company for its production since the materials used by the company have a higher cost both in obtaining and manufacturing the same and is reflected in the final price of product influencing a lower income because they are less competitive in terms of price on the market. This means that sustainable businesses are less profitable than other businesses, although society is gradually becoming more aware of and appreciates more sustainability and good practices.

Although the profit margin presented by the company over the past 6 years has been negative, it is improving over the years. This shows that in future the company will obtain a positive profit margin when the company consolidates. The higher the profit margin, the more profit a company earns on each sale. Currently, the company is not earning enough due it high expenses in R&D.

ECOALF is a competitive company thanks to its strategy based on ethics and sustainability. Today, the Fourth Sector includes this type of company, as our society is increasingly aware of responsible and sustainable consumption for the environment and social welfare.

5 Discussion Remarks and Conclusions

Companies are evolving to contribute to a society with more justice and solidarity, worrying about social and environmental impact of the activities that they carry out (Núñez-Barriopedro et al. 2019).

In order to face the urgent economic, environmental and social challenges, the Fourth Sector is required. The Fourth Sector is related to both social and financial value creation, promoted by companies with social awareness. It is the intersection point among the three traditional sectors: public, private and non-profit sectors. Also,

the Fourth Sector is based on Social and Solidarity Economy (Gallardo-Vázquez and Sánchez-Hernández 2014).

In recent years, the textile sector has been carrying out responsible production practices, focusing on circular or hybrid systems (Kim et al. 2016). This is possible, thanks to the change in mentality of our society, becoming more and more aware of the world around us. As a result, many companies choose to be sustainable, despite the knowledge that they are not profitable. Others, like ECOALF, were created with the strong conviction of being fully sustainable, sacrificing the benefits to gain quality in their products and in the environment.

The concept of sustainable product is defined as the product that embraces positive social, environmental and ethical attributes; and is in essence associated with moral principles (Luchs et al. 2010). ECOALF is a brand that led the idea of being truly sustainable. Integrating breakthrough technology, they create clothing and accessories made entirely from recycled materials. ECOALF is committed with the planet, the environment and people in a coherent and transparent way, creating sustainable design.

In addition, it has managed to position itself in the market by managing brand equity and brand resonance. Defined by Aaker (1996) as the set of assets and liabilities associated with the name, term, logo or emblem of a brand, it allows it to improve or depreciate the value that a product or service generates in the consumer and in the own brands. So, in the ECOALF management model, it manages to improve its brand equity due to brand awareness, brand loyalty, perceived quality and brand associations (Aaker 1991).

The circular model is not easy to apply (Rizos et al. 2015). Although at first sight almost everything seems to be advantageous, there are several entry barriers to be able to implement it 100% (Curls, Behrens, Kafyeke, Hirschnitz-Garbers & Ioannou). In financial terms, the initial costs that have to be invested in adopting sustainable measures and business models are important for Smes (Hollins 2011).

The initiative “Upcycling the oceans” is not for profit but is an initiative that aims to remove the waste that damages marine ecosystems from the seas, giving a second life to the waste recovered with a vision of circular economy and raise awareness of the global problem that presents as marine litter.

A strong brand is therefore an instrument to create and maintain a valuable competitive advantage in competitive and globalized environments (Núñez-Barriopedro et al. 2013). For ECOALF, it is not a problem, being an exemplary company in sustainability and being less profitable. They are making great achievements, collaborating with big companies like Apple, actresses like Gwyneth Paltrow and have clients like the famous designer Marc Jacobs.

Also, ECOALF has been assessed and satisfies the requirements of the Global Recycled Standard (GRS). The GRS is designed to verify responsible social, environmental and chemical practices in their production. With the objective to define requirements to ensure accurate statements of content and good working conditions, where the negative environmental impact has been minimized and the use of chemicals has been reduced. The standard includes companies of finished and intermediate products in more than 50 countries.

So, the most sustainable product from ECOALF was not to keep using natural resources, the solution was recycling, creating a new generation of recycled products with the same quality and design as the best non-recycled ones. The enterprise has experienced an exponential growth, they have presence in different international markets and have managed to consolidate strategic alliances with the largest companies in the technological and textile industries. The evident success of ECOALF's circular economy results in a great improvement of the company's brand value and positioning in the market. A good management of its brand equity and brand resonance has allowed to achieve the optimal positioning in the market.

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Effects of the Orange Economy on Social Entrepreneurship in the City of Medellin



Sandra Milena Malavera Pineda, Paula Andrea Malavera Pineda, and Juan Santiago Calle Piedrahita

Abstract The orange economy, according to the Ministry of Culture, is a tool for social development that integrates the arts, cultural heritage (tangible and intangible), cultural industries, and functional creations toward the social enterprise. It arises as a mandatory bet for the State (which could not take advantage of the oil bonanza of past years to diversify its sources of income) to be able to depend on other items other than taxes to finance itself. The big bet then is to move from dependence on mineral resources of the State (oil, coal, etc.) to depend on the fruits of the exploitation of talent, the revitalization of our cultural heritage, and new technological creations based on social for-benefit organizations. The objective was to identify the effects of the orange economy on social entrepreneurship based on the fourth sector. The research was an in-depth panel interview with three managers who created companies during the last decade focused on social entrepreneurship with an emphasis on technology. The effects of social enterprise function show that passion, simple solutions, optimism, philanthropy, global vision, and the generation of will are the consequences of the orange economy philosophy in the fourth sector. In conclusion, the orange economy within the social innovation based on the fourth sector integrates actions into their business model to create positive impacts on society and the environment. The limits of the study were the effect in the interviews because interviews were done over smartphones on account of COVID-19 and the achievement of the managers concerning the topic of orange economy.

Keywords Orange economy · Social entrepreneurship · Fourth industrial revolution

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1 Introduction

At this time, Latin America is positioning itself in the great potential that the fourth sector of the economy has: in a young region, that has creative skills, that is bold, and that has an entrepreneurial nature. Good development is required, so that the companies of the fourth sector can help to solve the main challenges of the fourth industrial revolution, contributing to the fulfillment of the Objectives of Sustainable Development, according to the commitments of the countries of the world in fulfilling them for the year 2030.

The Ibero-American General Secretariat has been at the forefront of this trend, per the provisions proposed at the last 25th Ibero-American Summit, which was discussed with the Heads of State and Government. The 22 countries of the region that were present at this event agreed that the venture would make it possible to achieve economic growth, transform the productive sectors, and create more inclusive societies to improve the quality of life.

According to an analysis of the figures described by the World Economic Forum, the fourth sector, which is made up of companies that have a vocation to achieve social change or social entrepreneurship, represents 10% of the gross domestic product (GDP), having a rate of 50% of growth in jobs generated by this sector (World Economic Forum 2018), compared to traditional companies in Europe and the United States. The social demands at the base of the pyramid must be perceived as an opportunity for social transformation and income generation. According to the World Economic Forum survey (2018), 93% of managers of large companies value sustainability as the key to success for the future of business.

Colombia, a diverse country of cultures and vast wisdom, promises to improve the reality of entrepreneurship to contribute to a society that has been influenced by drug trafficking. In other words, starting up the past is difficult, but the economic crises of the country, during the years 1990 and 2010, contributed to breaking the paradigms and saving the companies because they became creative. Even so, the organizations must adapt to the circumstances of the environment, but this is configured from the integration of employees and managers. Therefore, economic crises sometimes help to think creatively about the economic and social activities of companies. The question of this article is, what are the effects of the orange economy on social entrepreneurship based on the fourth sector? So, the objective was to identify the effects of the orange economy on social entrepreneurship based on the fourth sector.

The Future Landscapes of the Orange Economy: Creative Pathways for Improving Lives in Latin America and the Caribbean wrote, “dedicated spaces for innovators, entrepreneurs, and events such as hackathons have popped up in urban centers across Latin America and the Caribbean. These forward-looking creative hubs house a new and growing form of business and employment cooperatives that are providing management, administrative support, career services, and other resources necessary for creatives to make a living. They operate as one-stop-shops to amplify creative production and social impact businesses. The popularity of these physical spaces has galvanized autonomous workers to explore novel ways to collaborate for

mutual benefits. Through spreading risks, increasing access to capital, enabling resource sharing, and providing training and upskilling, these new cooperatives are helping diverse professionals with shared values to work in the creative and cultural economy.” (Finlev et al. 2017).

Besides the orange economy configuring to create social impact based on “waste management systems, the main purpose of Pay-As-You-Throw (PAYT) strategies is to support the more sustainable management of waste flows from an economic, social and environmental point of view. This is usually based on the waste hierarchy process to produce lower flows of waste, first by both reducing polluted waste at source and re-using products and, secondly by increasing recycling rates” (Taleb and Al Farooque 2021, p. 124047). Moreover, the findings of the research of Salmenperä show that this can be promoted by illustrating the economic benefits of a circular economy (CE), better sharing of waste-related data, and increasing the dialog and cooperation between key players (Salmenperä et al. 2020). Although the orange economy based on the circular economy is a sequential dynamics process because, first, it helps to adapt the novel concepts in new contexts through the single-agency approach in the early phase, and second, it stabilizes policy outputs gradually to achieve effective outcomes through the multi-actor cooperation in the late phase (Zhao et al. 2020). We emphasize that the implementation strategies to increase economic and environmental gain are based on sharing information (Palmié et al. 2020).

But, Collivignarelli et al. (2020) expressed that managing costs estimation showed that Thermophilic Aerobic Membrane Reactor (TAMR), coupled with a stripping and adsorption system to recover nutrients, is economically sustainable. Besides recycling radius, the minimal unit total cost and recycling rate are elements that help to create susceptibility from an orange economy (Rijal and Lin 2020). On the other hand, the results of this study will help cities take effective steps toward achieving a circular economy and plan for implementing urban mining strategies by recycling waste (Mollaei et al. 2020).

The article is centered on nine topics, with the first topic based on the inquiry of the economic crises as an opportunity. The second topic is based on unemployment in Colombia. The third topic explains the causes for the closure of Colombian companies, the fourth topic elaborates on the theory of orange economy, while the fifth topic describes the relationships between social entrepreneurship and the fourth sector. The sixth topic is composed of Colombia’s National Development Plan and its relationship to the orange economy. The seventh topic explains the methodology used in the research. The eighth topic shows the results and the ninth topic presents the discussion and the conclusion of the research.

2 Economic Crises an Opportunity

The economic crises point to other forms of management, as is the case of “economic development in the city of Milan, the only one of the twelve cities examined that records a positive change in the average values of real estate during the period under

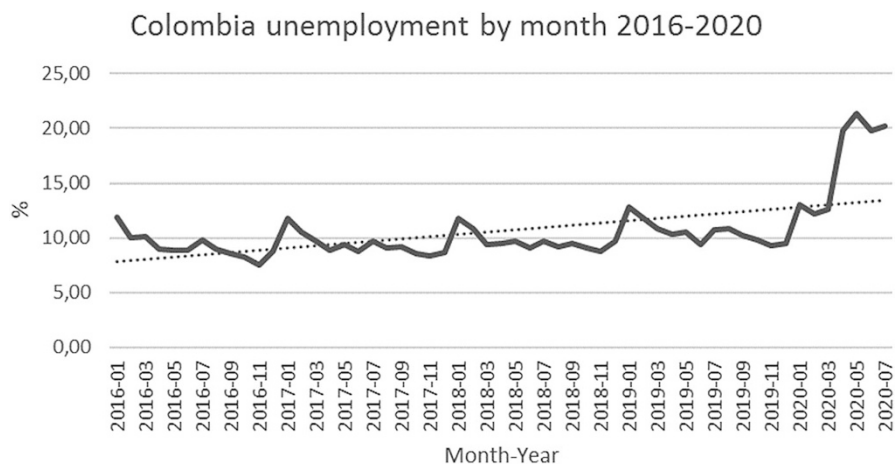
consideration” (Mangialardo and Micelli 2021) by identifying new ways of doing business from the orange economy. At the same time, the thinking of the “neo-institutional framework” linked to the experience contributes to solving moments of crisis (Belle 2021). Also, the measures adopted in Russia in recent times of crisis configured the opportunity to change the legislation (Fadeev 2021) to help companies explore new markets.

3 Unemployment in Colombia

Unemployment is a social impact factor that is measured in economic conditions and not from a humanitarian viewpoint. Therefore, “organizations operate with lower profit margins in times of crisis, suggesting that they adjust their cost structures to recover” (Pamplona et al. 2018, p. 305). In other words, companies leverage their social development, from an economic viewpoint by controlling costs, in which labor is incorporated. In other words, unemployment, sometimes, generates creativity to undertake new business, economic or social.

In Colombia, unemployment, according to the DANE, in recent years averaged 8.56%. “For July 2020, the unemployment rate of the national total was 20.2%, which meant an increase of 9.5 percentage points compared to the same month of the previous year (10.7%). The overall participation rate stood at 56.5%, which represented a reduction of 6.5 percentage points compared to July 2019 (63.0%). Finally, the employment rate was 45.1%, a decrease of 11.1 percentage points compared to the same month in 2019 (56.2%)” (Dane 2020) (see Graph 1).

By 2016, unemployment was 11.91% and during February 2020, it was 12.99%, even so, the State intervenes in the economy to promote the policy of implementing



Graph 1 Unemployment Colombia by month 2016–2020. Source: Author elaboration from data of DANE (2020)

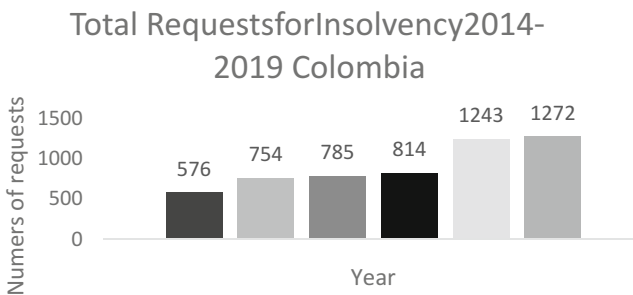
the orange economy program, which is based on creating social, cultural, technological, and music businesses, among others, from the development plan of the Colombian presidency. Consequently, the orange economy approach leverages creativity from seeing difficulties as opportunities, but this is not always the case and generates the closure of companies.

4 Closing of Companies in Colombia

In Colombia, in 2014, 576 companies were closed but at the end of 2019, there were 1272, which generates an increase of 54.71%. In other words, although the macro-economic indicators are favorable, companies are closed, but sometimes they encourage the creation of others, as shown in Graph 2. As of 2020, there were 2788 insolvency proceedings throughout the country with a cut-off to April 2020, that is, companies that do not wish to close and submit to negotiate with their creditors to define strategies to reactivate their corporate purpose; in other words, they seek a second chance and creatively drive new businesses or portfolios.

Even so, the creative way to improve the financial indicators is based on looking for new markets. Therefore, the main importing country in 2009 went to Hong Kong, followed by Tunisia, China, Mexico, Turkey, Italy, United States, Morocco, and Colombia (Sekhar 2010) because they relied on economic, financial, and tax incentives provided by the State.

With the above, this work aims to systematically understand the effects that the orange economy can bring to entrepreneurship as a social necessity for increasing economic and productive standards in small and medium enterprises in the city of Medellín. Therefore, the question asked is, what are the effects of the orange economy in promoting social entrepreneurship and not economic entrepreneurship? In other words, the objective is to identify the effects of the orange economy on social entrepreneurship.



Graph 2 Total insolvency requests 2014–2019 in Colombia. Source: Author elaboration from data of Superintendence of Companies (2019)

5 Orange Economy

However, to understand the realities of the social economy from the perspective of social entrepreneurship, the characteristics of the orange economy are presented. They focus on creativity, art, culture, and entrepreneurship (Gaviria Roa et al. 2019), that is, exclusively from human creativity and imagination (Montaguht et al. 2017) support the creativity of the orange economy but with innovation and reinvention (Lozano 2010). It is clarified that the color orange is associated with culture and creativity, that is to say, it symbolizes ideas from sources of intellectual production.

Additionally, the orange economy is based on socializing the industry's knowledge and exploring this type of innovation in its processes (Silva-Bolivar et al. 2019) to improve financial and social indicators; at the same time, it contributes to discovering the reality of new environments from the creativity. Also, it is to take advantage of dynamic, symbiotic, socially balanced spatial and cultural systems, in which democratic and spontaneous dynamics are developed in cultural museums (Padilla-Llano et al. 2020) because they contribute to creating cultural aspects. In the same way, the "citizen science 2.0" and "open science" optimize the digital assets linked to the so-called orange economy, as a continuous exchange of ideas and visions of the future (Santagati et al. 2019). In other words, the orange economy is based on the creative exchange of ideas that contribute to making society better. However, the National System of Science, Technology, and Innovation's (SNCTI's) policies in Colombia leverage development with criteria of productivity and competitiveness in the global framework of creative and cultural culture (Estévez et al. 2018). In other words, the orange economy is configured in opportunities from cultural development with a social focus that promotes entrepreneurship.

The orange economy promotes social entrepreneurship by incorporating new forms of financing such as Crowdfunding, which is a way of seeking financing for an idea, business, or entrepreneurship by those who are seeking funding to make public the idea on a public platform on the Internet through different users bringing small sums of money to achieve the target (Vega-Muñoz et al. 2019). Also, the social entrepreneurship gathers an impact on the economy because it creates new business, new jobs, distinguishes opportunities where someone else views it (Kazmi et al. 2016), and identifies new pathways to sustainable development (Marvin 2019).

Trapp (2015) expressed the most significant challenges that creative enterprises face are: "lack of entrepreneurial knowledge or know-how regarding business plan development, forecast modeling, distribution networks, and intellectual property protection lack of proper mentoring by industry-specific professionals and seasoned entrepreneurs problems gaining access to growth capital to manage cash flow, build the means of production, and cover the deficits a firm incurs enrooted to sustainability lack of proper infrastructure" (p. 5). Besides, we need to return to the earlier concerns of "culture and development" (O'Connor 2019) to provide the orange economy to improve the social entrepreneurship to make it a new internal business philosophy.

6 Social Entrepreneurship and Fourth Sector

Social entrepreneurship with the orange economy is based on “creating effective incentives for employees, which allows the company to create conditions both to increase employee productivity and to continue working in the company” (Nikiforova and Shyian 2021). That is, social entrepreneurship needs to implement technology as levers to improve productivity (Parra et al. 2020). Also, it is the role of government and social capital that directly causes a positive and significant impact on business performance (Gandhiadi 2019) to generate employment and productivity. That is, companies direct efforts and resources to the development of innovative solutions to social problems, promoting a positive impact on the community. This is how the State of Colombia configures a policy of social entrepreneurship from a social economy proposal, which is configured from the development plan.

The fourth sector is made up of blended value organizations, chaordic organizations, civic enterprises, common good corporations, community development corporations, community interest companies, community wealth organizations, cooperatives, and cross-sectorial partnerships. As well as faith-based enterprises, hybrid organizations, kyosei, new profit companies, social or sociality economies enterprises, social businesses social enterprises, sustainable enterprises, and tribal corporations to create for-benefit. So, the organizations of the twenty-first century need to be chaordic to adapt to the ongoing challenges and challenges they face. The chaordic model is not efficient for sectors and areas such as industrial factories, large-scale production chains, but its methods and philosophy are desirable, to a greater or lesser degree, for the infinity of companies and entities that compete in the market and must improve and innovate day by day to differentiate and achieve customer satisfaction. However, in the information age, it is disruptive thinking and talent—and not cheap, disciplined labor—that organizations need to meet their needs. Additionally, the growing sector of for-benefit enterprises offers an opportunity to solve many of these challenges while advancing inclusive and sustainable growth. For-benefits are referred to by many different names, such as public benefit corporations, social enterprises, community interest companies, social businesses, hybrid organizations, benefit corporations, cooperatives, and sustainable enterprises, to name a few.

7 Colombia’s National Development Plan and Its Relationship to the Orange Economy

According to the current government’s National Development Plan (Plan Nacional de Desarrollo—PND), it is based exclusively on the fulfillment of seven covenants that especially promote entrepreneurship and the Orange Economy in all its fiscal and social axes:

1. **Pact for legality:** The Development Plan contemplates four lines of action that tend toward legality, one of which articulating this proposal is the “alliance against corruption, through transparency and participation” by developing a curriculum whose protagonist of learning is the human being forming integrally for knowledge and doing, ensuring the joint development of hard and soft skills. Corruption is not an exclusive practice of the public sector, but also of the private sector; all actions that distort or erode the tax base in the determination of taxes, such as evasion, avoidance, and transfer, are corruption. As an IES - higher education institutions, it is a social commitment to fight this practice from the formation processes (Plan Nacional de Desarrollo—PND 2018).
2. **Pact for entrepreneurship, formalization, and productivity:** The allocation of public resources of 2508.2 billion in 2018 will energize the economy; to respond to the proposed expectations, highly trained professionals are needed who, together with the government’s policies and legal norms, will achieve compliance. A simple State that seeks to reduce excessive regulation and red tape will make organizations more competitive and productive (Plan Nacional de Desarrollo—PND 2018).

The processes of business formalization seek to minimize the high rates of evasion and avoidance that directly affect the execution of public expenditure, so maximizing the levels of the collection is a joint task of the tax administration, taxpayers, and tax advisers. In business organizations, the professional tax expert guarantees that the economic interests of the State are determined in the same way as those of the other members of the interest groups. (Plan Nacional de Desarrollo—PND 2018).

By improving levels of productivity and competitiveness, tax collection is enhanced, thus responding to Organization for Economic Cooperation and Development (OECD) expectations regarding the tax burden, ensuring that the tax burden is efficiently and equitably distributed among all (Plan Nacional de Desarrollo—PND 2018).

In the same vein, Law 1450 of 2011, Article 50 creates the program “Productive Colombia” as a transformation program, responsible for promoting productivity, competitiveness, and strengthening sustainable value chains (Plan Nacional de Desarrollo—PND 2018; Ley 1450 de 2011).

The philosophy of the taxes is not only to collect but also to encourage and strengthen the development of some of the weakest economic sectors and does so via tax incentives. Tax savings are possible from the economy of choice when the tax rules identify the actions that it incorporates to minimize the tax burden as:

- (a) Innovative technological development companies
- (b) Investments in research, development, and innovation projects
- (c) Works for taxes
- (d) Scholarships for taxes

3. **Pact for equity:** For the national government, equity is the backbone of the PND; achieving it is the result of legality + entrepreneurship; an equitable tax system is based on legality and justice, developing a legal business activity means to formalize, undertake, innovate, and improve productivity, while paying fair and equitable taxes, which contributes to the economic capacity and economic sacrifice according to this, is to grow with equity (Plan Nacional de Desarrollo—PND 2018).

Equity is one of the guiding constitutional principles of the tax system; it is equitable when the tax burden is distributed fairly, avoids inequalities, and seeks progressiveness. The high levels of business informality make the system inequitable by putting pressure on formal companies and being time-consuming and in many cases invisible to the informal ones. Fostering policies of formalization and business productivity are the strategy for achieving a tax system that respects the horizontality and verticality of equity (Plan Nacional de Desarrollo—PND 2018).

But equity should not only be analyzed in the context of collection, it goes beyond that, it is the mechanism that promotes equality. An equitable tax system allows for significant variations in the GINI indicator to the extent that it permits a fair redistribution of wealth that is evident in the allocation of public goods and services, reduction of social inequality, and engine of economic growth (Plan Nacional de Desarrollo—PND 2018).

Thus, the PND is a “pact for equity” that seeks to reduce the high levels of distributive inequality, a characteristic of the current social situation in which we live, where a minimum percentage of people concentrate the greatest wealth of the country, subjecting the great number of inhabitants to survive in conditions that are not worthy of human beings. It is there where equitable tax systems are the only solution to combat and reduce the high rates of inequality. So that the “pact for equity” achieves a reduction in poverty, inequality, and progress in equity, the IES in its training processes should guide their students to act in their professional practice in the search for equity and justice (Plan Nacional de Desarrollo—PND 2018).

4. **Pact for Science, Technology, and Innovation “a system to build the knowledge of the Colombia of the future”:** This pact directly involves the university, business, state, and society to respond to the challenges introduced by the Fourth Industrial Revolution and Colombia’s participation as a member of the OECD (Plan Nacional de Desarrollo—PND 2018).

The incorporation of science, technology, and innovation (CTI) to the tax system allows the efficiency and simplicity of the processes that determine the tax base, taking into account that the technology is “the application of scientific knowledge to daily life and the main objective of this is to make it simpler, longer and more comfortable.” (Rodríguez 2012). The active subject–contributor communication is given in the new digital environments (Plan Nacional de Desarrollo—PND 2018).

As a result of technological research, it will be possible to access automated mechanisms that allow to follow up, control, evaluate, measure, digitalize, and safeguard the actions derived from the formal and substantial tax obligation. Therefore, the CTI will allow determining the tax to be paid or balances in favor, its opportune presentation, and payment, allowing to follow up in real-time the traceability of the processes (Plan Nacional de Desarrollo—PND 2018).

In line with the development plan, Article 2 of Law 1951 of 2019 allows to “establish strategies for the transfer and social appropriation of science, technology, and innovation for the consolidation of a knowledge-based society.” (Ley 1951 de 2019).

5. **Pact for the digital transformation of Colombia Government, companies and households connected to the knowledge era, toward a digital and industrial society 4.0:** “for a more efficient, effective and transparent relationship between markets, citizens and the State” denotes a new way of relating, a new way of communicating, and new tax legislation that responds to the challenges proposed by the new business models derived from the 4.0 Industrial Revolution in digital companies and digital supply networks that today dominate the emerging markets (Plan Nacional de Desarrollo—PND 2018).

Taking into account the above guidelines, the National Planning Department (PND) seeks to: “Promote a State policy for digital transformation and the use of the fourth industrial revolution, through platform interoperability, contact through the single State portal, use of emerging technologies, digital security, training in digital talent, and promotion of the entrepreneurial ecosystem.” (Plan Nacional de Desarrollo—PND 2018).

For the national government, the PND 2018–2022 is fundamental to the “prioritization of emerging technologies from the fourth industrial revolution that facilitates the provision of state services through new models including, but not limited to, intermediary technologies, distributed ledger technology (DLT), massive data analysis, Big data, artificial intelligence (AI), internet of things (IoT), robotics and similar” which results in more effective and efficient mechanisms, and in real-time, that track the traceability of the economic events that give rise to the tax obligation in the formal and substantial manner (Plan Nacional de Desarrollo—PND 2018).

The impact, perception, and incidence of the pact for legality, equity, and entrepreneurship can be measured and evaluated if the technological means offered by the 4.0 revolution are synchronized with all actions aimed at achieving the proposed objectives and goals (Plan Nacional de Desarrollo—PND 2018).

6. **Pact for the protection and promotion of our culture and development of the orange economy, Colombia orange:** development of artistic, creative, and technologically based enterprises for the creation of new industries where the State through the national budget intends to finance their creation and potentization; the exploitation of intellectual property and copyrights becomes an industry that generates economic development (Plan Nacional de Desarrollo—PND 2018).

The development plan in its Article 179 contemplates the creation of orange development areas. These areas will have tax benefits like exemption in a percentage of the property tax, in the tax for the purchase or sale of real estate, and the exemption of the payment of the urban delineation tax works by taxes (Plan Nacional de Desarrollo—PND 2018).

Colombia, through the 1943 financing law of 2018, creates a favorable scenario for value-added, technological, and creative entrepreneurial initiatives to be exempted from income tax in a term of 5 years (Plan Nacional de Desarrollo—PND 2018; Ley 1943 de 2018).

Creating tax incentives attracts investors as actors of development, achieving the proposed economic growth that allows greater visibility of decent employment rates and business formalization (Plan Nacional de Desarrollo—PND 2018).

7. **Pact for effective public management, the transformation of public administration:** The 2018–2022 development plan takes up what is proposed in Law 1450 of 2011. Art. 230, which conceives a “digital government as a policy of management and institutional performance” (Plan Nacional de Desarrollo—PND 2018; Ley 1450 de 2011).

Within the framework of this agreement, the modernization plan of the tax administration is aimed at facilitating the taxpayer’s voluntary compliance with its tax obligations in a friendlier relationship, consistent with the regulatory guidelines and trust, facilitating understanding and compliance: “The National Tax and Customs Administration—Dirección de Impuestos y Aduanas Nacionales (DIAN) will be a modern and more conscious entity in its processes, using state-of-the-art technologies and the Big Data will be an important ally in the fight against corruption” (Departamento Nacional de Planeación—DNP 2018; Plan Nacional de Desarrollo—PND 2018).

The National Tax and Customs Administration—Dirección de Impuestos y Aduanas Nacionales (DIAN) proposes to transform from four axes:

“Human talent, Technology, Proximity to citizens, Legitimacy; the second axis is connected with the pact for digital transformation, which includes electronic invoicing and the modernization of the platform known as Muisca” in the search for a more efficient and simple collection and control system that offers a friendly environment for taxpayers to comply with their tax obligations (Plan Nacional de Desarrollo—PND, 2018; DIAN 2019).

Along with the digital modernization of the National Tax and Customs Administration (DIAN), an additional formalism is introduced in Law 1430 of 2010 known as the “bankruptcy law,” which obliges taxpayers to use the country’s banking system to recognize assets, liabilities, income, costs, and expenses for tax purposes (Plan Nacional de Desarrollo—PND 2018; Ley 1430 de 2010; DIAN 2019).

The Latin American economy is in the process of improving its indicators based on business creation policies. However, from Colombia, the government configured a plan to motivate young people to create businesses focused on the orange economy and to promote social effects. Therefore, the crises contribute to

creating businesses if you have an open and creative vision; that is to say, to take advantage of the problems as opportunities (Plan Nacional de Desarrollo—PND, 2018; DIAN 2019).

8 Methodology

The research is qualitative of a descriptive, nonexperimental, transversal type. Since we want to analyze and determine the different situations, customs, and characteristics that are presented in the daily life of these types of companies, to give a diagnosis about the results that will be collected during the analysis of information and to observe phenomena and situations within their real context for later analysis in a single moment.

The technique was an in-depth panel interview with three managers who created companies during the last decade focused on social entrepreneurship with emphasis on technology (software for the blind—home automation—A1), recovery of corporate plastic waste (housing and games for schools—B1), and foundation support for the recovery of recyclable elements for the development of technological products with social impact (mouse from recycled plastic for the blind—C1). The interviews are coded with letters and numbers to preserve the anonymity of the interviewees. Informed consent was signed (habeas data).

The first contact was the company created during 2018 and put into operation in 2019 focused on using technology (artificial intelligence and data mining) to support low-income people to improve their quality of life-based on automatization houses. The second contact was The Bottles of Love Foundation, created in 2016 in Colombia to offer an integral solution to the sustainable management of flexible plastic waste and improve the quality of life of vulnerable communities in Colombia and Latin America. Through a participatory strategy with institutions, companies, and communities, the Foundation promotes the filling of bottles with flexible packaging waste generated in schools and homes, to transform them into plastic wood used to build playgrounds, urban furniture, and housing for the benefit of vulnerable populations. The third businessman contact was an entrepreneur who creates his/her business gathering collecting computer waste and converting it into items for blind people from the same system and hardware, as is the case with creating mice for the blind.

They contacted each other by phone, made appointments the same day, it was an open conversation with a panel of experts without video- or voice recording, and written data were taken. With four guiding questions: (1) Approaches that understand by social entrepreneurship (2) What were the problems and crises when starting the company with a social focus? (3) How the idea of creating the company with a social and economic focus was born? (4) What were the effects of the creation of the social orange economy? These configure two categories to analyze the research: (1) Social focus, problems, mistakes, and solutions, and (2) effects, improvement, and impact. Next, we interpret the definitions of social

entrepreneurship, fourth sector and its relationship with the orange economy; and the second category was configured from interpreting the effects that were involved in creating companies with a social focus from the social economy.

9 Results

Concerning the first category of research analysis: social focus, problems, errors, and solutions, it is detected that the managers are afraid to carry out the venture but are motivated by the passion for the development of the idea to be shared with the community.

9.1 First Category

Imagination is an opportunity to create real dreams, as Manager A1 says: *“at the beginning, one has many ideas and will become rich in a short time but time has shown that this becomes an imaginary.”* In other words, the imagination contributes to improving the implementation of the idea if it has the support of the community it influences. Additionally, Manager C1 said, *“20 years ago I began to work with waste and I began to look for a way to turn that waste into something that would transform the lives of the recycler and in the development of the project, I began to detect that plastic was a very important element, because it can be transformed, it can be turned into something else, . . . but it is also associated with a big problem on the planet, due to its misuse . . . ends up in water sources, ends up in landfills, ends up being incinerated, we started attacking to turn it into raw material, to be used for construction in a plastic way, but immediately I connected with the possibility that that plastic wood became the home of a person.”* Starting projects is not easy and if they are focused on the social reality they are even more difficult, but the creativity to create companies is leveraged in multiplying the ability to undertake a dream that becomes a reality and impacts the environment, social and economic.

However, helping people and taking care of the environment are opportunities that are not analyzed from an economic approach, but from helping to live better in the future. As Manager A1 says *“although one wants to help others, they always look at you as a poor innovator, for having a social solution, although you talk like many people, they listen, but the only thing they ask is how much is the profit at the end of the investment. . . but one is still struggling to get customers . . .”* In short, what is sacrificed economically is reinvested in social emotion. But at the same time Manager C1 exposed *“So the project arises 10 years ago, at a time in his life when he was tired of doing what he did, he was working with e-commerce, importing goods from China and the United States and marketing them, but there was a gap where nothing filled it, no business did. It was the social work that ignited the spark to feel useful, to know the people and their needs, to know the real country; at that*

moment I think about how the electronic elements could serve someone and I asked myself who could need them, and I see in the population with a disability an audience with difficulties that requires access to them, that's how Digital Accessibility for All was born." The imagination and the realization of the activities that people like tend to improve the enterprise because they are supported by their motivation, which contributes to following a dream even if they have problems. Thus, the entrepreneurship of the orange economy is based on two unstudied factors: passion and motivational imagination.

At the same time, Manager A1 stated that *"the household is mismatched because there is no financial income, yet opportunities are offered for contacting other support systems. The opportunity was given to increase the portfolio, create alliances and get professionals with different knowledge, not only system engineers as I am, a position required advice, financial, accounting, economic, managerial, marketing, among others. . ."* Therefore, the reality is based on seeing what others do not see as opportunities. However, Manager A1 showed that *"the best way to continue with the venture is the passion for what it is done, not doubting the idea. . . is to follow and insist . . ."* that is, there is an entrepreneurial passion for having *"imagination, . . . talent surpasses economy"* (Manager A1). But Manager B1 stated that:

It has not been easy and we have had to resort to financial support, even more so because there is still a fear in this type of project that works with waste and in which the recyclers themselves do not see the great potential that their collection has. There is no technology, there are no strange things, we just want people to put these plastic packages inside a bottle and these are very interesting figures. In Colombia we produce 1500 tons of plastic bags and packages daily, what we are looking for is to recover at least 30% of these plastics through each housewife. The company's staff, fill the bottles with this waste, we are responsible for our plastic and this is the raw material to make a priority interest housing in Colombia, with this we can achieve that a person can live with dignity, is a matter of collaboration, contribution, responsibility of all citizens in Colombia.

The history of the creation of the companies by the interviewees provides the criterion to create, which is based on identifying problems that become opportunities. In other words, the orange economy contributes to taking advantage of creativity to promote social solutions. Manager A1 exposed *"we are talking about wealth, not economy, it is the opportunity to enjoy entrepreneurship and creativity... the value is based on intellectual property that is why we offer technological services for people with disabilities so that they can live as if they saw. . ."* At the same time, Manager B1 sustains his enterprise by saying that *"for 10 years has been creating low-cost home-made aids for people with disabilities, which promotes inclusion, thus overcoming the barriers of the high cost of commercial solutions. It also eliminates the barriers of ignorance because through tutorials and training they teach how to make them with elements that are easily accessible in the local environment."* Therefore, creativity is an essential element of the orange economy when the barriers of society are observed as an element that reduces economic estimation and leverages more social interest.

In other words, the happiness of a young person to receive a plastic arm that leads to writing again cannot be described from the economic but from the intrinsic

emotion. Manager C1 explained, “*We have been studying the issue of waste and the issue of packaging responsibility for 17 years, when we told the*” XXX “*companies about the project on the process of recovery and they wanted, to participate in the Foundation’s project because they realized that, we are an alternative in the closing of the cycle and they linked up with the Foundation to give us the waste I produce within the company so that you can accelerate this process of dissemination, construction with all communities. This has helped us to make donations that fill us with pride, because we can deliver more priority interest housing that improves the quality of life of Colombians. The technology we developed would allow us to make the dream we had come true.*” In other words, the social ideas from the entrepreneurship from the orange economy are supported by the will of companies that want to reduce the environmental impact of their production. That is, there is an external economic factor of production that leads to seeking solutions but with a dual purpose: to care for the environment and reduce the cost of reverse logistics.

But from another point of view, the orange economy has creative impulses that the entrepreneurs detect at the moment of creating the companies and they define it in the following way: Manager A1 expressed “*social innovation or orange economy are emotions to be more creative with professions that are becoming obsolete, since it focuses on achieving improved creativity in arts, culture, archeology and systems problems ... is to be inserted in a social economy, with people and for people, is to express the wealth of the human and not the financial. . .*” but Manager B1 stated that “*the social innovation or orange economy occurs in the creation of these houses that impact the quality of life of Colombians. In which we developed a proposal in which the houses are built as a Lego. They are cards that are joined in an easy way and it is rewarding to see the joy of those who benefit from this project and much more valuable than the money; that comes to us because it is a Foundation that works for the people*”. However, Manager A1 argued that “*the orange economy is the strategy of generating wealth through human creativity, in the field of art, culture, technological sciences. It is the opportunity to reborn social ideas that contribute to improving life that in the long term, 10 to 20 years, will have a financial return. . .*” All the above expresses the fact that social entrepreneurship from the orange economy policy is based on the generation of human and not economic satisfaction.

The social focus category lets us understand why people need to think differently. The problems that appear while you are creating new social enterprises can configure a new opportunity; otherwise, the errors can change the thought-form of the real business that you want to create. Additionally, the solutions to different problems are based on thinking in another way as 360 degrees (see Table 1).

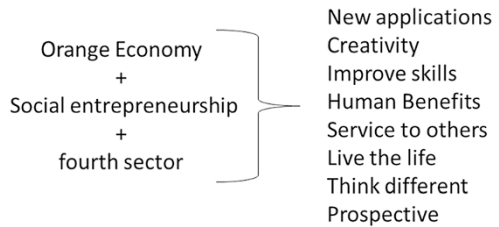
However, the various definitions of the orange economy linked to social entrepreneurship are defined as follows: Manager A1 stated “*innovation of the set of creating new applications of diverse software that leverage the way of learning of those who have difficulties... is to contribute to improve the social environment and to be able to impact in the life of them to achieve a better quality of life*”. But at the same time, entrepreneurship leverages the combination of technology with skills to develop the social proposal of impact on the products or services to be developed. As Manager B1 said, “*the orange economy is another way in which projects that impact*

Table 1 Categories' analysis

Category	Concept of the category
Social focus	Help others to improve the quality of life and establish a passion for social activity. Focus on the operational data store (ODS) Training for development in the fourth sector from technology-based intellectual development Consultancy on issues of orange economy, equity pact, innovation, entrepreneurship, and control of corruption Pacts of the orange economy to provide a social, educational, research, and intellectual environment
Problems	Aspects of absurd ideas without credibility for not generating economic income, procurement of raw materials (plastics), procurement of working capital, a conviction of employees and the business sector, and business approach to the orange economy
Errors	Dispersed joint knowledge, the complexity of the factors of starting the business based on the idea alone, and lack of marketing vision for innovative products. Lack of acquisition of specialized machinery and development of innovative products that are not associated with the fourth sector of the common people
Solutions	Strategic alliances, advertising with entities that support social entrepreneurs and innovators Creation of their machines to forge the product to be sold Dialogs on social entrepreneurship in the orange economy from the fourth sector

Source: author elaboration

Fig. 1 Implications to think as social entrepreneurship.
Source: author elaboration



society can be taken into account, in which creativity, skills, and technology contribute to the quality of life of a Colombian and that in a few more years' economic growths can be observed". Today's society is concerned with improving the quality of life based on caring for the environment by recycling products to create other products from waste.

In other words, the orange economy plus social entrepreneurship and including the fourth sector lets the business achieve to think differently and find new implications (see Fig. 1).

In summary, the orange economy leverages entrepreneurship from the fourth sector by the following conditions: opening a more social orientation through the approach of corporate social responsibility, social strategies, cooperation, and cooperation is the creation of synergies between entities that will converge in goals and practices, cross-cutting holistic thinking focused on social and environmental

aspects. Social and environmental performance is constantly improved throughout the stakeholder network. Employees and other stakeholders are compensated in proportion to their contributions. The fourth sector will become more formalized and distinguished in law, complementing existing sectors while enabling for-benefits to drive sustainability and equity alongside profit.

9.2 Second Category

However, from the second category: effects, improvements, and impact of the orange economy in entrepreneurship contribute to the development of opportunities from the problems to be creative. Manager A1 exposed that *“the orange economy is synonymous with innovation and creativity, in the form of a color identity of thinking differently in art ... is the same form of learning to undertake, is an opportunity to create a dream of being happy to impact the culture, thanks to software engineering ... that support the investment of artificial intelligence development. . . is a talent that you have, we just don't know that we have it.”* Additionally, Manager B1 stated that *“the orange economy allows us from the Foundation to fill a bottle of Love by contributing with a social enterprise, this is how the opportunity arises to resume the strategy of the Eco-block but with a different objective: To close the cycle of flexible plastic waste by transforming it into RPL (Recycled plastic Lumber).”* Social entrepreneurship from the orange economy aims to improve the quality of life by caring for the environment as established by the ODS. Also, the quality of life is configured in the opportunity to help others as expressed by Manager C1 *“The aim is that people with disabilities do not depend on expensive equipment for their mobility, which in many cases they cannot afford. For this reason, the Foundation Todos Podemos Ayudar (We Can All Help) was created, dedicated to finding solutions of all kinds for people who require it and who cannot access prostheses or technological devices that solve their needs, says ‘we work to improve your quality of life.’”* In summary, social enterprises with an emphasis on the orange economy are distinguished from other enterprises by their social touch and support for those in need of human and nonfinancial assistance.

Companies improve their mood, not from a financial point of view, but from a human, social, and cultural point of view. Therefore, they help others to learn to live better. This is how Manager A1 explained that *“feels joy in helping others, but also feels the fact that you have no financial income, but the inner excitement is priceless . . .”* Likewise, Manager B1 expressed that *“I feel very excited to improve the quality of life of Colombians who do not have the opportunity to get decent housing.”* The social entrepreneur with a focus on the orange economy impacts business creation by having passion, happiness, emotion for what one does, without receiving money immediately. Figure 2 shows the effects, improvement, and impacts the new entrepreneurs can achieve their goals.

However, from the second category: effects, improvements, and impact of the orange economy on entrepreneurship, it is highlighted that the entrepreneur detects

Fig. 2 Effects, improvements, and impact of the orange economy in the fourth sector. Source: author elaboration



opportunities in the market that others miss. Manager A1 said *“There are solutions, but people believe that everything is already done, but the false one, is to improve the existing ...”* According to Fadeev (2021), the orange economy contributes by having legislation that is coherent with the events in the environment; that is, seeing opportunities that the State tries to create so that others can take advantage of the creation of companies.

10 Discussion

However, from the category of social approach, problems, mistakes, and solutions, he is confronted with thinking differently. It is the opportunity to learn to see problems with analogous solutions that leverage the reality of learning to be creative. Manager A1 suggested that *“passion is the source to create and by creating it becomes innovative if it intends to change society for the better, it is the contribution to help society ...”* In other words, creativity is the source of the orange economy (Gaviria Roa et al. 2019) by combining talent and cultural aspects to help others. In other words, *“being creative is not enough, one must keep the passion to face the unbelievers”* (Manager A1), therefore, creativity is part of changing to build a united social culture (Montaguht et al. 2017).

The orange economy is the future and is based on three aspects: creativity, sustainability, and economic capacity when grouped. That is, the way to automate knowledge is not only to think, but it is also to combine knowledge to be creative. Therefore, Manager A1 said, *“creativity supports to think differently but studying the social beings, is to include all to promote the knowledge jointly.”* In other words, entrepreneurship is based on studying the culture (Gaviria Roa et al. 2019). Likewise, the social solutions from the orange economy are available when discovering

new national and international markets that help to improve the quality of life, as exposed by Manager A1 *“exporting creative knowledge is the best way to achieve the combination of knowledge to give solutions to simple problems but society itself is in charge of complicating it.”* In other words, crises are opportunities by motivating employees to provide solutions that management did not see before (Nikiforova and Shyian 2021). But this idea is based on what Manager C1 said, *“The self-sustainable model they have is characterized by offering training and workshops for trainers so that teachers, parents, community leaders learn to make and develop technological aids for people with disabilities that are made with everyday elements and low cost, thus leaving installed capacity in the communities.”* He explains, *“For this reason, our aids are free, because we don’t sell them, we teach them how to make them. The training is financed by individuals, foundations, private companies, and public entities. Only in very specific cases do we deliver the training.”* The venture is configured in the opportunity to achieve greater social satisfaction to link passion for what is done.

The first effect of the orange economy on social entrepreneurship: Passion. This passion is based on what Manager C1 said: *“I am a social entrepreneur, passionate about technology, willing to do my bit to change the world, they call me the MacGyver paisa, I like to find solutions to real problems at low cost”*. At the same time, the passion is based on *“entrepreneurship is born from within people, therefore, it is not only money, and it is a wealth of . . . ahh intellectual capacity to design devices to help others . . .”* (Manager A1). In other words, passion is one of the factors that drive the creation of social enterprises with the support of the orange economy. In turn, social entrepreneurship seeks to generate changes in other people’s lives, that is, discovering that life has different facets but you can help others to see life with optimism.

The second effect is optimism. An optimism that facilitates the reality of those created with love and desire, as stated by Manager B1 *“The venture was born from the desire to change people’s lives to improve and achieve through an idea that for many, did not consider that plastic waste could impact the life of a person”*. That is, the entrepreneur configures his human and environmental desire to create new opportunities that contribute to the improvement of the quality of life. This new organizational architecture (in terms of objectives, structure, processes, and organizational culture) makes them especially suitable to offer creative and innovative solutions for social problems.

The third effect is based on the will to overcome social problems. A social problem that is solved with positive energy. In other words, the businessman is supported in impacting social improvements in the face of adversity. This is how Manager A1 explained that *“one must think differently to overcome social problems and better impact society, it is to give social welfare as a whole, not just in isolation... therefore one must break paradigms of constantly challenging one’s intellect, to break new frontiers of knowledge. . .”* At the same time, Manager B1 explained that *“we must think about improving the lives of others through our proposals we can impact the lives of less advantaged people, who do not have the opportunity to have decent housing, I am very happy that our proposal has gone far*

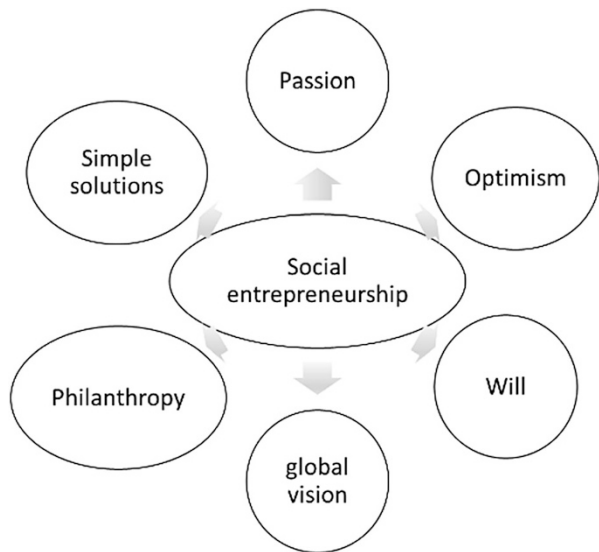
and that in several countries want to replicate our proposal, so it has no limits and if many dreams to achieve”.

However, a fourth effect appears: creating new and simple solutions. As explained by Manager C1 “we wanted to unite our work and the work of the foundation to create something incredible, as a result, we have this application, in which all users with disabilities will be able to access the entire universe of creations of (name of partner) in one place.” Entrepreneurial companies analyze the market to find sources of simple solutions that strongly impact the environment. Therefore, social innovation often requires the values of generosity and solidarity on enterprises to donate work and to provide a service to society in general.

The fifth effect of the orange economy on social entrepreneurship is based on being creative with knowledge of your philanthropy. That is to say, “I want to grow as a person and understand the country in which he lives where the difficulties of the people are many, professionally, he wants to provide himself” (Manager C1). Likewise, Manager A1 expressed that “to undertake is to be creative which has the potential to economically transform the regions and then the country, but one should not only wait for the State’s intention, it is done from oneself . . . many problems arise but, I insist, it is a passion that drives us to be creative . . .”. In other words, the entrepreneur must know himself and understand the cultural environment to learn from the needs that people require. In social innovation, improvements in organizational design, products, or processes have to be available for all and any parties interested in their use or application (see Fig. 3).

The sixth factor focuses on defining opportunities for mutual benefit. As expressed by Manager C1: “an entrepreneur is a person who identifies opportunities and with his or her creativity can transform people’s lives, improving the economy of the regions and the country, providing innovative solutions with exponential

Fig. 3 Characteristics of social entrepreneurship in the fourth sector.
Source: author elaboration



growth.” Likewise, Manager B1 expressed “*It is to mount company but the benefit of the people is over the economic thing, logically there is an interest of auto sustainability and growth but first there are the people*”. That is, looking for a real need, exposes one “*to contribute to something that people require, and join passion, talent or taste to help, that is a formula that does not fail as entrepreneurs.*” Therefore, the entrepreneur must analyze the opportunities that arise when nobody sees them and turns them into reality, so that they help to be a better society. Given the growing challenges facing the world due to the aging of the population and environmental degradation, social innovation is needed to obtain solutions that are, above all, sustainable and long-lasting.

However, it is not only the entrepreneur who relies on having passion, optimism, willingness, creating simple solutions, and identifying the philanthropy of society, but to have a global vision. Manager A1 explained that “*is to see spaces where others do not see it that generates creativity, to think differently and thus overcome the obstacles that society itself invents out of envy since they only focus on the financial and not on the social.*” Therefore, one way to create solutions is to have a global and international vision of domestic and also globalized problems (Sekhar 2010). In addition, Manager C1 said “*The orange economy in the sum of talents in which creativity plays the primary role for the development of business models that improve the quality of life of people and contribute to the growth of the country.*”

Therefore, the effects of the orange economy on social entrepreneurship are based on having an open mind, understanding everything around them, not rejecting opinions but taking advantage of them, and not being afraid of change, trying without seeing the failures as obstacles and learning from others. The capacity to innovate must be applied to projects that ensure the future of humanity and that guarantee appropriate conditions for equal progress in society as a whole.

11 Conclusions

In conclusion, the orange economy contributes to social entrepreneurship by assuming creativity as a social axis. That is, the social entrepreneur focuses on having a passion for what he does. Additionally, the technology leverages the realization of social projects by identifying the real needs they want to cover. Likewise, the social entrepreneur is ingenious, has a vision of the social and not economic business, has a real purpose for helping others, and is concerned about involving teams with a social and ecological vision. By undertaking with an orange economy vision, one risks failure because of having a relationship with the social ones, but in the long term, money is reinvested that is based on emotion. Also, the orange economy leverages creativity from the very problems it faces. In other words, the effects of the orange economy on the entrepreneur are achieved by having passion, optimism, willingness, creating simple solutions of high impact, understanding the local environment with a global vision at the same time, and identifying opportunities where there are none.

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Understanding Sustainable Entrepreneurship in the Fourth Sector Through Integrated Balances: The Case of Uruguay



Javier Ramos and Aiblis Vidal

Abstract The main purpose of this chapter is to analyse the Fourth Sector in the light of Integrated Balance (IB). From our standpoint, IB constitutes an antecedent of a future development of the fourth sector, a driving force that will define its evolution in the immediate future. IB allows a better understanding about how profits and real cost of production coexist and whether or not it is worth for traditional (pro-profit) companies to report IB. We explore how some key firms' characteristics are associated with the productive structure of companies, which have not been sufficiently studied in the literature and help to understand which firms are more likely to report IB. Most of the companies examined in the current literature on IB tend to be large/multinational companies from wealthy economies in prosperous sectors of activity, which are ranked in international sustainable indexes (DowJones and similar). Our model incorporates also domestic ones of medium and small size in all sectors of activity, both public and private, with different levels of experience and seniority in Uruguay. Our results suggest that the public nature and the international character of a company are key not only to increase firms' odds to report integrated balances but also the quality and quantity of these reports.

Keywords Fourth Sector · Sustainability · Entrepreneurship · Integrated balances · Uruguay

1 Introduction

The role of entrepreneurship in favouring sustainability has gained attention over the last decades. The rapid growth of the so-called *fourth sector*, which “is basically made up to enterprises in search for leveraging profit and purpose in order to solve

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the world's most urgent social and environmental problems" ([Fourthsector.org 2020](https://www.fourthsector.org)), is a key issue in entrepreneurship debates nowadays.

Until recently, the only companies that were considered capable of helping sustainability were the so-called "social economy", NGOs included, and the key actors in sustainability were social entrepreneurs (Etchezarreta et al. 2014). Yet, for-profit companies have started to incorporate some of the key paradigms and processes of sustainable firms, which open new windows of opportunity for the integration of traditional firms into sustainable ones, thereby expanding and enriching the fourth sector.

In our view, of the various possible ways to measure how for-profit companies are being incorporated into the new logic of the fourth sector, the ones called "Integrated Reports" (IR) or "Triple Bottom-line (TBL)"¹ are the most useful and reliable so far. This is so because it points to one of the key challenges for traditional companies which seek to be part of the fourth sector, namely how to integrate ethics and business in a way that is financially worthy for the company.

IB introduces a "new business framework" that deliberately seeks to incorporate social and environmental costs in the financial balance. It seeks to measure the level of commitment of each company with the great challenges humanity is facing through the trinomial "profits-people-planet".

According to this definition, new ventures look beyond financial results assessed through costs and gains by including social challenges (labour exploitation, gender discrimination, child labour) or environmental risks (the deterioration of the ozone layer, global warming, the loss of biodiversity, etc.) to measure the total and real cost of any company to be able to obtain profits.

This idea of the *Total Cost* or *Real Cost of production* derives from the conviction that the costs of financial accounting do not really measure total production costs. They only account for the cost per unit of production and the sale price to obtain profits. However, this is a partial and distorted image of the true costs of production that does not take into account its most apparent externalities.

When analysing the effects of production on the various stakeholders of an organisation (employees, suppliers, consumers, shareholders, and public authorities) and on the environment where that production takes place (water quality, air quality, the health of the surrounding population, and diversity of fauna and flora) is when there is a better approximation to the real cost of production.

This is where the apparently conflicting and irreconcilable meanings of business and ethics seem to converge. The IB appears as a concrete and measurable way to check out the commitment of companies with their immediate social and natural environment, beyond commercial slogan and marketing strategies. However, this approach opened a fruitful debate between free-market advocates and market

¹It was the already famous business consultant John Elkington (1998, 1999) who coined the concept of Triple Bottom Line in the nineties with the purpose of managing an organisation in ways that not only generate profits but also improve the lives of people and the planet.

moralists about the potential and limitations of the market economy when incorporating moral restrictions on the free action of companies.

In what follows, we try to shed some light on this debate, confronting these theories and extracting their key conclusions on the relevance of IB with a view about how they fit into the debate on the development and consolidation of the fourth sector.

Subsequently, we have gathered data considering not only large/multinational companies in prosperous sectors of activity, but also domestic ones, of medium and small size, in all sectors of activity, both public and private, with different levels of experience and seniority in Uruguay.

The goal is to analyse empirically the probability for a company to report IB by means of measuring the statistical effects of key firms' characteristics associated with its productive structure. By doing this, we try to understand which firms are more likely to report IB, assuming in this way the profit-real cost of production challenge, and enriching our knowledge on how IB and the fourth sector operate.

Although all companies that report IB are not necessarily part of the fourth sector and vice versa, both share a common set of values and proposals aimed at finding a balance of profit and real costs of production. Both seek to transform entrepreneurship and the way to do business by means of inclusion and sustainability.

2 Can Profits and “*Real Costs of Production*” Coexist?

One crucial issue in this debate is whether or not the transition from a traditional firm to another in the fourth sector is profitable and can be maintained over time. The Friedman-Freeman debate exemplifies two-opposing points of view on how profit expectations and real cost of production operates.

For Friedman (1962, 1970) the unique responsibility of business is to maximise profits by minimising costs. Any additional cost that undermines profit maximisation is rejected because it violates the contractual relationship with investors and other stakeholders.

This occurs because companies reported to behave responsibly experience a significant stock price increase, whereas firms that behave irresponsibly face a significant decrease, which influences returns and the scale of profits (Flammer 2013).

IB and other social responsibility schemes introduce over-cost of production that increases stock prices and by extension negatively affect productivity and competitiveness that results in decreasing returns. This is hardly acceptable for a company that wants to increase its profits.

Why then do some companies report IB? The answer has little to do with moral of responsible behaviour, but rather with exploring new channels of marketing and advertising to gain new (responsible) consumers and markets and improving firm's corporate image. It is just a strategy of differentiation.

Anyway, this “differentiation effect” could be a short-term resource, rather ineffective in the medium term. As these new sustainable and responsible consumers and markets spread and consolidate the positive reaction to eco-friendly initiatives may decrease over time.

Flammer (2015) examines eco-friendly and eco-harmful events in the U.S. in the period 1980–2009 and concludes that the transition to sustainable models in the fourth sector is an “environment-as-a-resource” with decreasing marginal returns and insurance-like features. Investors’ negative reaction to eco-harmful behaviour increases, while the positive consequences associated with it decrease over time.

As more companies become eco-friendly, the differentiation effects decrease and governments, consumers, and investors may not find additional incentives to support taxes reduction, higher prices, or more responsible investment in the belief that sustainable initiatives should be the expected behaviour of any company and do not need to be rewarded.

Profits and real cost of production operate in different and contradictory logics, so that responsible behaviour that favours sustainability, in fact, damages the financial viability of the company. IB and other sustainable schemes are simply a marketing campaign to improve the corporate image of companies.

The rhetoric of the IB or similar is misleading, and in fact, it can provide a smokescreen behind which companies can avoid credible reports and can also avoid really effective social and environmental performance. It is what Norman and MacDonald (2004) call a “Good old-fashioned Single Bottom Line plus Vague Commitments to Social and Environmental Concerns”.

Proposition 1: “*The trade-off effect*”. There is a trade-off effect between profits and real costs of production, so that those companies reporting IB are more likely to fail. Those companies reporting IB do so for rational economic calculation that uses IB as marketing and advertising to enhance their corporate image. Reporting IB is only feasible for companies that can afford it. Small and medium firms that cannot use IB to enhance image will not have the incentives for reporting so.

2.1 Stakeholder Theory

Although this view is quite widespread in business circles nowadays, there are also other views that oppose this trade-off explanation of how corporate social and environmental responsibility affect firms’ financial results. While there are good reasons to believe that the pursuit of self-interest can bring about positive economic consequences, there are also good reasons to state that the social consequences of self-interest can be perverse.

Stakeholder Theory (ST) emerges to provide an ethic component to traditional (pro-profit) business models. It provides details about who should be responsible for a company and the conditions under which the productive activities of that company put certain interests and rights at risk.

This is Freeman's point of view (1984, 2008), which opposes to Friedman's thesis about how damaging can be for a company to embark on IB or similar sustainability models. Freeman claims that companies should consider not only the interest of their shareholders but also the interest of a broader group that includes everyone affected by the action of a company.

For Freeman (2008), there are four main ideas to consolidate a broad perspective in a new Stakeholder Theory, or in his own words, to get stakeholder theory off the ground: (1) the separation thesis; (2) the integrative thesis; (3) the responsibility principle; and (4) the open question argument.

The "Separation Thesis" comes to say that it is not functional to separate questions of business and ethics anymore. On the contrary, it is time to put forward an "Integrative Thesis" that brings both together. The "Integrative Thesis" is built upon the idea that we would have more useful ethics, if we would incorporate into our normative ideas the need to understand how to create value and trade by other means.

The "Responsibility Principle" comes to say that ethics is not a normative issue, but a useful instrument to develop a certain framework of responsibility that helps us justify our lives to ourselves and others. The last idea refers to a set of questions on who is benefited and who is harmed by my actions or the actions of my company.

It is precisely the capacity of any firm to consider the preferences of any group affecting or being affected by a company what will ultimately improve a firm's ability to create value, strengthen their corporate–community relationship, and gain competitive advantages.

Several studies have shown that the effects of the decreasing return on becoming sustainable can be compensated if a company can offer a product that convinces a significant group of "responsible consumers" willing to pay the real cost of the product. Not only consumers, governments, and investors may also adopt a "conscious behaviour" by giving up raising taxes for the fourth sector or to invest in sustainable firms (investors) that can offset costs of production.

Durand et al. (2019) replicate Hawn et al.'s analysis, redefining the comparison they set and comparing across observationally equivalent firms. They conclude that the inclusion of a firm in a Sustainability Index (Dow John Sustainable Index) does not have a significant impact on stock price and trading volumes.

Depending on a company's priorities, this inclusion could bring worthwhile returns in the firm's visibility to key stakeholders, mainly professional investors who pay more and more attention to these firms over time. This leads to an increase in the percentage of shares held by long-term investors.

Ioannou and Serafeim (2015) find a positive shift in the way analysts respond to sustainable ratings over a 15-year period in the USA. They posit that analysts issued more pessimistic recommendations for firms with high sustainable ratings in the early 1990s than in the 2000s. With the pass of time, they progressively assessed these firms more optimistically.

Gradual substitution of an agency-based institutional logic for a stakeholder orientation makes firms which rank in sustainable index more legitimate in the eyes of both shareholders and analysts, as insurance-like protection may positively

contribute towards profitability. This occurs because more experienced analysts at higher status brokerage houses are the first ones to shift the relation between sustainable ratings and optimistic investment recommendation.

Hawn et al. (2018) analyse how a firm's addition, continuation, or deletion in a sustainability index (The Dow Jones) may affect investment priorities. Their results suggest a slight effect on stock market reaction among those firms ranking in the index.

Proposition 2: "*The compatibility hypothesis*". For authors supporting Stakeholder Theories, profits and real cost of production can operate in a complementary way in the appropriate economic and institutional context. The integration of social and environmental balance sheets provides incentives for companies so as to gain efficiency by other means, create value and find ideas and concepts that help firms to reduce costs and increase profitability.

2.2 *Political Stakeholder Theory*

However, some key questions remained unanswered in this theory. To begin with, it is not clear how managers identify their stakeholder and other affected groups and how they can manage their sometimes-conflicting demands. The fourth sector was born as an attempt by companies to voluntarily recognise social duties to avoid social damage.

Yet, this voluntary character was quickly associated with certain patterns of voluntarist philanthropy that could turn firms reporting IB into a simple emotional appeal, lacking verifiable obligations and without any real commitment to reinforce corporate responsibility.

The passing of time has shown that without an authorised intervention, the definition of what the company's social responsibilities are, who the responsible ones are for fulfilling these responsibilities, and above all, the concrete specification of interest and rights are intentionally unfulfilled or degraded (Wood 2008).

To solve some of these limitations, other contributions have either accepted the analytical and conceptual framework of ST, providing new and more nuanced evidence that seeks to improve the technical validity and better understanding of the theory. This is the case of the *Political Stakeholder Theory (PST)*.

PST is an attempt to solve the undervaluation of the role of the state that is considered just a mere stakeholder in ST (Olsen 2016). It focuses on the role of the state in favouring transitions to ethical businesses.

This issue has not been adequately addressed by ST, although there is multiple evidence that the state plays a central role in encouraging not only a specific model of entrepreneurship but also the conditions under which ethics in business are more likely to happen.

Government and business are not two irreconcilable enemies that mutually exclude each other. On the contrary, there are good examples to believe that both

act as allies. If the government fails to create the legal infrastructures to balance property with other stakeholders' rights, business is unlikely to prosper.

Previously, other authors have already stated that capitalist business, without government intervention acting as a countervailing power, is not the most effective way to achieve ethical goals—that is, sustainability, so corporations that cannot earn profits legally, ethically, and responsibly do not deserve to survive (Wood 2008).

The economic role of the State is not a new issue at all. The state has historically created the conditions for business. Free markets did not arise spontaneously according to supply and demand laws but from the deliberate actions taken by the states to remove the impediments to commerce, investment, and then by providing oversight of economic activity once it was freed from restrictions (Polanyi 1941).

But these impediments are eliminated and a self-adjusting market is consolidated, its socio-economic effects are harmful (inequality, unemployment, exclusion, and poverty), which produces continuous crises of demand and productive investment.

This is what Polanyi called “The double movement”. All developed economies have gone through period of free market and *laissez-faire* followed by periods of state intervention and illiberal legislation on public health, working conditions, social insurance, etc. In his own words, “while *laissez-faire* economy was the product of deliberate state action, subsequent restrictions on *laissez-faire* started in a spontaneous way. *Laissez-faire* was planned; planning was not”. (p. 141).

Another central element of Polanyi's critique of the free market which is useful in the debate on the fourth sector is the progressive loss of the instrumental character of the market economy. Using the concept of Embeddedness and analysing the contributions of anthropology to social knowledge, Polanyi reaches the conclusion that there cannot be a capitalist economy if there is not a capitalist society.

From another perspective, Mazzacutto (2018) has largely examined the economic role of governments from the point of view of risk-taking, funding of innovation, and market creation. She concludes that governments face huge risks, drive innovation, encourage economic growth, and pave the way to create stable and secure business contexts.

Private investors, including venture capital are unwilling to finance pioneering investment whose future returns are highly uncertain. Therefore, the government is not able to legitimise its role as a risk entrepreneur. That is what explains the frequent propensity to believe that innovation is a matter of private investment motivated by the “Creative Destruction” process typical of capitalism as suggested by Schumpeter.

In the case of the Stakeholder Theory, the role of the state as a risk-taking agent, innovation promoter and market creator has not been sufficiently taken into account. This lack of attention shows that this theory is rather forward-looking, and as such, ultimately aims to avoid public punitive regulations (Olsen 2016).

The state is not just a mere stakeholder since it creates internal and external constraints that shape the strategies and transactions that managers can use. Its role must not be ignored. When managers address stakeholders' claims to improve firms' ability to create value, the state is a unique actor that has the inherent attribute of

augmenting or diminishing other stakeholders' legitimacy—whether cognitive, pragmatic, or moral,² and thereby influences managers' strategic options.

When the regulatory environment allows stakeholders to become market players, pragmatic legitimacy (self-interest calculations) is more likely to happen. Yet, when the regulatory environment allows stakeholders to achieve moral legitimacy (co-creating acceptable norms of behaviour) legitimacy can come through contestation.

Olsen not only admits the inherent tensions and balances between market and state, but he sees them as the framework to better understand the multiplicity of market–state relations and how they operate over time.

Proposition 3: “*The State matters*”. Governments and public institutions can use public finance and legislative resources to favour the transition of companies towards ethical business models. They may help recompose a new balance between incentives and disincentives that encourage companies to approach the Fourth Sector

2.3 *Critical Theories*

Yet, for other authors what lies behind Stakeholder theories and other ethical postulates is an implicit legitimization of capitalism by accepting that current social and environmental challenges can be efficiently faced from free-market conceptions of instrumental rationality, self-interest, and maximisation.

Yet *Critical Theories* (CT), market choices are not really free, but conditioned by structural inequalities that result not only in an unjust distribution of goods and services but also on a waste of labour and resources that restrict production to assure profit maximisation with the subsequent effects on unemployment and poverty, and unjust allocation of resources that tend to crowd out non-market resources and degrade the value of good (Sandel 2013; Wempe and Frooman 2018).

The causes of these self-contradictions and crowding-out effects are complex. For Satz (2010), free markets undermine the social framework needed for people to interact as equals. When people are so poor that they accept any term of exchange they are offered, the preconditions for the emergence of market diminished, and their most basic interests are undermined.

Moreover, “asymmetry in information and knowledge of markets participants” put some people at a disadvantage, thus preventing them from watching out for their

²Stakeholder Legitimacy draws from Suchman's (1995) typology: cognitive legitimacy is a “taken-for-granted” approach since institutions render disorder manageable and transform it into a set of intersubjective “givens” that submerge the possibility of dissent. Pragmatic Legitimacy is an “exchange legitimacy” that rests on the self-interested calculations of an organisation's most immediate audiences. Moral Legitimacy rests not on judgments about whether a given activity benefits the evaluator, but rather on judgments about whether the activity is the “right thing to do” “by cocreating acceptable norms of behaviour” (Olsen 2016:78).

interests. This results in the subordination of the majority to the increasing power of a minority.

The archetypical “homo economicus” agent interacting in a free-exchange market reduces social complexity to the one-sidedness of rational actors who hierarchise and maximise their utilities and preferences according to cost-benefit calculations. This is a reduction of the interests of the human being, much more predisposed socially, neurologically, and biologically to favour pro-social behaviours beyond self-interest (Singer 2013).

For Wempe and Frooman (2018) the main failure of stakeholder and other market moralist theories is that their arguments are often arbitrary and do not provide a systemic solution to develop a unified theory of the moral market. They advise that moralists should answer at least two key questions: Which goods are suitable for market production, distribution, and consumption and which are not? And for those unsuitable for the market, how ought they to be produced and allocated?

Proposition 4: “False Conciliation”. For critical theory advocates, there is a false or impossible conciliation between business and moral. Capitalism is all about profits based on human exploitation, so any attempt to conciliate profits and the real cost of production is unrealistic. Firms assuming social/environment responsibilities are doomed to failure in a capitalist system, so IB initiatives are only a smokescreen to humanise capitalism without questioning its most apparent contradictions. IB are feasible only in the social economy sector or similar schemes where supply and demand equilibriums do not operate.

2.4 *The Pragmatic-Critical Theory*

Yet, what is the alternative then? Showing the existence of market failures is not the same as showing the economic virtues of the Critical Theory. This risk cannot be overlooked, since a high economic dependency on corporate reputation, responsible producers and consumers, impact investors and public resources may not guarantee the sustainability of an economy that attempts to conciliate business and ethics in capitalism, as it is the case of fourth sector.

The School of Pragmatism (SP) in business also emerged with the intention of improving some of the most apparent weaknesses and limitations of the ST. Some scholars have looked at the philosophy of The School of Pragmatism (Dewey, Mead or Peirce), especially the conflicting issue of voluntariness and the breach of commitments to social responsibility as an inspirational way to improve the deficiencies of the ST (Midtgarden 2012; Frega 2014).

Pragmatism in business is related to the concept of reality beyond the self, the false dichotomy mind–body, and the importance of science to connect individuals with the outside world. The SP identifies a company with an alive social organism that establishes its action on the belief that its self-realisation as a company is linked to the development of the society as a whole.

As a social organism, any firm has to understand the reality and the environment in which it operates, facing the multiple challenges that this environment generates (Visser 2019). Organisations are means to human ends, not a possession, so any reorganisation of production (downsizing) needs coordinated strategies with different stakeholders to lessen the pain of reorganisation (integrity).

In sum, Pragmatism in business provides managers objective ethical conditions based on experience, integrity, and inquiry to adapt the context of production and the socio-environmental consequences of the company, here understood as a social organism.

There have been some several intents to explore and conciliate Critical Theory with other closer theories, their share conceptions, means and ends, especially the Pragmatic and Critical theories (Frega 2014; Visser 2019).

The Pragmatic-Critical Theory (PCT) is a *Hybrid Theory in Business* that acknowledges the crucial importance of self-realisation, understood as intersubjectively constituted through mutual recognition and bound to the development of the wholeness, typical of Pragmatist and Critical approaches. This outside-looking mode of self-realisation runs necessarily into the very idea of collaboration and democratic participation.

The current context of increasing liberal poignancy and commodification, with its instrumental rationality, maximising logic, and oligopolistic and hierarchical structure is not the best scenario for self-realisation (Visser 2019).

Proposition 5: “The organic hypothesis”. Since firms are seen as an organism alive, where possession does not constitute the main purpose of a company, only those companies adopting cooperative/collaborative productive structures can overcome the inherent contradiction between profits and real costs in capitalism.

From our standpoint, this theoretical debate lacks a more structural vision focused on entrepreneurship productive features. The theories analysed above see companies as a rather homogenous productive actors in the economy, not properly considering how different characteristics associated with firms’ productive structure can affect the probability for a company to report IB.

Proposition 6: “*Firms’ productive structure also matters*”. Size, seniority, or the sector of activity where firms operate are expected to have an effect on the propensity of firm to report IB. We set out to provide insights on firms’ propensity to report IB and how such propensity can affect the fourth sector.

3 Empirical Analysis

The main purpose of the following empirical analysis is to explore the existence of statistically significant connections between firms and IB. More specifically, we seek to analyse how key characteristics of some firms that are associated with the productive structure have not been sufficiently studied and help to better understand which firms are more likely to report IB and by extension, to be part of the fourth sector

Most of the companies examined in the above literature review tend to be those ranking in Dow Jones Sustainability Indices and similar, where large/multinational companies in e-technologies, banking, energy, and distribution sector are predominant.

From the standpoint of this chapter, the relationship between profits and real costs of production, which is the base of the Integrated Balances, can be better understood by analysing key firms' characteristics, beyond what the above shown theories can provide to a better understanding of the relationship between business and ethic as a key pillar of the fourth sector.

Our analytical model puts forward a series of hypothesis that come from firms' main characteristics. Therefore, we hypothesise that the size of the firm matters in predicting the probability for a company to report IB, so that *the larger the company, the higher the probability to report* ($H_1 - Model 1$).

Similarly, a firm's domestic/international character is suggested to act as a good predictor of its propensity to report IB. We put forward as a hypothesis that being multinational, with respect to be a domestic one that focuses on a local market, is expected to increase the probability for a company to move towards SE models ($H_2 - Model 1$).

The sector of activity has been also pointed as a good predictor. Since most companies in sustainable indices tend to operate in the services sector, the likelihood of transiting to IB model is higher in this sector, compared to other sectors (agriculture and industry ($H_3 - Model 1$)).

Firms' seniority is also expected to predict SE model, although the effect is not so clear. At first sight, one might think that younger companies would be more aware and willing to move to SE models. However, it is also likely that the transition to SE models will occur in more consolidated stages of the company. So, we hypothesise that *the younger the company, the higher the probability for the company to move to SE model* ($H_4 - Model 1$).

The public vs. private character of the firm is also expected to be a good predictor of SE as well. As stated by the Political Stakeholder Theory, the state plays a key role in promoting the SE sector. Therefore, we propose as a hypothesis that the public character of a company may play an "exemplary role", not only by providing an adequate and friendly pro-SE legislative framework but also by encouraging public companies to transit to SE models. As a result, the public character of the firm is expected to increase the probability of value 1, namely, reporting integrated balances SE ($H_5 - Model 1$).

Model 1 has been complemented with two additional linear models. The linear *Model 2* seeks to shed light on the variables that significantly help to explain the quality of the reports and *Model 3* the quantity or regularity of these reports using the same set of predictors.

4 Why Uruguay?

Uruguay is usually a Latin American exception in many aspects, mostly in a positive sense. Its high levels of economic development, its comparatively low levels of poverty and exclusion, great digital development, and very stable political system make this economy a good case study to investigate how these characteristics can partially explain the patterns of transition to SE models.

For the Heritage Foundation (2019), a foundation with a liberal bias promoting free-market policies, Uruguay's economy stands out in the region for its relative openness backed by a strong commitment to upholding the rule of law. It is the least corrupt country in Latin America. After recovering in 2017, the economy has achieved moderate growth, but structural problems, which include an appreciated real exchange rate, high taxes and an inflexible labour market, remain.

Uruguay is an economy with important potentialities linked to its economic development and wealth, the spread and consolidation of the digital resources and a relatively easy access to credit. However, these potentialities are diminished by serious limitations linked, above all, to the low social recognition of the entrepreneurship and certain difficulties, mainly of a legal nature, in doing business.

Uruguay's nominal GDP/per capita reached \$17,000 (IMF, WB, and UN sources), above most Latin America economies. According to the International Communication Union annual report, Uruguay ranked 42nd worldwide in 2017 after a significant improvement, since just the precedent year it ranked 48th. But most importantly, it ranks first among Latin American countries, at a significant distance from the rest.

Among the most outstanding potentialities, this report highlights the strategic planning and investment in digital tools, the positive evolution in the acquisition of services in all segments of the sector, including those that operate as monopolies such as fixed broadband.

The digital divide has been reduced considerably, the efforts of the government and other public entities have allowed the vast majority of households, including low-income ones, to have access to broadband and the mobile phone market is very spread out, with three companies operating that offer all the services available at any latitude.

Regarding other economic aspects, Uruguay ranks 95th in a 190 countries classification on how easy it is doing business (Doing Business Report 2019). This position is far removed from the expectations of a country with good indicators of GDP per capita, regional leadership in digital issues, etc.

If we look at the indicators used in these reports, we see that within the poor position of Uruguay, two of its best indicators are "the ease of starting a business" and "the ease of obtaining a loan", both with a clear effect on facilitating entrepreneurship.

It is rather easy to start a business (65th). It takes five different processes to launch a business that usually lasts for about 6.5 days with a cost (taxes and fees) of about 50,000 pesos (\$1300). These figures are significantly better than those from other

Latin American economies, where an average of 8.2 processes that last 28.5 days are required.

Although the vast majority of Uruguayan companies are still absent from the fourth sector, leading organisations such as B-Corp, SocialLab, or local ones are already operating in the Uruguayan economy, paving the way to the spreading out of SE in this economy.

This context places Uruguay as a very interesting case study for a better understanding of Integrated Balances as an antecedent of future development of the fourth sector in the Latin American region

5 Methodology

In order to trace the statistical connection between these independent variables on the probability for companies to report integrated balances, we set up three different inferential models conditioned by three different dependent variables.

In the first analysis, we use a *Logistic Regressions of the Probability* of reporting integrated balances (value 1) versus not reporting (values 0) (dummy variable). This dependent variable is modelled as a function of the following number of predictors or independent variables:

$$P(x) = \frac{e^{(\beta_0 + \sum \beta_i n_i)}}{1 + e^{\beta_0 + \sum \beta_i n_i}} = \frac{e^{(\beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \beta_5 x_5)}}{1 + e^{(\beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \beta_5 x_5)}}$$

where

- x_1 = Public Vs Private
- x_2 = Domestic/International
- x_3 = Sector Activity
- x_4 = Size
- x_5 = Seniority

In the second and third models, we use a Linear Regression to explore the quality and frequency of IB. The dependent variable in model 2 is a numerical one, made of three values, being value 0 = those companies not reporting Integrated Balances, value 1= companies that report incomplete balances, values 2= companies elaborating complete integrated balances according to international standards (GRI indicators and similar).

$$Y = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \beta_5 x_5 + e$$

where

- x_1 = Public Vs. Private
- x_2 = Domestic/International

x_3 = Sector Activity

x_4 = Size

x_5 = Seniority

In the third model, the dependent variable is the sum of integrated reports that each company has reported since its birth. We have divided the number of reports and the number of years the company has been running in order to create a ratio of values from 0 to 1 that indicates the frequency each company reports integrated balances.

$$Y_1 = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \beta_5 x_5 + e$$

where

x_1 = Public Vs. Private

x_2 = Domestic/International

x_3 = Sector Activity

x_4 = Size

x_5 = Seniority

6 Results and Some Tentative Conclusions

6.1 Descriptive Analysis

Our sample is made up of 140 cases (companies) classified according to various criteria. We first gather firms on the criteria of “being one of the 100 most important companies in Uruguay”, in the understanding that those companies are the ones with the highest financial volumes and profits.

The majority of the productive system in Uruguay is made up of microcompanies and self-employed workers, the vast majority of whom do not report integrated balances. We spent time randomly tracking whether some of these microcompanies and self-employees reported balance sheets, and the result was straightforward: no microcompany or self-employed ones report IB.

In this sense, the database is not thought and designed to identify patterns of IB in the whole economy, which is still a minority, but of those companies, firms and sectors more predisposed to incorporate logics of IB and explore their potential and limitations in order to understand the development of the fourth sector in Uruguay.

Yet, we have seriously tried to improve the statistical representativeness of our database by randomly adding another 40 companies of different size, seniority, and productive orientation, both public and private, domestic or international, 10 of each sector of activity plus 10 of the “social economy”.

These new cases give a more detailed account, although not necessarily representative of the patterns of SE in Uruguay through integrated balances ($n = 140$) (Table 1).

Table 1 Descriptive analysis: data base composition

Total database	Firms reporting IB
Firms reporting IB: 58,52%	
Firms not reporting IB: 41,48%	
<i>Nature of the firm</i>	<i>Nature of the firm</i>
Public companies: 10.29%	Public companies: 15.19%
Private companies: 87.71%	Private companies: 84.81%
<i>Character of the firm</i>	<i>Character of the firm</i>
International companies: 38.24%	International companies: 35.44%
Domestic companies: 61.76%	Domestic companies: 64.56%
<i>Sector of activity</i>	<i>Sector of activity</i>
Agriculture: 19.85%	Agriculture: 17.72%
Industry: 22.06%	Industry: 20.25%
Services: 58.09%	Services: 62.03%
<i>Size</i>	<i>Size</i>
>1000 workers : 40.4%	>1000 workers : 44.30%
>500 <1000: 25.8%	>500 <1000: 25.32%
>251 <500: 20.1%	>251 <500: 20.25%
>51 <250: 9.2%	>51 <250: 2.53%
< 50 : 4.4%	< 50: 7.59%
<i>Seniority</i>	<i>Seniority</i>
0–10 years old: 5.2%	0–10 years old: 1%
11–20: 22.1%	11–20: 1.27%
21–30: 26.9%	21–30: 26.58%
>30: 45.9%	>30: 71.15%

Source: own elaboration

The profile of the prototypical firm reporting IB in Uruguay is a *large-private company in the service sector with more than 30 years of experience operating in the domestic market*. Percentages above the 50% are observable in these variables, especially in private character of the firm, sector of activity, size and seniority

This profile is interesting because it provides insights on how firms' characteristics are already defining the IB sector in Uruguay. Most companies reporting are large firms (44%) operating in the service sector (62%) with long business trajectories and experience (72% are more than 30 years old).

The percentages of young and small firms reporting are still rather marginal, which reinforce the idea that IB is mostly a question of large and consolidated (old) companies.

These figures seem to reinforce the "trade-off effect" (proposition 1) that see impossible to conciliate profits and real cost, while identifying IB with a marketing strategy to enhance the corporate image of companies to gain new markets.

The overrepresentation of consolidated companies (30 years or more) seems to indicate that only these companies are ready to assume additional costs in exchange of a better corporative image of growth.

However, there are some nuances and evidences that question this trade-off effect. First, although a majority of firms reporting are large (1000 workers or

more), medium-sized companies are also abundant, which may indicate that the size of the firm may not be significant in explaining of reporting IB.

Moreover, IB is not just about private firms. Public companies reporting IB are overrepresented with respect to the whole sample. This overrepresentation indicates that the “state matters” in spreading the use of IB are playing an exemplary role to consolidate the increasing number of firms reporting. In this sense, the “State matter proposition” seems to be reinforced by the descriptive analysis as well.

More interestingly, the fact that most abundant firms reporting in Uruguay are large size and consolidated can be also interpreted in a different way. These firms may report not exclusively to improve their corporate image, but also to create and improve a new financial sphere where profit and real production costs coexist (“Compatibility hypothesis”) as suggested by the Stakeholder Theory.

They may indeed be finding a new way to gain efficiency by other means, creating value that helps these big companies to reduce costs and increase profitability.

Yet, this descriptive analysis does not allow us to infer patterns of causality and by extension, we cannot state that IB respond to a strategy of marketing, efficiency or both, especially among large companies.

The same applies to other variables such as the nature of the firm or the sector of activity. Although a majority of firms in the service sector are private, we cannot state that those features can explain IB in Uruguay.

It is one thing to say that a majority of firms reporting have certain features and another thing is to trace a statistical-causal connection among these variables and the probability of reporting. This is why we propose to carry out an inferential analysis that will allow us to measure the effect of these variables on the probability of reporting IB.

6.2 Inferential Analysis

In the following analysis, we set out to shed some light on the debate of IB by examining firms’ characteristics associated with the productive structure of companies. The three dependent variables showed above (reporting IB, quality of reports and frequency of reports) were modelled as a function of the following number of predictors or independent variables:

- Public versus Private nature (dummy variable)
- Domestic versus International character (dummy variable)
- Sector of activity (categorical variable)
- Size (numerical variable)
- Seniority (numerical variable)

Our models display strong similarities among each other. Two key variables (the public nature and the international character of a company) significantly increase the

Table 2 Logistic regression of the probability of “Sustainable Enterprise in the fourth sector”

	Model 1 Logit R
Nature (Public ref.) Private	-4.211***
Character (domestic ref.) International	2.878***
Sector activity (Agricul. ref.) Industrial	.157
Services	.279
Size	-.052
Seniority	-.044
cons	1.898
Model sensitivity	96.88%
Model specificity	39.29%
Correctly classified (cut-off point 0.50)	70.00%
Pseudo R ²	0.1892
MacFadden	0.1911
Goodness of fit test (Prob > chi ²)	0.0011
<i>n</i>	136

Source: own elaboration Significant: * $P \leq 0.10$, ** $P \leq 0.05$, *** $P \leq 0.01$

probability for a company to report integrated balances (value 1), regarding not reporting these balances (value 0) (Tables 2 and 3).

All other conditions being equal, an additional unit in the variable “nature of the firm”(being private) decreases the odds of our dependent variable, which in fact suggests that public companies are more likely to report.

Olson’s proposition on how the “State matters” in spreading and consolidating the use of IB seems to work in Uruguay. Public companies increase the chance of reporting in our analysis, which places it as a key driving force in spreading IB.

State commitment to expanding the IB sector, starting with their own companies, can be interpreted as an exemplary strategy to encourage other private, young companies, which join this IB model.

The State plays a central economic role by acting as a risk-taking agent, innovation promoter, and market creator. Yet, its role does not end here. It could become a very active agent, if in addition to reporting IB in its companies, it also becomes a consumer of the products of those companies that use IB logics.

Therefore, Political Stakeholder theory implications regarding the executing and exemplary role that the state plays in promoting not only friendly legislation and economic incentives but also the adoption of IB in public companies seems to work in Uruguay.

Similarly, being an international company compared to being a domestic one increases the chance of reporting as well. Similar effects are observed in the other two linear models considering the quality and frequency of IB.

Table 3 Linear regressions of the probability of “good SE reports (quality) and amounts of reports (quantity)”

	Model 2 Linear R	Model 3 Lineal R
Nature (Public ref.) Private	-1.30***	-1.040***
Character (domestic ref) International	.881***	.361**
Sector activity (Agricul. ref) Industrial Services	.285 .287	.182 .164
Size	-.098	-.041
Seniority	-.081	.012
cons	1.568	3.426
R-squared	0.1618	0.1939
Adj R-squared	0.1276	0.1549
Mean VIF	1.47	1.40
Heteroscedasticity	0.0073	0.0535
Skewness	0.0437	0.3208
Kurtosis	0.0000	0.0002
<i>n</i>	133	134

Source: own elaboration Significant: * $P \leq 0.10$, ** $P \leq 0.05$, *** $P \leq 0.01$

This is interesting because it questions some of our claims about two variables that we pointed as key in the descriptive analysis, namely, size, and seniority. The lack of statistically significant effects of these variables indicates that it is neither firms' size nor seniority what explains their propensity to report but their international character.

We underlined that the overrepresentations of companies reporting with more than 1000 workers and 30 years of experience were a definitive feature of the IB sector in Uruguay. Yet, our model shows that these variables: more workers or more years do not significantly affect the probability of reporting IB.

This seems to explain firms' propensity to report, namely, the system of incentives operating in responsible markets from abroad. Domestic companies that seek to operate in international markets, especially in those markets which are more sensible to sustainable issues, could find incentives to assume the real cost of production in exchange of an acceptable corporate image to growth abroad.

Similarly, although most companies are service-oriented, this variable is not statistically significant either. The service sector with regard to agriculture and industry does not explain the odds of reporting IB.

These are the most relevant findings. The public nature and the international character of a company not only significantly and positively affect the odds of reporting integrated balances but also the quality and quantity of these reports in Uruguay.

Being a public or an international company not only increases the chance for a company to report but also increases the quality and frequency of these reports in this country.

International and public firms are acting as driving forces in the expansion of IB. The former by assuming real cost of production to gain responsible consumers and markets abroad and public firms to develop sustainable sectors inside.

This can be interpreted as the expected pattern in an economy where the productive fabric is mainly made up of microcompanies and self-employees. Most Uruguayan firms are not structurally ready to assume real cost of production since the incentives of gaining international market is out of reality for them.

Another important finding that derives from our result is the specific patterns of expansion of IB in Uruguay. The fact that two apparently dissimilar and frequently confronting institutions such as public companies and international/multinationals are taking the lead in promoting IB, suggests a “top-down” pattern of IB expansion.

This may respond to a logical consequence in countries where responsible consumers, investors, and entrepreneurs are not so abundant yet. The youngest and smallest firms willing and able to report could benefit from public policies in search of promoting IB and the action of international companies as engine of promotion.

Yet, these limitations can also be used as opportunities if local networks that link IB companies with each other and with other local “responsible” investors, producers, distributors, consumers, and government are activated and fostered in Uruguay.

The presence of leading organisations that promote IB in the fourth sector (i.e. B-corporation) already triggers and empowers “traditional” firms with different characteristics in different sectors to move towards IB schemes.

These networks could provide the fundamental and necessary incentives and resources that a small company needs in its transit towards new guidelines of sustainable entrepreneurship in the fourth sector. This, alongside the role that public and international companies are playing to spread of IB, is expected to help the fourth sector to grow.

Unfortunately, our results do not allow us to explore patterns of causality and their relation with “Critical” propositions from the above-mentioned literature. As explained above, these theories are critical of capitalism, proposing a new “social economy” framework for companies to operate.

Our database is not thought for these purposes, so nothing can be inferred from our results regarding the validity of this theories. Only one out 10 social firms reports IB in our database, which implies that the social economy is not still developed and aware of the IB potential and limitations.

This investigation opens new lines of research linking IB and the fourth sector. Uruguay is a good starting point to analyse this link, but similar analysis should be also carried out in the South America area and the whole Latin American continent.

Good comparative analysis among these Latin American countries with each other and with other European realities are also welcomed in order to find patterns of IB development associated with different levels of economic development.

These analyses are expected to provide insight on how IB and the fourth sector are related and how a fine understanding of the former can help understanding the fourth sector.

The fourth sector is not alien to this debate. The way in which for-profit companies solve and soften the tension between profits and real costs of production will define the future development of the fourth sector all over the world in developed and developing economies.

This point is key. IB provides a concrete and realistic instrument to take on the challenge of leveraging profits and typical purposes of the fourth sector.

It helps turn the fourth sector into a credible alternative for companies to solve the world's most urgent social and environmental problems, beyond slogan and marketing strategies.

Although not all companies that report IB belong to the fourth sector, companies that do belong to it will have to incorporate IB schemes as a concrete and transparent instrument to measure and make their commitment to sustainability credible.

The fourth sector does not aspire to be a traditional way of doing business in new social and environmental sectors, but rather a new way of understanding entrepreneurship and its role in solving major global challenges.

Furthermore, the incorporation of IB will substantially transform businesses in the fourth sector. It will force these companies to seek new, more sustainable, and innovative ways to profit. This comprehensive search for innovation at an economic, social, and environmental level will be its true distinguishing factor with respect to the social and the market economy.

If the fourth sector remains on the side-lines of this debate on IB, being part of the fourth sector will basically implies being able to do businesses in promising social and environmental sectors. The promise of contributing to a more socially and environmentally sustainable world from the firm will not go beyond a marketing strategy to win new markets.

Therefore, IB represents a promising further step in the expansion and consolidation of the fourth sector.

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May “For-Benefits” Businesses Help Sustainability in Future Healthcare Services?



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Abstract Demographic changes in western societies, namely progressive ageing of the population and the increased incidence of disabling chronic diseases, have put significant pressure on health systems and are demanding a new approach to health care. The so-called Health in All Policies concept and the systems theory can provide useful insights into a new health services model that addresses population’s health needs without compromising the system future sustainability. Care integration provides a possibility to involve multiple agents from a variety of social domains, including social entrepreneurs. Their contribution to a more sustainable healthcare system is discussed here; the cases presented in this chapter are used to highlight the role they play, through their “for-benefits” businesses, in framing the future of health care.

Results indicate the relevance of different social partners, from the public and private domain, in these projects, which reveals a more integrative and inclusive approach to health problems and needs.

Keywords Fourth sector · Social entrepreneurs · Healthcare services · Sustainability

1 Introduction

Western society has undergone significant demographic changes, particularly the progressive ageing of the population and the increase in life expectancy, accompanied by the increased incidence of disabling chronic diseases, factors that together have put significant pressure on health systems. Therefore, if changes in healthcare models and/or design are not urgently implemented, this may result in excessive and unaffordable costs for societies, as well as in a decrease in the quality of health care or, to a limited extent, in the financial unsustainability of health systems as we know

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them. The World Health Organization (WHO), in a 2010 report, published by the European Observatory on Health Systems and Policies (Busse et al. 2010), already alerted and emphasized that chronic disease would be the leading cause of death and morbidity in Europe and that this was not exclusive to certain social strata and not confined to certain age groups of the population. Additionally, the physical and psychological consequences of chronic disease for individuals and the economic consequences are faced as quite relevant, namely: lower wages, lower labour participation and productivity, higher employment turnover, lower household consumption and the rise in early retirement as well as disability, which is expected to have a very significant negative impact on countries' GDP (Busse et al. 2010). Also, the lifestyle choices and the genetic predispositions can explain impacts of chronic disease within the working population, accounting for 62% of DALYs (Disability Adjusted Life Years lost) due to chronic disease in developed countries (WHO 2002), a trend that has not been reversed as at a global level, in 2017 more than 60% of the burden of disease results from non-communicable diseases (NCDs), with 28% from communicable, maternal, neonatal and nutritional diseases, and just over 10% from injuries (Roser and Ritchie 2016).

From the clinical point of view, the growing specialization of health knowledge also poses some difficulties in the management of chronic disease. And in a scenario of tightening public spending, what some countries have been trying to do is to improve the quality of care for chronically ill patients by trying to minimize costs by introducing changes in the architecture of their healthcare systems (Hofmarcher et al. 2007). Therefore, this new disease profile requires a more complex, long-term response, coordinated by different health professionals and involving sectors other than health. The world has changed, and continues to change, very rapidly, so that health systems need to generate new options in order to respond adequately to a demand with a profile that is not compatible with their current offer (Osterwalder and Pigneur 2010).

In this regard, it is important to recall the concept of Health in All Policies (Ståhl et al. 2006), which translates into the development of a horizontal health policy focused on identifying the factors that influence the health of populations, largely conditioned by sectorial policies that go far beyond the health sector. This approach assumes that population health is not only the result of health sector activity but is also determined by living conditions and other socioeconomic factors. The Health in All Policies concept has deep roots in public health and helps to strengthen the link between health policies and other policies in various sectors. The link between health and economics is evident: a healthy economy depends heavily on a healthy population, with clear consequences on labour productivity. And this is particularly relevant with population ageing, that is, the consequences of population ageing will also depend on the ability to keep populations healthy and active longer, a topic that brings us to the question of the importance of the integration of care.

Care integration has a broad scope, with possibilities for collaboration between different sectors and professionals, as well as with informal carers. It may include health care, social support as well as other services. Essentially, the goal of care integration is to ensure that clients have access to the services they need at the right

time and place a perspective in which the services available to people are able to provide a continuum of care that meets all their health needs, in an integrated and comprehensive manner, throughout their lives (WHO 2015).

Care integration appears to be necessary when services provided by institutions and/or individual professionals do not cover the comprehensive care needs of demand (Raak et al. 2003). Healthcare integration is part of a set of reforms deemed necessary to address current and future changes in healthcare demand conditions, and several reasons are given that justify its urgency in the current framework (Santana et al. 2010):

- The shift from an action centred on “treatment of the disease” to an approach focused on “overall patient well-being”.
- The current fragmentation of the supply structure, with significant consequences for the various parties involved.
- In a global context of scarce resources, a high level of efficiency and effectiveness in health care is increasingly required.

The challenge is, thus, big, and complex. As discussed, addressing populations’ healthcare needs is not a “one man’s goal” and no fragmented solutions will be enough. Different sectors, actors and interests must come together, because health systems are, therefore, required to give an integrated response to chronic disease and to the new requirements of populations’ healthcare needs. Integration is required to ensure that information is shared between care providers throughout the care continuum, also including the coordination of funding and prevention initiatives, as well as the incorporation of community resources. Expected outcomes with care integration are health gains, less waste, greater efficiency and more patient satisfaction (WHO 2002, 2015). However, for health systems to change direction to raise their performance standards, broader policies and a more integrated approach are required, as it is argued that change must be systemic. As one of the main goals of any health system is to improve the health of populations, it is argued that care should be increasingly user-centred, for which value should be created increasingly in delivery.

Social entrepreneurs, as individuals who consciously pursue social and/or economic objectives, create and sustain social value by pursuing new opportunities (Dees 1998), are well positioned, we believe, to be a part of the new healthcare system. They have been presented as enhancing well-being via focusing on social agency (Perrini 2006), “exhibiting heightened accountability” (Dees 1998) and prioritizing social impacts over other kind of results. The holistic understanding of health, required for the referred systemic change, can benefit from different ideas and approaches of a diversified set of actors, from health professionals to informal carers. These entrepreneurs, through their innovative, social value-creating activities, can address some of the gaps in the “health supply chain” and, therefore, contribute to its sustainability, as widely discussed, but extremely difficult to maintain in the current system.

Collaborations that enable organizations to assemble, mobilize and deploy resources necessary for social entrepreneurship have been reported in several

studies. Heinze et al. (2016) found that health community foundations in the USA make valuable contributions to improvements in children's literacy skills or adult dental health, helping also to draw attention to issues of holistic health. Authors state these social entrepreneurs are forcing changes in health and health care, therefore the impacts observed are worthy of further research.

This chapter intends to present and discuss the (potential) role of social entrepreneurs and their "for-benefits businesses" to a new healthcare system, more integrated, more sustainable and more capable of responding to people's needs. The recent developments of the so-called fourth sector, the combination of multiple logics and the convergence of organizational approaches and structures, bring the promise of a more equitable and sustainable society. We believe social entrepreneurs may be a key element in this process, therefore a chapter on this issue will give a valuable contribution.

2 A Systemic (and Place-Based?) Perspective on Healthcare and the Systems Sustainability

The concept of health system guides us around the idea that health care must be provided on a continuum basis and not constrained by time and/or structural boundaries, so it seems appropriate to work together with a set of organizations that may have an impact on the health and well-being of populations, which should not only improve the experience of patients and their families, but also of the professionals involved in care (Dias 2015). Such organizations can include, but not be limited to, social, mental health, public health, voluntary and community service groups as well as private organizations focused on well-being. Health and well-being must, therefore, be considered in the broader context, so, for example, the role of education, housing, employment and leisure should also be considered (Ståhl et al. 2006). And this collaborative work among these partners means the existence of a group workforce that can bring more flexibility to care provision, for example, but not only, which may also create new challenges to the professions, as well as more opportunities for numerous organizations. This is also a process of adjustment in which health planning assumes a commanding role in health system's design, and it is also expected that there will be an increasing focus on local needs since it is likely that, by concentrating efforts on populations with similar needs, with a concentration on local needs, a better comprehension of requirements is achieved and a more balanced relationship between demand and supply, with more value created for clients (Dias 2015).

The direction that drives this change is the significance of combining personalized interventions for clients within communities and this brings us to the discussion on the issue of integration of care, whose main goal is to ensure that the users have access to the care services they need, in the most appropriate time and place (WHO 2008). This approach is based on the idea that systems need to be re(organized) and

that they should be less fragmented and less arranged around the convenience of the structures and more around the real and global needs of the clients (Dias 2015).

Population ageing in the vast majority of countries with organized health systems, along with rising expectations of healthcare users, mostly chronically ill patients with complex disease profiles, combined with countries’ financial constraints and with a decrease in its (less motivated) workforce, are aspects that compromise the sustainability of the systems. And it is reflected that the current response, still very focused on acute care, often results in care not provided in the most appropriate environment. And this can lead to negative results, both for the patient and for the health system itself, increasing the costs of care provision. Therefore, in order to meet new population needs and make the system sustainable, transformational change needs to be made, from a response that is characterized as fragmented and institution-based, to a more coordinated response, oriented around citizens and communities (Southern Derbyshire Clinical Commissioning Group-(SDCCG 2016)).

In this regard, it is imperative to remember the concept of Health in All Policies (Ståhl et al. 2006), which translates into the development of a horizontal health policy focused on identifying the factors that influence the health of populations, largely conditioned by sectoral policies that go far beyond the health sector. This approach assumes that population health is not only the result of health sector activity but is also determined by living conditions and other socioeconomic factors. Health in All Policies has deep roots in public health and helps to strengthen the link between health policies and other policies in various sectors. The link between health and economics is evident: a healthy economy is very much dependent on a healthy population, with clear consequences for labour productivity, as well as the link between health and the social sector, two complex systems that should be much closer to each other. And this is particularly important with population ageing, that is, the consequences of population ageing will also depend greatly on the country’s ability to keep populations healthy and active longer, but this requires a more complete, more coordinated and less episodic response. Patients should have continuous care and should not be blocked by sectoral and/or organizational boundaries, hence the need to work closely with organizations that impact on health and well-being to “co-produce” and manage patients consistently and efficiently (SDCCG 2016).

Regarding the trend of organizing care on a local basis, a 2015 study by the Kings Fund for the English National Health Service (NHS) (Ham and Alderwick 2015) addresses place-based care issues in great depth and takes it as a priority. The development of new care models designed to provide services that best fit the changing needs of the population is faced as urgent. The need for organizations to work together on site-based response systems has recently been recognized in the so-called “success regime” developed by NHS England, Monitor and the NHS Trust Development Authority, working with the Care Quality Commission. And this is described as a “complete systems intervention” in which national bodies work with commissioners and suppliers in areas of England that face deep challenges. Unlike

previous approaches focused on individual organizations, the scheme adopts a location-based approach in which all relevant NHS organizations are involved.

Even concerning clinical governance, a concept that was first introduced in the NHS Health White Paper in 1997 (NHS 1997), it has the explicit objective of stating that quality is everyone's responsibility and that it requires partnerships (health professionals/managers; individuals/organizations and NHS patients/public). The very concept of health system governance in its broadest sense presupposes the search for matching supply to demand needs, which may include dimensions such as safety, effectiveness, efficiency, equity, accessibility and continuity of care. Assuming, therefore, that the objectives intended by clinical governance depend on factors other than medical practice, the term "health governance" is proposed, as well as the shift from silenced governance to integrated governance, as it moves from the organizational level to the systemic level. And this results from the recognition that there is a very wide range of variables that have a major impact on the quality of care, and that each institution by itself does not control, namely: the characteristics of care organizations, partnerships, funding, human resources planning, regulation and patient characteristics. But this reorganization needs a firm commitment and cooperation between the various parties involved in the process and their willingness to assume greater levels of autonomy and responsibility in resource management. The response to the chronically ill cannot therefore be constrained by the traditional boundaries of health institutions, and it is crucial that it extends far beyond these limits, that is, by integrating services of other institutions in the community, which may even fill gaps in the provision of health services (WHO 2002).

Still related to the concepts of integration of care and organization of supply on a local basis, a conception appears in the literature as assuming a particular meaning and importance in this context, which is the concept of place and the place-based systems of care.

In environmental psychology, the meaning of "place" is discussed in terms of (Ham and Alderwick 2015): person (a sense of identity and socialization processes); location (physical and geographical aspects); and process (how the group and individuals relate). However, only recently there has been a growing interest in the importance of place in relation to social aspects, which reflects an understanding of the importance of place in economic and social development, particularly in relation to cities and regions.

Globalization has been accompanied by an equally global tendency to devolve authority and resources from nation states to regions and localities. Hall and McGarrol (2013) advocate a more positive "progressive localism", which sees places as active agents to reinvent the way care and society at large can be shaped through dynamic relationships within and outside their territory. According to these authors, "care" is understood as a broad set of practices and experiences in formal and informal spaces, and within a series of networks with families, friends and local organizations, as well as formal and individualized funding of care services, slowly building an "ethics of care". This localism has been the subject of criticism, that is, pointing out to the "setback" of the public sector, with an increasing role of private and voluntary organizations in providing "public" services, inequalities between

places that could be accentuated, with some communities having better resources and results. However, Hall and McGarrol (2013) present the places as hybrid, relational and dynamic, which encourages a more progressive interpretation of the devolution of responsibilities at the local scale. Instead of places being viewed as passive recipients of decision-making, their potential for innovation and creation is emphasized. Back to the concept of “ethics of care”, a broader conceptualization of the meaning and practice of “care” is required and locates care in what may be called the “carescapes” of sets of relationships and local spaces. Also, in a period of budgetary constraints affecting both formal social support and health care and where demand for care continues to rise, other forms of assistance in the “public and private spheres” will become increasingly important for many; in circumstances of declining formal state support, it is often local communities as spaces and sets of relationships that can become the active subject of care, offering the possibility of an “ethics of the local”.

Another concept that stands out in the context of location-based care is that of location-based leadership (Worrall and Leech 2018). More recently, policy seems to have moved away from its competition model, shifting emphasis to a more integrated and collaborative approach, which has led to the recent addition of “system leadership”, encompassing social support and health care, challenging leaders and their organizations to collaborate, focusing on a common goal. Together they have the task of planning and providing health and social support services for a geographical area. Therefore, public service leadership plays a crucial role in harnessing resources by developing more collaborative and localized delivery structures and a greater focus on early intervention and prevention in care. Such approaches need to consider the particularities of the local population and the environment in which people live, work and spend their free time. This means understanding the differences between locations, rather than trying to impose a common process for identifying priorities and means of delivery for all areas and populations, by adopting a “location-based approach” to public service delivery. This involves shifting from a central model of social policy development and diffusion to one of social learning in diverse groups and through networks as a source of new ideas, policies and “innovation zones”, which is not an easy path and involves leaders, collectively addressing areas of tension and conflict within themselves, with each other and with more organizations and places, to enable a collective approach to dealing with complex and multidimensional problems.

Now, contextualizing in real conditions and in concrete needs, it is important to discuss the challenges and opportunities that are posed to health systems, hence the narrative that follows, as an example, of specific needs and contexts of action, in particular: dementia, palliative care needs for vulnerable individuals and people with urgent care needs.

According to McGovern (2016), there is growing evidence to support the importance of adopting a person approach in the environment in care provision. In the particular case of dementia dealt with in this study, extending beyond traditional approaches which tend to focus more on people than on places, this approach may provide pathways for new care practices for higher quality of life and ageing at

home. Home here is defined as the home in which one lives continuously. Significantly, perceived quality of life correlates with better outcomes for people with dementia and their informal providers, including fewer concurrent illnesses and injuries, reduced rates of depression and longer life expectancy. In addition, ageing at home or in the community is related to greater well-being in adulthood. According to this author, while care partnerships are beginning to be considered in dementia practice and research, attention to the site is still low. When the place is approached, it tends to explore the impact of ageing on the place, defined as institutionalized life rather than home in which one lives continuously. Growing old in a residential setting, in a long-term home or in a community where the pitfalls of everyday life are familiar, routines are ingrained and contact with friends and family is regular, facilitates continuous connection and increases the sense of belonging, which are correlated to well-being.

Another study, in this case on the use of emergency departments (Hudgins and Rising 2016), places health seeking behaviour in the context of a man's social history and clinical condition. This review aims to inform policy interventions that can create entry points for patients to access a first point of contact with the system to access the care they need in environments that are best suited to their condition, and move researchers away from the blaming approach of "appropriate" and "inappropriate" services users. These authors suggest that institutions should develop structural competencies to deal with the administrative inattentiveness that creates barriers to care, specifically by promulgating care at a community level, based on employing community health workers. It is reasoned that health-related habits are not isolated and distinct but are very much connected to social networks and practices rooted in history and identity.

People-based approaches, on the other hand, focus on individuals' health problems when they arise without the actual inclusion of patients' circumstances in preventing, diagnosing and treating an injury or illness. Hudgins and Rising (2016)'s proposal recognizes that social ecologies shape the health of individuals and that the local context, networks and social relationships are important for health and health care.

Giesbrecht et al. (2018) also critically explored how the "places" of formal healthcare settings shape experiences and access to, in this specific case, palliative care for the structurally vulnerable (e.g. homeless). End-of-life care occurs in a variety of settings, from hospitals, clinics, doctor's offices to informal spaces such as the home. The word "occurs" implies the occurrence of care activities, but also the literal ways in which a person occupies a place in a specific environment, social hierarchy or system. Conceived in this way, place plays a significant role in shaping experiences and accessing end-of-life care, resulting in diverse populations experiencing various care contexts in different ways. The findings of this analysis disclose how those who suffer structural end-of-life vulnerability simply do not fit into public/formal health settings but also have no other place to access needed care. While it is acknowledged that this "homelessness" is increasingly experienced by the homeless in many urban landscapes, it is also emphasized as this denied "place-in-the-world" becomes increasingly pronounced as you move further along becoming

increasingly vulnerable and nearing the end of its life. This spatial exclusion has been found to produce symbolic, political, cultural, physical, emotional and social adverse outcomes that were not conducive to quality palliative care. Many participants lived their entire lives outside the main health system and making them live their last days of life in that system only increased their suffering. Thus, these treatment sites were found to increase discomfort, fear, anxiety and harm, resulting in disproportionate and undue hardship. The location-based experiential knowledge offered in these findings has the potential to inform decision-makers on ways to directly impact policies, practices and system-level changes, particularly on ways to improve access and quality of palliative care of vulnerable populations. Given participants’ generally negative experiences in public/formal health settings and echoing promising practices raised elsewhere, these findings suggest that palliative care should become more flexible and mobile. This suggests that palliative care should be provided in a variety of contexts, considered acceptable and safe by structurally vulnerable populations. Palliative care services need to be delivered in environments that go beyond formal healthcare settings and serve clients “where they are”. In addition, what may be needed is also a new view of what “home” means in the context of home care. Expecting those who are dying and facing structural vulnerability to seek and coordinate their own palliative care, often with limited support and social resources, is unrealistic and, as the authors’ findings mention, is often not possible. As such, creating flexible services that employ harm reduction strategies outside the formal health environment are promising steps to ensure that everyone has equitable access to palliative care and the opportunity to alleviate suffering and obtain a dignified death.

3 The Emergence of Fourth Sector and the Role of Social Entrepreneurs

For-benefits are a new class of organizations, rapidly growing, that are giving rise to the fourth sector of the economy. These organizations are defined by two main characteristics, which distinguish for-benefits from other organizational models: a primary commitment to social purpose, together with a predominantly earned-income business model (Sabeti 2011). For-benefits companies represent a new paradigm in organizational theory and design because they link two concepts which are held as a false dichotomy in other models, the private interest and the public benefit (Collander 2012). In addition, most for-benefits present some other secondary characteristics like transparency, fair compensations, inclusive ownership or social or environmental responsibility, which contribute to maximize benefit to all stakeholders. For-benefits organizations are referred to by many different names, such as public benefit corporations, social enterprises, social businesses, sustainable enterprises, cooperatives, to name just a few (Sabeti 2011).

Traditional entrepreneurs, as referred to in the literature, are presented as individuals who are motivated by self-interest, driven almost exclusively by the desire to maximize profit (Miller et al. 2012). However, more recently, a new kind of entrepreneurs are being identified, the social entrepreneurs who are (also) motivated by social objectives. Although there is no agreement on one single definition, it is accepted that social entrepreneurship is “an innovative social value-creating activity, that can occur within or across the non-profit, business or government sector” (Austin et al. 2006, p.2). Social entrepreneurs comprise a variety of individuals with different backgrounds, different motivations and goals, but present the common desire to achieve social objectives (Mottiar et al. 2018). Research on social entrepreneurs has gained significant impulse among a variety of business fields. In tourism, Mottiar et al. (2018) identified three key roles played by social entrepreneurs in rural destinations. They found that these entrepreneurs are individuals who often identify tourism opportunity in the first instance, enhance local networks and develop common goals and visions among the local community. Social entrepreneurs in this study are a significant force in catalysing a collective vision, acting as leaders and involving local communities in projects that will enhance local development. They also create and maintain networks that benefit projects and communities. As network architects, they develop collaboration at various scales, providing access to information, people, support and ideas, and strengthening social capital where they operate.

In the health domain, arguments have been presented that sustain social entrepreneurs create and implement locally situated innovative approaches to promote health and wellness. They define the social problem, generate social capital in the community and educate potential partners (Heinze et al. 2016). Social entrepreneurship is growing as influential individuals and organizations work to fill the gaps left by government and business in addressing social needs (Dacin et al. 2011). Social entrepreneurs aim for value in the form of social benefit, by developing innovative solutions to social problems. Most research on social entrepreneurship has centred on individual entrepreneurship (Bielefeld 2008), but less is known about how local social entrepreneurs develop innovative solutions (Heinze et al. 2016), namely how collaborations enable organizations to assemble, mobilize and deploy resources necessary for social entrepreneurship. These resources include financial assistance, expertise, cultural and institutional resources. Building networks and bonding across sectors, social entrepreneurs can collectively expand capabilities and reach advanced solutions to social problems (Drayton 2010). However, establishing and maintaining collaborations is not easy and depends on partners’ engagement, resources, scope, complexity and strategic value (Bielefeld 2008).

Heinze et al. (2016) found that entrepreneurs follow four steps in the social entrepreneurship process: (1) define the social problem, (2) build the social capital, (3) educate the potential partners and (4) call partners with complementary competences. It is suggested, as in the case of social entrepreneurs in tourism (Mottiar et al. 2018), that these actors serve as knowledge brokers—strategically aligning interests and capacities to establish community collaborative norms that are often more stable than contractual norms. Ambiguity is reduced with problem definition and focusing

effort and energy on issues of more relevance to the local community. Authors also found that local social entrepreneurs inspire and legitimate more innovative collaborations by addressing social problems and educating partners. The most appropriate partners are convened and strong relationships within community are developed. This way synergies are accomplished, and strengths capitalized. Therefore, social entrepreneurs are giving a contribution to develop local solutions to the social problems of population health. Trust is a key precursor of innovative collaboration in this context as in others (Mishra 1996). Trust is important for non-profits engaging in local social entrepreneurship, and social entrepreneurs can build trust in the community, through listening to, learning from and participating in the activities of community organizations. Involving citizens in the process and providing feedback and guidance for communities and organizations also help to strengthen this trust (Heinze et al. 2016). This is better accomplished because local entrepreneurs understand particularities of the local population and the environment in which people live, work and spend their free time. Therefore, they have good conditions to integrate systems that can provide for peoples’ healthcare needs.

4 Methodology

A qualitative, essentially inductive approach was selected for this chapter, considering the limited empirical scientific research on the topic. A case study, of an exploratory nature, was chosen for gaining rich information (Mitchell and Fisher 2010) that may help to understand social entrepreneurship in health care and the emergence of for-benefits businesses in this industry.

A literature review was performed about healthcare systems based on a systemic local-based approach, social entrepreneurship and for-benefits businesses. The case study approach was considered as it is viewed as relevant to theory development (de Jong et al. 2015) and enables to gain a holistic understanding of how dynamics unfold in real-life settings (Yin 2014).

This chapter analyses the case of Portuguese social entrepreneurs whose businesses are reported in the online platform (<https://inovacaosocial.portugal2020.pt/sobre/portugal-inovacao-social/>), and critically discuss their role and contribution to the healthcare system, within a sustainable, integrated approach. For this analysis, 36 projects were considered, identified as “health” activities, and the data available were organized and systematized around the following data categories: (1) problem, (2) region, (3) social investors and (4) implementing entities. This process was made sequentially by the two researchers, and the data collected were compared and crossed. Content analysis here performed attempts to find evidence that might support the idea that social entrepreneurs are, through their actions, contributing to a more integrated and sustainable healthcare system. It is expected this critical discussion will bring some additional insights into the subject.

5 Results

5.1 *The Case: “Portugal Inovação Social”*¹

The choice for the presentation and analysis of the case presented here is due, first of all, to the potential it presents towards promoting “for-benefits” businesses, as well as to the possibilities it offers in order to integrate different areas and sectors in the design and organization of the health system, with a view to improving not only the quality of life of populations, but also the financial sustainability of the health (and social) system itself.

“*Portugal Inovação Social*” (“Portugal Social Innovation”, SPI-Project) is a public initiative that aims to promote social innovation and boost the social investment market in Portugal. It mobilizes around 150 million euros from the European Social Fund, under the Portugal 2020 Partnership Agreement, and channels this money into the market through four financing instruments designed to finance projects that propose alternative and innovative approaches to respond to social problems. This initiative is a pioneering experience in Europe, as Portugal is the only Member State that has reserved part of the Community funds until 2020 to try new financing instruments that aim to foster innovation and social investment. The execution of the Portugal Social Innovation Initiative is coordinated by the Portugal Social Innovation Mission Structure (EMPIS), whose main purposes are:

- Promoting Innovation and Social Entrepreneurship in Portugal as a way of generating new solutions to social problems, in a complementary way to traditional responses, for the resolution of important social problems
- Streamlining the social investment market, creating financing instruments that are better suited to the specific needs of the social economy sector and social innovation and entrepreneurship projects
- Training the actors of the innovation and social entrepreneurship system in Portugal, improving the response levels of social economy entities and contributing to their economic and financial sustainability

These projects are always guided towards and by a social problem. There are many social problems that affect our collective life, and which vary according to geographical, historical or socioeconomic contexts. At the PSI-Project, the social problem is understood as the risk of inhibiting or effectively constraining the quality of life or the prospects for the development of one or more social groups, current or future.

The financing instruments of PSI-Project are used to finance IIES (Innovation and Social Entrepreneurship Initiative). Social innovation occurs when the social entrepreneurship process is successful, that is, when a new response to a social problem is generated, differentiated from conventional ones, which promotes autonomy and generates positive social impact, with efficient use of resources. Regarding social

¹<https://inovacaosocial.portugal2020.pt/sobre/portugal-inovacao-social/>

entrepreneurship, it is the process of implementing and developing innovative ideas to respond to community problems, aiming at a social and often also economic end.

Within the scope of PSI-Project, an IIES is a project that aims to implement or develop an innovative solution to one or more social problems, that is, it is a project that aims to intervene in an innovative and efficient way on one or more social problems with the objective to generate a positive social impact. In other words, an IIES, as a social innovation project, must always constitute itself as an attempt to solve or mitigate a social problem, promoting the transformation of conditions, ways or life perspectives, with the potential for universal reach.

Concerning the financing instruments, this initiative manages four financing instruments aimed at supporting the development of social innovation projects and each of the four instruments is oriented towards a specific phase of the life cycle of social innovation projects. In all, alongside the financing of the PSI-Project, there is the participation of one or more Social Investors (public or private entities that accompany or co-finance projects). The financing of each project is approved upon submission of applications by the organizations within the scope of open calls periodically.

The different financing instruments are: “Training for Social Investment”, “Partnerships for Impact”, “Social Impact Titles” and “Social Innovation Fund”. A characterization of these instruments is examined in Table 1.

The instrument “Training for Social Investment” finances the development of organizational and management skills that enable Social Economy organizations to successfully implement a social innovation project, the Social Entrepreneurship Initiatives (IIES). To respond to the specific training needs of Social Economy entities, a fixed non-refundable amount, up to a maximum of 50,000 €, is allocated to finance a Training Plan, including a Training Needs Diagnosis that must be carried out prior to the application by an independent entity. Any Social Economy entity (Associations, Foundations, Cooperatives, IPSS, etc.) that has an IIES in progress can apply or that has already carried out a pilot experiment to test the concept can apply for this support.

“Partnerships for Impact” is another financing instrument that finances social innovation projects, in partnership with social investors, to achieve greater scale and impact. This instrument aims to finance the creation, development or growth of social innovation projects, in the form of co-financing with social investors, stimulating impact philanthropy and contributing to a more stable, effective and lasting financing model. Private sector, Social Economy or public sector organizations can apply for this instrument, subject to the restrictions provided for in each competition. National or international organizations from the private sector, the Social Economy or the public sector, who are committed to allocating financial resources to support the IIES Development Plan, may take on the role of social investors, provided they have no control relationship with the entity candidate who will develop this IIES.

Regarding “Social Impact Titles”, it finances innovative projects in priority areas of public policy, through the achievement of measurable social results previously contracted. This financing instrument aims to finance, by contracting payment for results, innovative projects aimed at obtaining social results and efficiency gains in

Table 1 Financing instruments

Instrument	Scope	Who can apply	Financing amount per project (euros)
Training for Social Investment	Development of organizational and management skills, through the implementation of a Training Plan	Social economy entities (Associations, Foundations, Cooperatives, IPSS, among others)	Up to 50,000
Partnerships for Impact	Creation, development or growth of social innovation projects, in the form of co-financing with social investors, stimulating impact philanthropy and contributing to a more stable, effective and lasting financing model	Private sector, social economy or public sector organizations	More than 50,000
Social Impact Titles	Innovative projects in priority areas of public policy, such as Social Protection, Employment, Health, Justice and Education	A partnership of one or more private entities (to implement) and one or more social investors (to finance)	More than 50,000
Social Innovation Fund	Facilitates access to credit and co-invests in organizations that implement social innovation projects with sustainable business models	Social Economy entities and SMEs and investors such as Business Angels, Venture Capital Funds, SMEs, Foundations, among others	NA

Source: PSI-Project website (adapted)

Notes: NA, not applicable

priority areas of public policy, such as Social Protection, Employment, Health, Justice and Education. The project must be implemented by one or more private entities and financed by one or more social investors, proposing to achieve certain measurable social results, whose indicators and goals must be previously validated by the public entity responsible for the sectorial policy. The social results to be achieved, as well as their indicators and respective goals, are previously defined and contracted in the application area. If these results have been achieved, social investors are fully reimbursed for the amount invested to achieve them. The application must be made in partnership by the entities involved: the implementing entities (who carry out the project), social investors (who finance the project) and public entities (who validate the project's alignment with public policy and the relevance of the expected results).

The financing needs of the projects must be greater than 50,000 €. Any private sector or Social Economy organization (Associations, Foundations, Cooperatives, IPSS, among others) can be social investors or implementing entities; however, there can be no control relationship between the social investor and the implementing entity.

Concerning the "Social Innovation Fund", it facilitates access to credit and co-invests in organizations that implement social innovation projects with

sustainable business models. This is an impact investment fund designed to support Innovation and Social Entrepreneurship Initiatives in the process of consolidation or expansion, which require significant investments and which present conditions of financial sustainability that allow reimbursement investments. In addition to being a pioneering experience within the scope of the European Social Fund, it is the first public financial instrument to foster the social impact business market that allows the direct intervention of credit institutions and capital investors (for example, Venture Capital and Business Angels) in innovation and social entrepreneurship projects. This fund was created as an autonomous fund by Decree-Law No. 28/2018 of 3 May 2002 and is dedicated to financing/investing in impact businesses, which are recognized as IIES by the “Portugal Innovation Mission Social Structure”. Social Economy entities and small and medium enterprises (SMEs) can apply and investors, such as Business Angels, Venture Capital Funds, SMEs, Foundations, among others, can also apply. In this case, SMEs are the entities eligible for investment.

Within the scope of this public initiative PSI Project, the number of projects on this date totalizes 465, with the social investment corresponding to 21,024,871 euros and the investment of Portugal 2020 to 59,061,972 euros.

Although practically all other areas covered by this initiative can be considered as relevant to health, as all of them, in some way, determine the health of populations, the following brief analysis considered only the projects that were classified as “health” with respect to the intervention area. Therefore, these “health” projects correspond to about 19% of all projects (88 “health” projects), which corresponds to 14% of all investments already made under the SPI-Project. Table 2 shows a general overview of this reality.

The information collected regarding these projects was grouped into the following four categories/dimensions of analysis:

Table 2 General overview of the SPI-Project investment (up to this date)

Instrument	Total projects	Social investment	Public investment (Portugal 2020)	Total Health projects	Health projects social investment	Health projects public investment
Training for Social Investment	201	0	7,441,804 euros	48	0	1,828,084
Partnerships for Impact	252	17,734,843	48,330,139	39	2,598,868	6,810,502
Social Impact Titles	12	3,290,029	3,290,029	1	239,660	239,660
Social Innovation Fund	INA	INA	INA	NA	NA	NA
Total	465	21,024,871	59,061,972	88	2,838,528	8,878,246

Source: PSI-Project website (adapted)

Notes: values in euros; INA: Information not available; NA: not applicable

Table 3 PSI Health projects in the different Portuguese regions, by typology of investment instrument

Instrument/ regions	Training for social investment	Partnerships for impact	Social impact titles	Total
North	19	16	1	36
Centre	27	15	0	42
Alentejo	2	2	0	4
Algarve	0	4	0	4
Multiregion	0	2	0	2
Total	48	39	1	88

Source: PSI-Project website (adapted)

1. Problem
2. Region
3. Social Investors
4. Implementing Entities

In this analysis, the projects are divided into two large groups, according to the financing instrument that, in the case of the health projects under exploration, are mainly divided into two types: “Partnerships for Impact” and “Training for Social Investment”, while “Social Impact Titles” accounts for one project only.

Of the 88 projects under study, 39 have the “Partnerships for Impact” as a financing instrument and 48 projects in “Training for Social Investment” typology. Table 3 shows the projects in the different Portuguese regions, by typology of investment instrument.

Regarding the problem that these projects propose to tackle, they are very diverse, from illness to social problems in particular fragile groups, like children and senior isolated population. Table 4 gives an overview of the main problems addressed by the financing instrument.

Concerning social investors, foreseen in projects with the financing instruments here documented, it is possible to see that companies, municipalities and social organizations are all represented. Public investment accounts for approximately 70% of all the investment done in health projects analysed. However, the growing interest and participation of social organizations and companies in this kind of investment should be recognized.

Regarding the entities implementing the projects, in the three financing instruments, the majority relate to Social Economy Entities. Among these, Associations are clearly the main organizational type here represented, accounting for almost 50% of all project’s implementation. It was possible to verify that partners involved are very diverse. Multiple activities, sizes and organizational types can be found among the implementing entities. Municipalities, foundations, universities, computer companies, food industry, dentists, restaurants and tourism enterprises are among them.

Table 4 Problems addressed in PSI Health projects, by typology of investment instrument

Instrument/problem	Training for social investment	Partnerships for impact	Social impact titles
Dementia	6	10	
Social exclusion	1	3	
Lack of access to medicines and treatments	1	1	
Social isolation in senior population	6	5	
Childhood obesity, quality of life and lifestyle	8	5	
Reduce risks related to habits and lifestyles	2	3	
Young people emotional and behavioural disorders	3	4	
Stress problems	4	2	
Overload of informal caregivers	6	1	1
Oral health promotion	1	4	
Organizational capacity, management and learning in new technologies	10	–	
Others	–	1	

Source: PSI-Project website (adapted)

6 Discussion and Conclusions

Reporting specifically on the results of the case under analysis and looking at this public initiative as a whole, the “health” projects correspond to about 19% of all projects, with a social investment of around 13.5% of the total social investment and about 15% of the total public investment. Of the 88 projects under study (the “health” projects), these were distributed by three financing instruments: “Partnerships for Impact”, “Training for Social Investment” and “Social Impact Titles”. “Partnerships for Impact” finance 39 projects, “Training for Social Investment”, 48 projects and “Social Impact Titles”, 1 project (Figs. 1 and 2).

Regarding the problem that these projects propose to tackle, they are very diverse, from illness to social problems in particular fragile groups, like children and senior isolated population. Mental health is also assuming a growing interest. Concerning social investors, it is possible to observe that most of the projects comprise partnerships: companies, municipalities and other types of social organizations. Some of the entities (even though, details are scarce in the platform) can be included in the for-benefits label since they have a social goal and a profit orientation as well.

It is also clear, given the results, the relevance of social issues and social partners in these projects, which reveals an integrative and more inclusive approach to health matters. Another aspect that deserves to be highlighted is the greater preponderance of the North and Centre regions in these initiatives.

Considering the projects classified as “health”, although it may seem insufficient that they correspond to around 19% of the total of the projects, it remains unclear if

Fig. 1 Health projects (number). Source: PSI-Project website (adapted)

Health projects

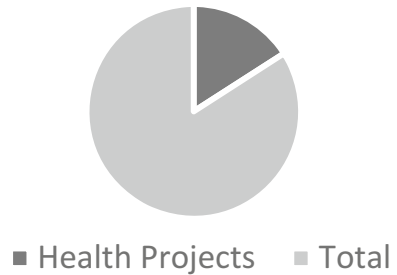
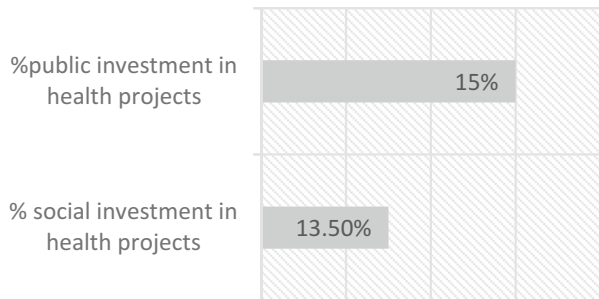


Fig. 2 Percentage of social and public investment in health projects of the total social and public investment. Source: PSI-Project website (adapted)

Social and Public Investment



the projects classified in other areas will not have an important role and contribution for the health and quality of life of populations, therefore a deeper analysis would help to clarify if the perspective of Health in All Policies (Ståhl et al. 2006) can already be found in the PSI-Project.

Demographic changes in western societies, particularly related to the progressive ageing of the population and the increase in life expectancy, brought new disease profiles that require a more complex and challenging response, coordinated by different professionals and involving sectors other than health. The world is changing, quickly and with many unforeseen events, so the systems must be capable of anticipation and (re)organization, committing actors that traditionally would not be involved. Complex problems require multidisciplinary approaches, which means that more innovation is required in the design and implementation of response, where the systemic perspective and the integration of care seem to play a central role. In fact, consequences of population ageing will also differ in the ability to keep populations healthy and active longer, which is highly dependent on the system's ability to influence the health of communities, largely conditioned by sectorial policies that go far beyond the health sector.

Care integration brings opportunities for collaboration between different sectors and professionals, public and private, as well as with informal carers and it may include health care, social support as well as other services. The role that the so-called social entrepreneurs can play in this new healthcare system model is also emphasized and the holistic approach to health is assumed to benefit from inputs of a diversified set of actors, from health professionals to informal carers. In this perspective, the case presented in this chapter, the PSI-Project, is perceived as revealing the potential of value creation in order to mitigate the discontinuities and failures of current systems, with particular emphasis on the social and health systems, both in terms of the continuity of the response to the needs of populations and in relation to the system’s financial sustainability.

The possibilities offered by this public initiative are understood as enormous, as it is feasible to bring different areas and sectors into the projects, including social economy entities, municipalities and private companies. However, the still modest involvement of private companies, mainly as implementing entities, must be recognized, and their participation promoted.

Also concepts such as the place-based approach or the people-based approach are realized as being present in the design and implementation of this initiative, in the first case because of the regional approach and the creation of local networks and in the second, the projects’ orientation to specific problems of certain groups and/or particular contexts.

Although practically all other areas covered by this initiative can be considered as relevant to health, as all of them, in some way, determine the health of populations, only the projects that were classified as “health” with respect to the intervention area were considered in this study. Therefore, it is important to emphasize that this is work in progress, limited to the available information of PSI-Project platform, which can be considered scarce. The identification and analysis of projects that, either because of the nature of the problem, the target audience and/or the nature of the entities involved, can be coordinated with health and other sectors with a relevant potential impact, could be a future line of research. Thus, this work should be considered as a first step in the development of a more comprehensive research on this subject including the assessment of the specific ongoing initiative here presented, the characterization of entities involved, their business and social goals, and other relevant information that would enable the understanding of their for-benefits orientation.

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Beyond Business: Understanding the Foundations and Practices of Corporate Activism



Carlota López Aza, Teresa Pintado Blanco, and Joaquín Sánchez Herrera

Abstract The objective of this research is to examine the emerging phenomenon of corporate activism and its relationship with the fourth sector. This chapter therefore contains a detailed review of the concepts and theories that allow for a better understanding of the issues around activism. More specifically, it describes the ecosystem in which the companies performing activist practices operate. They perform these as a result of the strategic decisions made by their businesses in different parts of the world. All of this has the aim of meeting the financial targets as well as promoting social change, demonstrating the commitment of these practices to the mission of the for-benefit organization.

To do this, we analyzed a sample of 50 activism-based business communication strategies between 2008 and 2019, representing the most important initiatives in this area. These communication campaigns have been carried out by companies that meet the criteria associated with the fourth sector. A descriptive analysis is proposed in which the time sequence of the activism initiatives is studied, before later describing the most significant characteristics of the organizations studied (type of activism, business evolution, sector analysis, and degree of controversy). The results show when and under what conditions the corporate activism actions have been carried out. As a result, the study allows us to understand and discuss the implications of this new form of relationship between companies and society.

Keywords Corporate activism · Brand activism · Fourth sector · For-benefit organization · Controversial industries

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1 Introduction

Today's world is hearing a general call to action given the great challenges we face in society. Major social problems beset us, such as increased inequality and poverty, the growth of extremism among the main political parties around the world (Bolsonaro in Brazil and Orbán in Hungary, among others), an increased rejection of immigration and the acceptance of refugees, and the health and economic crisis caused by COVID-19. In these circumstances, governments are also suffering from a legitimacy crisis due to their lack of transparency and loss of power compared to the large business lobbies, as are private sector companies due to their illegal or unethical behavior. Even nonprofit companies and social enterprises are not immune from criticism. The escalation and urgency of these global social problems leads consumers to believe that the current economic systems and business models are failing to provide an adequate response to their new social demands.

Although the strategic use of corporate social responsibility (CSR) by many companies across all sectors seemed to change habits slightly, it was with the search for a purpose beyond profit maximization that organizations really started to change. In that moment, companies started to look for the *raison d'être* of their companies beyond the profits that drive their commercial growth. Here, their impact on society (Kotler and Sarkar 2018) is what makes the difference and makes the action more powerful.

Consequently, business models based on the fourth sector are growing and it is these new types of for-benefit organization that can tackle the major social problems of our globalized and polarized world. Fourth sector companies (also called hybrid organizations) can play a relevant role in the transformation of society, thanks to their position in institutional issues, helping to generate new paths in market orientation. In addition, their multivocality leads to a better adaptation to new forms of organization, being considered as reliable entities (Alexius and Furusten 2019). This is where the development of corporate activism makes sense, since brands cannot remain neutral in the face of controversial issues that matter to their stakeholders. This is even more true when recent studies show that half of all *millennials* are more motivated to buy from companies that share their values and beliefs (Edelman Earned Brand 2018).

Therefore, companies now have a crucial role to play and the social and environmental focus is beginning to take center stage in the economy. Incorporating new social demands and innovating through business models related to the fourth sector, using new marketing strategies such as corporate activism, will bring profit and sustainability into line and will become a key challenge for those running companies and those making the key strategic business decisions in the twenty-first century (Alberti and Varon Garrido 2017).

Brands face more rewards than risks with this way of doing business. Brands cannot change minds, but they can make changes. The most common emotional consumer reactions when brands take positions on controversial issues, such as diversity, LGTBI rights, or immigration, are positive, and the three main consumer

reactions are intrigued, impressed, and engaged. Business is now expected to be an agent of change (Kotler and Sarkar 2018).

For a complete development of the companies in the fourth sector, it is necessary that the entrepreneurs have resources that are adjusted to their objectives of creating social value, in addition to innovations of a legal and economic nature. All this will lead to the creation of new political investment and consumer systems that will in turn generate a greater number of hybrid organizations in the future. However, not all solutions to social problems are commercially viable, so for many entrepreneurs, hybrid models are a promising way to generate both economic and social values (Battilana et al. 2012). This is where corporate activism actions can be of great importance for fourth sector companies.

Based on what has been described, the structure of our work is as follows. First, we review the theories and concepts associated with corporate activism, as well as the indicators relevant to this, such as the business sector in which a company operates, the importance of the disclosure of these actions, and their similarity to corporate social responsibility (CSR). Second, we review the literature related to the fourth sector and its importance in corporate activism. Third, we propose a descriptive methodology based on the study of corporate activist cases and, finally, we discuss the results, limitations, and new lines of work for future research.

2 Corporate Activism

A growing number of companies are performing actions unrelated to their businesses. This occurs among companies in the fourth sector, as well as among other companies of a more traditional nature. Moreover, in many cases these actions are based on taking a specific position on controversial issues of a social nature, such as equality or diversity; of a political nature, such as immigration; or of a civil nature, such as the redistribution of wealth. This phenomenon is known as corporate activism.

Generally, companies in the fourth sector face an important challenge, since it is necessary to generate enough income without forgetting their social purpose; this may generate potentially conflicting objectives from the financial and social point of view, which pose a challenge for the managers of these organizations (Ebrahim et al. 2014). Corporate activism has provided a new element of support in the management of these types of organizations' social affairs. Companies around the world also sometimes adopt an activist stance on global issues, or in relation to a specific issue in a specific country. This is institutional behavior that we began to see a few years ago and that has been growing in parallel with the social changes and new forms of communication (based on the social media) which have given increasing visibility to this corporate position taking and activism.

Corporate activism has developed greatly in recent years due to the greater demands on business organizations from different audiences, together with the inability of governments to cope with the major social changes taking place today.

When a controversial or disputed issue arises, individuals usually take a specific position, whether the issues are related to politics, religion, or are of a social nature. When a company publicly expresses its position on these issues, it uses corporate activism (or brand activism, if it is used by one of its brands) in different ways: this may be planned or spontaneous, either using the regular resources of the company (e.g., advertising) or its own managers. While the term may seem new, there are examples of corporate activism going back to the early twentieth century, when Henry Ford supported women's suffrage, allowing women to organize meetings in his home.

However, this concept has gained greater significance since 2013, when Guido Barilla, President of the Barilla Group, the world's largest pasta producer, declared that "I would never make an advertisement with a homosexual family", since he supported the idea of a traditional family in which women play a fundamental role. At that time, many activists called for a boycott of the brand and both consumers and competitors clearly responded to this public position taking that was now affecting the brand. The next day, its three competing brands (Buitoni, Garofalo, and Bertolli) issued media campaigns supporting same-sex marriage, without directly mentioning Barilla. In the end, Guido Barilla was forced to apologize.

2.1 Theories and Concepts Related to Corporate Activism

It is difficult to find clear references to corporate activism and there can appear to be some confusion about its exact meaning. However, there are previous concepts and theories that have acted as the foundations for what today has become a standard technique for publicizing the support of a company (from the fourth or another sector) for a social, political, or other issue. Many of the concepts related to activism are included within corporate social responsibility, or conflict or problem management (Dodd and Supa 2014), both of which are closely related to business communications and public relations used by companies on matters related to social issues. Occasionally, corporate activism is also related to strategic issue management (SIM), which focuses on a blend of good corporate responsibility practices, the strategic planning of the business, the corporate culture, and the business climate, in such a way that a positive impact is generated through the actions taken by companies that affect people (Heath and Palenchar 2008).

One of the main concepts most closely related to corporate activism is corporate social advocacy (CSA), in which companies take the perception of the public and their interests as a reference and use this as the basis for deciding whether or not to take a specific position on a political or social issue (Park and Berger 2004). The use of CSA has increased in recent years, given the growth in fourth sector companies, though many cases were documented in previous years. For example, Coca Cola supported Martin Luther King's Nobel Peace Prize in 1964 and decades later Disney and Unilever came out against discriminatory practices. More recently, some companies such as Levi Strauss and Facebook have come out against public washrooms

being used according to gender (male or female), as this has prevented transgender people from being able to use their preferred washroom (Krebel-Chang 2017).

In turn, corporate activism is related to organizational legitimacy, which is based on the system of social values, rules, and beliefs present in society. The actions taken by an organization are part of that system and are perceived by the public according to that system (Suchman 1995; Sen and Morwitz 1996). It also relates to corporate diplomacy, which has a broader focus, as it mentions the responsibility and political activity of companies, often from an international perspective, in order to improve international relations and promote peacemaking activities in multiple settings (Westermann-Behaylo et al. 2015).

In short, although corporate activism has only been developing for a short time, there are theories and concepts from other disciplines that help to understand the scale of its importance.

Fourth sector companies integrate these aspects in their mission and corporate strategies, in such a way that they take into account these theories and even go beyond them, learning from models from biology, linguistics, or anthropology (Grassl 2011). In this way, they open a multidisciplinary research field that promotes the creation of social value.

2.2 Corporate Activism and Communication: From Advertising Campaigns to CEOs

To accelerate the development of the fourth sector, a system of services and infrastructure is needed that is adapted to its particular needs. Legal and regulatory aspects are important, but so are those related to marketing management and communication channels. Fourth sector companies need to get their message across to consumers and stakeholders to be differentiated. This requires specialized marketing, communication, and public relations support, as well as alternative media channels that are aligned with the values of the fourth sector (Fourth Sector Network 2009).

In order to launch corporate activism actions, companies may use corporate advocacy advertising or controversy advertising as part of their communication strategies. This type of advertising is directly developed and planned to respond to the purpose behind the activism and allows companies to strongly express a specific position in the mass media (Cutler and Muehling 1989; Haley 1996), either through campaigns with a more direct and aggressive approach, or with those that are more thought provoking for the target audiences. The content of this communication is unrelated to the company's products and services and to its functions or innovations in the market, but is instead clearly focused on arguing for an improvement in society. This can in turn create a call for action among activist groups (Dodd and Supa 2014).

The involvement of companies in social, legal, and political issues has also been increasing and not only over time, as they have also been using other ways to make their views known through the use of other communication techniques or resources. As a result, the positions taken are not only publicized through communication campaigns since the managers or CEOs themselves become an enormously valuable resource in supporting social positions. Many of the owners and/or founders of fourth sector companies started their businesses based on social issues; this has led to a more personal management of the businesses and a greater public defense of their values (Harjoto et al. 2019). Thus, companies applying to join B Corporations (one of the main categories of the fourth sector) are usually small companies represented by such managers, although this has also been transferred to large companies concerned with social issues.

This means that CEOs are known not only for their professional success, but also for how they defend these issues (e.g., Tim Cook, CEO of Apple or Jeff Bezos, CEO of Amazon). This issue is very important, as their public statements can positively affect the markets in a way that can generate profits in many situations (Park and Berger 2004; Beauchamp and O'Connor 2012; Chatterji and Toffel 2016; Krebel-Chang 2017; Hinterecker et al. 2018).

In this way, companies acquire a more human role, not only because of the visibility of their CEOs, but also because taking a position on issues is a value closer to human values. While it is sometimes debated whether companies should play this role (Krebel-Chang 2017), various studies reveal that it is positive, as consumers increase their loyalty and the role of CEOs is valued by employees, being generally effective for companies (Chatterji and Toffel 2016).

The role of CEOs is extremely important, as they not only lead the decisions and strategies of their companies, but also act as spokespeople. This issue has been widely studied (Hodges 2016; Laufer et al. 2018; Reidenbach and Pitts 1986), especially in the context of crisis situations (Laufer et al. 2018; Denner et al. 2020) and CEO branding (Fetscherin 2015; Hankinson and Cowking 1995; Shepherd 2005). As a result, in the last few years these CEOs have started to act as activists by taking a stand on controversial issues that have nothing to do with their professional activity. Thus, current CEOs are powerful individuals who can also play an activist role that could affect their organizations.

In this regard, Partzsch (2017) suggests the need to classify this type of powerful individual who, in turn, can influence political and social issues, according to their characteristics: philanthropists, who have capital (such as Bill Gates), social entrepreneurs who use new ideas to promote social change (Muhammad Yunus, with the creation of microcredits), or celebrities who use their popularity to increase the impact of their statements (Bono, from the band U2).

2.3 The Effects of Corporate Activism on Consumers

Given that corporate activism is intrinsic to companies, whether or not they are from the fourth sector, we need to mention the effects that this stance on controversial

issues can have on consumers. There are many studies on the perception of corporate social responsibility programs, highly focused on issues similar to those involved in corporate activism. These studies show that consumers positively value programs focused on adding value to society or the target audiences, whereas those that are run for a more selfish purpose are negatively perceived (Ellen et al. 2006). There are also studies that have shown that corporate social responsibility has a positive relationship with the purchasing intentions of consumers (David et al. 2005; Lee and Shin 2010; Kim and Lee 2012; Baksh-Mohammed et al. 2012). Specifically, in the case of corporate activism it has been shown that if the issue being supported by the company is the same as that supported by the public, this will translate into a greater purchase intention (Robinson et al. 2012; Krebel-Chang 2017; Corcoran et al. 2016). This occurs in all types of entity, not only in companies from the fourth sector, but also in nongovernmental organizations (Cornwell and Coote 2005) and in more stigmatized sectors, such as fast food or alcohol (Kim and Lee 2012).

It is not easy to understand why corporate activism should have this effect on its audiences. This is important for companies from the fourth sector to understand, since understanding this would allow them to properly target their communications or select the topics to support in a more convenient manner. Furthermore, these companies whose CEOs enact their mission values through an engaged, participative, and transformational leadership (Alberti and Varon Garrido 2017) are more easily aligned within fourth sector because they prioritize more than just profit maximization, that is, they take a stand on social and environmental worldwide challenges. One of the classic theories that underlie corporate activism is the theory of cognitive dissonance developed by Festinger in 1957, which has been used in many situations in a very wide range of disciplines. According to this theory, humans can have two thoughts that conflict with each other at any given moment or situations could also arise that conflict with our values. In both cases, there is a lack of harmony or an inconsistency (i.e., the dissonance referred to in the theory), which leads to the generation of other ideas that allow for a reduction in tension and that may generate a change in behavior or attitude. When companies express their support for a controversial issue, they must ensure that cognitive dissonance does not affect their consumers. This makes it a very useful theory for corporate activism actions.

Cognitive dissonance has also been used in the study of related topics, for example, to explain the inconsistency between internal values and consumer behavior when buying ethical products (Peloza et al. 2013) or to study the connection between cognitive dissonance and the return of ecological products (Lee 2015), proving that it is a highly valuable and useful theory for explaining the behavior of consumers in this type of situation.

Organizations are putting the public at the core of their mission and this means accepting their demands. In an effort to meet these, leading organizations are making the public a central part of their strategy and identity. Why this greater commitment? Because an increasing number of people (consumers, employees, investors, etc.) perceive that corporate citizenship contributes to the success of a company (Stangis and Smith 2017). Thus, the objective of the theory of corporate citizenship (Marshall

1965) is for companies to take over the roles traditionally played by governments. Consequently, organizations act as agents of change, managing current problems that the state is unable to handle.

The demand for these organizations is growing “due to the fundamental economic changes and the failure of government to provide lasting solutions” as indicated by Larry Fink, CEO of BlackRock, the world’s largest fund manager, in his annual letter¹ to managers and directors in 2019. Previous studies show that companies that align the use of corporate citizenship with their global business strategy are more likely to achieve their targets, as well as form a meaningful platform for society (Clevenger and MacGregor 2019).

The functions that companies take on refer to the protection of civil, social, and political rights (Marshall 1965; Matten and Crane 2005) due to the demands of a society that “is increasingly looking to companies, both public and private, to address pressing social and economic issues (Larry Fink, CEO of BlackRock 2019).” Social rights consist of those that provide the individual with the freedom to participate in society, such as the right to education; civil rights are oriented toward the collective will in the public arena and political rights help facilitate, enable, or block certain political processes in society (Matten and Crane 2005).

We must not forget that it is an optional activity (Matten and Crane 2005) that companies can adopt as a way to differentiate themselves (Siegel and Vitaliano 2007) and to make their position known by indicating which issues interest them and in what direction (for/against). This occurs either because companies have the opportunity to intervene where previously only governments could or because companies are now active and their actions are increasing as governments withdraw (Matten and Crane 2005).

Today, “these issues range from protecting the environment to retirement to gender and racial inequality, among others. Fueled in part by social media, public pressures on corporations build faster and reach further than ever before. Companies cannot solve every issue of public importance, but there are many [. . .] that cannot be solved without corporate leadership (Larry Fink, CEO, BlackRock 2019).”

Millennial consumers prioritize values when buying and choosing a job (Krebel-Chang 2017), so they could choose not to buy from or work at companies that do not share their values. Because companies have a disproportionate influence on social issues, it is important to align their business values with those of their stakeholders who are putting increasing pressure on companies to act as corporate citizens. In short, thanks to corporate citizenship, companies are allowed to become involved in brand activism since stakeholders expect companies not only to make statements on issues relevant to society but also to act.

¹Complete letter available in: <https://www.blackrock.com/co/2019-larry-fink-carta-anual>

2.4 *Corporate Activism by Business Sector*

Corporate activism is valued in different ways depending on the sector in which the company is operating. Belonging to an industry more involved in controversies, scandals, offenses, or litigation, a concept known as controversial industries (Wilson and West 1981) is different to forming part of noncontroversial industries that comply with the established social norms. The sectors considered uncontroversial are telecommunications, computing, consumption and distribution, manufacturing, and entertainment, in general (Cai et al. 2012; Kilian and Hennigs 2014), because they are based on nonsinful products.

On the other hand, some controversial or unmentionable products or services (e.g., gambling) often evoke reactions of disgust or even outrage given their moral sensitivity or contention (Wilson and West 1981), which also leads to negative stakeholder perceptions. There are two ways to become a controversial industry (Cai et al. 2012; Du and Vieira 2012): (1) if companies produce or supply what social norms dictate are sinful goods and/or services (such as tobacco, a sector that produces products that have an undesirable potential effect, damaging the health of consumers, and addictive by nature) and (2) if companies engage in practices that violate the rights of the stakeholders or the expectations of society through irresponsible practices (such as the banking sector with its corruption and unethical behavior toward its customers).

Therefore, activist strategies should be assessed based on the degree of controversy involved. Tobacco, arms, alcohol, pharmaceuticals, gambling, adult entertainment, sex, energy, cement, steel, biotechnology, and transportation (Cai et al. 2012; Gosh 2017; Kilian and Hennigs 2014; Oh et al. 2017; Palazzo and Richter 2005; Østergaard et al. 2015) are part of sectors stigmatized by their stakeholders (Oh et al. 2017) due to their irresponsibility in the investment, manufacture, and/or distribution of products and services (Chong et al. 2006) or by engaging in activities that are more likely to affect the environment (Kilian and Hennigs 2014).

Previous results show that stakeholder expectations about responsible initiatives are different in controversial sectors and noncontroversial sectors (Aqueveque et al. 2018). If we consider brand activism to be an evolution of CSR, we would expect the brand activism of these sinful companies to be examined differently to that of companies that have a low impact on society and/or the environment. Furthermore, the negative beliefs of stakeholders about these sectors could trigger protests or boycotts that damage the reputation of the controversial companies (Aqueveque et al. 2018).

In short, a company must take into account the degree of controversy it has in its industry when deciding in which matters it can take part (following the theory of corporate citizenship), understanding that the internal strategic aspects of the company, its activist actions, and the values of its stakeholders must coincide (to avoid cognitive dissonance). This situation affects companies that carry out CSR actions to benefit society and themselves (Harjoto et al. 2019) as well as companies that carry out corporate activism and they are interested in being part of the so-called fourth sector because they are driving a social and environmental change.

2.5 *Corporate Activism and Corporate Social Responsibility*

Corporate social responsibility (CSR) is characterized by the voluntary social commitments of companies (Camilleri 2017), often taking as a reference Carroll's pyramid (1991), whose CSR model has become one of the most influential in the later literature. This author identified four components within corporate responsibility: economic responsibility, legal responsibility, ethical responsibility, and philanthropic or discretionary responsibility.

However, there are still doubts about whether all industries can carry out CSR actions. Defenders of controversial companies believe that they have a legitimate right to participate in them (Cai et al. 2012), whereas detractors believe that companies in controversial industries face conflicts of interest when carrying out CSR actions (Kilian and Hennigs 2014), generating a cognitive dissonance between the objectives of their business, CSR values, and the opinions of stakeholders in this regard. It is also relevant to know whether they are private companies, public companies, nonprofit organizations, or companies of the fourth sector. And although they all carry out CSR actions, it is only the companies of the fourth sector that include social and environmental responsibility activities among their own main characteristics (Fourth Sector Network 2009).

Moreover, these praiseworthy responsible behaviors are also known as corporate citizenship (CC) for many authors, although others such as Matten et al. (2003) consider this to be a very limited vision of the concept. For them, CC helps companies to regain their rightful place in society. Furthermore, CC no longer implies voluntary business participation, but rather is an inevitable fact derived from a change in the approaches to relationships between companies and stakeholders (Camilleri 2017; Matten et al. 2003).

Therefore, CSR and CC should not act as if they were synonymous. In this regard, CC is much more than a new CSR, since companies are assuming the functions and responsibilities of companies in a completely new area, absorbing the roles and actions that were associated with governments, such as social, civil, and political rights. This means that society feels it has a legitimate right to influence the way in which companies adopt these new behaviors (Camilleri 2017). It also identifies a change in the corporate role far beyond CSR (Matten et al. 2003). Furthermore, back in 2007, authors including Du et al. explained that there were brands such as The Body Shop and Ben & Jerry's that went beyond dedicating themselves to CSR or aligning themselves with specific causes. This leads us to the current corporate activism, or in other words, to those business efforts to take active positions on controversial issues that are important to society that could be assumed to be actions for governments but which, due to the demands of society, are adopted by companies with the aim of identifying themselves with the values of their stakeholders.

3 Corporate Activism and the Fourth Sector

The traditional division between companies in the first sector (private companies), the second sector (public companies), and the third sector (nonprofit organizations) does not allow for a precise positioning of for-profit companies that balance their economic profitability with their contribution toward society (Fig. 1). Hence, the appearance of the term “fourth sector,” which are hybrid companies or for-benefit companies. These organizations have two main features: on one hand, social purpose built into their organizational structure while their business model is to seek profit, but profit that is compatible with their purpose and the responsibilities and demands of the stakeholders, and on the other hand, driving to social change (Alberti and Varon Garrido 2017). In addition to the two main features above, companies in the fourth sector have other characteristics such as inclusive ownership (property rights are allocated among stakeholders according to their contributions), stakeholder governance, fair pay, reasonable profits (there are limitations on the return on investments to protect the achievement of their mission), transparency, protected assets (assets for social purposes are preserved in the event of dissolution, conversion, or transfer of ownership), and social and environmental responsibilities (Fourth Sector 2020; Fourth Sector Network 2009).

The number of companies belonging to the fourth sector has grown in recent decades globally. We cannot treat them as belonging to the category of private companies that carry out CSR actions, but instead can define them as those that have social, civil, political, etc., strategies incorporated into their business model. Nor is this a new concept, as these business models date back to the nineteenth century. In addition, they cannot be seen as social enterprises, which mix businesses with

Fig. 1 Enterprise classification. Source: Fourth Sector Network (2020). <https://www.fourthsector.org>

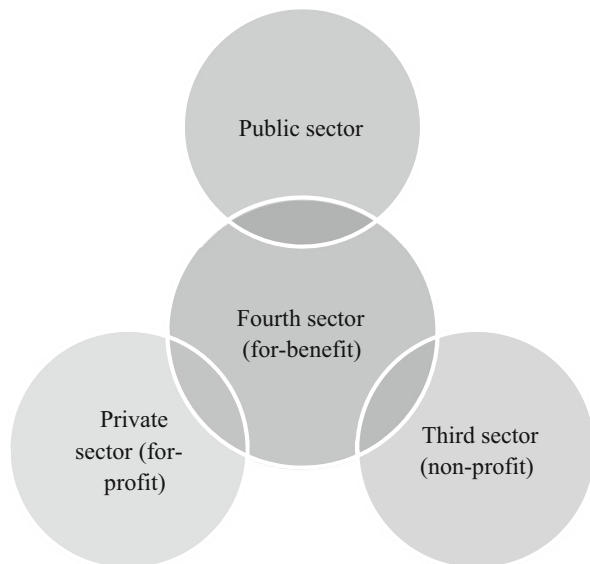


Table 1 Distribution by sectors

	Public sector (government)	Private sector (for-profit)	Social sector (nonprofit)	Fourth sector (for-benefit)
Primary purpose	Public benefit	Private wealth	Public benefit	Public benefit
Primary revenue	Taxes	Earnings	Donations and earnings	Earnings

Source: Fourth Sector Network (2020). <https://www.fourthsector.org>

charity (Alberti and Varon Garrido 2017; Battilana and Dorado 2010; Grassl 2011; Ebrahim et al. 2014). Instead, these companies focus on making profits to then reinvest them for the benefit of society using business models based on mitigating particular social or environmental problems, that is, combining the market-based approaches of the private sector with the social and economic objectives of the public and nonprofit sectors to address pressing issues (Table 1).

After the last financial crisis, companies were widely criticized for acting solely on the basis of self-interest, which is why stakeholders now place more emphasis on corporate social responsibility (Harjoto et al. 2019). According to the Edelman Earned Brand (2018) report, 66% of consumers make their brand choice decisions based on the position they take on social issues, and almost half of millennial consumers (47%) (Weber Shandwick 2017) believe that CEOs should speak out and take active positions on social issues. For Generation Z, not only customers but also employees place greater value on social and environmental factors to determine where they want to work, much more than any other previous generation (Cone Communications 2017). In a highly competitive environment and an uncertain employment market in which far fewer companies offer secure work or salary increases linked to years of service (Rousseau and Shperling 2003), employee ownership and participation offer an alternative basis to create a strong commitment between employee and company (Harjoto et al. 2019), and this can be achieved through for-profit companies.

Regarding the movements most associated with the fourth sector, it can be summarized as: B Corporations, affirmative business, conscious capitalism, circular economy, cooperatives, blended finance, blended value, social innovation, fair trade, impact investing, inclusive business, new economy, shared value, social enterprise, CSR, sustainability, cause marketing, social economy, and so on (Fourth Sector 2020)

Thus, based on the definition, characteristics, and types of the fourth sector companies as well as the current context in which society are immersed, brand activism strategies seek that private sector companies find their own core social purpose maintaining a business activity (Fourth Sector Network 2009). That is, fourth sector and corporate activism are aligned and many of the companies that engage in corporate activism as a marketing strategy must belong to the fourth sector as they blur the boundary between the social and the commercial.

For instance, other business models in the fourth sector are the B Corporation, a new type of company that uses the power of business to resolve social and environmental problems (Sayogo et al. 2014) and that in many cases carry out activist campaigns. Examples include Patagonia, The Body Shop, Ben & Jerry's, and Danone. These companies are traditional companies from the first sector that are certified by B Lab (a nonprofit organization founded in 2006), indicating that the corporation is socially responsible (<http://www.bcorporation.net/why>). They also offer an alternative to investigate the ways in which companies can actually generate positive results for stakeholders (Harjoto et al. 2019). To receive this certification, companies need to have commercial activity that is consistent with their social purpose and incorporated into their strategy (Schoenjahrn 2012). The certification is unique because it modifies existing capitalist structures and the development of innovative solutions to measure the social and environmental impact of companies (Harjoto et al. 2019).

All these movements can be included within the broader and more neutral term "hybrid companies," which supply goods and services that produce social value (Alexius and Furusten 2019; Battilana et al. 2012). In addition, they promote positive social change and committed leadership through a participatory or transformational style, promulgating the values in the mission; second, they create mutually beneficial relationships with stakeholders by inviting participants without creating entry barriers; and finally, they progressively interact with the market to disseminate the acceptance of their business model (Alberti and Varon Garrido 2017).

These entrepreneurial efforts have been challenging the status quo, breaking down the boundaries that separate the traditional public, private, and social sectors, and giving rise to a new fourth sector of the economy that harnesses profits in pursuit of a purpose (Fourth Sector 2020). Their nature gives them more legitimacy (market, civil, and even political) compared to other institutions in the three traditional sectors (Brunsson 1994; Battilana and Dorado 2010) and they are better suited to handling global social problems (Alexius and Furusten 2019; Alexius et al. 2017) that were previously issues for governments or civil society (Harjoto et al. 2019; Hertz 2002). Recent studies also show that 53% of consumers believe that brands have better ideas about how to resolve a country's problems than the government (Edelman Earned Brand 2018).

However, for companies in both the first and the fourth sectors, the options for their corporate purpose are restricted due to the primacy of the shareholders. This may force a reconsideration of the positions taken by CEOs or the activist company in question on social, political, or civil issues. It is at this moment when employees can play a central role in activist strategies, including the identification of public issues that are important to corporate performance (Harjoto et al. 2019). B Corporations are more likely to share ownership of the company and generate shared norms, making it easier for them to introduce activism into their marketing strategy.

To sum up, fourth sector companies have these principal attributes: a balance between social purpose and business activity, improving the performance of its social and environmental responsibilities (Fourth Sector Network 2009) and promoting social change (Alberti and Varon Garrido 2017; Sayogo et al. 2014;

Schoenjahn 2012), statements shared with companies that develop corporate activism strategies. It is expected, therefore, that companies that carry out corporate activism will be incorporated into the fourth sector, thanks to a B Corp certification, or a greater active defense of associated movements such as CSR, sustainability, marketing with a cause, or the circular economy among others.

4 Methodology

We still know very little about the motivations and effects that corporate activism actions have on an organization's different audiences. Perhaps the best way to begin to examine this phenomenon is to first understand which companies have adopted communication strategies based on activism and what general characteristics they share. To do this, a sample of almost 50 relevant cases has been identified, together with some indicators that can serve to describe when and under what conditions corporate activism actions have been carried out. The companies included in the sample were selected following two criteria: (1) appearance in the FACTIVE database and (2) listed on any stock market. In addition, from each company, the following information was collected: (1) the year of the initiative, (2) the type of activism, (3) industry classification, and (4) degree of controversy of the industry to which the activist company belongs. This information was collected from the companies' own annual reports, and from the FG500 classification.

However, under no circumstances does this list contain all corporate activism actions taking place between 2008 and 2019. However, it is an exhaustive representation of the initiatives engaged in by large companies listed on the stock market that have had the greatest impact in the mass media. It is generally considered important for the organization to be listed on the stock market, as the impact of corporate activism actions involves the adoption of an additional risk: in addition to polarizing current or potential consumers, it can also generate negative reactions among its investors.

Additionally, we have selected the basic features of fourth sector (which represent several sources used Alberti and Varon Garrido 2017; Fourth Sector 2020; Fourth Sector Network 2009; Sayogo et al. 2014; Schoenjahn 2012) that are accomplished by our cases analyzed: (1) for-profit companies that create societal value; (2) social and environmental responsibility practices; and (3) positive social/environmental change as an aim of the organization. According to first one, it is fulfilled when companies reinvest their profits for the benefit of society. For instance, companies like Starbucks have decided to reinvest their profits to hire 10,000 refugees by 2022 as an immigration defense faced on US President's anti-immigrant executive order (Starbucks 2017). As for the second feature, all the cases presented show companies that have established CSR strategies in their business model. Ultimately, companies like Aeromexico, Corona, or Moctezuma works on racial and immigration issues looking for the following society change, increase of awareness of equality.

Firstly, the time pattern of the activism initiatives will be analyzed, later describing the most important characteristics of the organizations analyzed.

5 Results

5.1 Evolutionary Analysis of Corporate Activism Actions

Corporate activism is not new, but the phenomenon has been very significantly concentrated into recent years. Figure 2 shows the evolution of corporate activism actions over time since 2008, and although there were slight increases in the early years, the number of initiatives taking place during 2017 is striking. However, the social context at that time probably largely explains this spectacular increase. Events such as the presidential elections in the United States, North Korea’s ballistic missile testing that threatened Japan, the uncertainty generated by “Brexit,” the huge demonstrations throughout the world to support women’s rights, the #MeToo movement, the beginning of the fake news phenomenon (September 2017), migratory movements, the climate summit in Paris, and elections in two of the largest countries in the European Union (France and Germany) demonstrate that the international panorama was turbulent to an unprecedented degree in many cases and this generated strongly polarized positions.

Looking at this in more detail, Fig. 3 identifies companies such as Renault, which launched corporate activism actions more than a decade ago, followed by companies

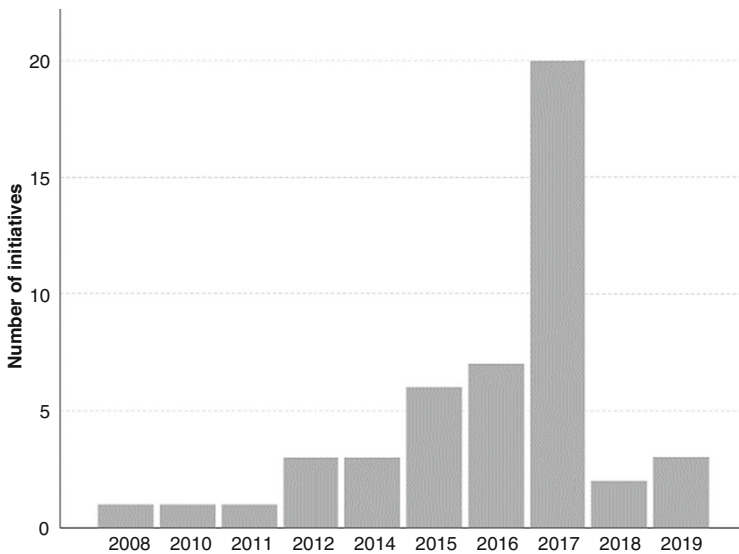


Fig. 2 Evolution of the number of companies running corporate activism initiatives

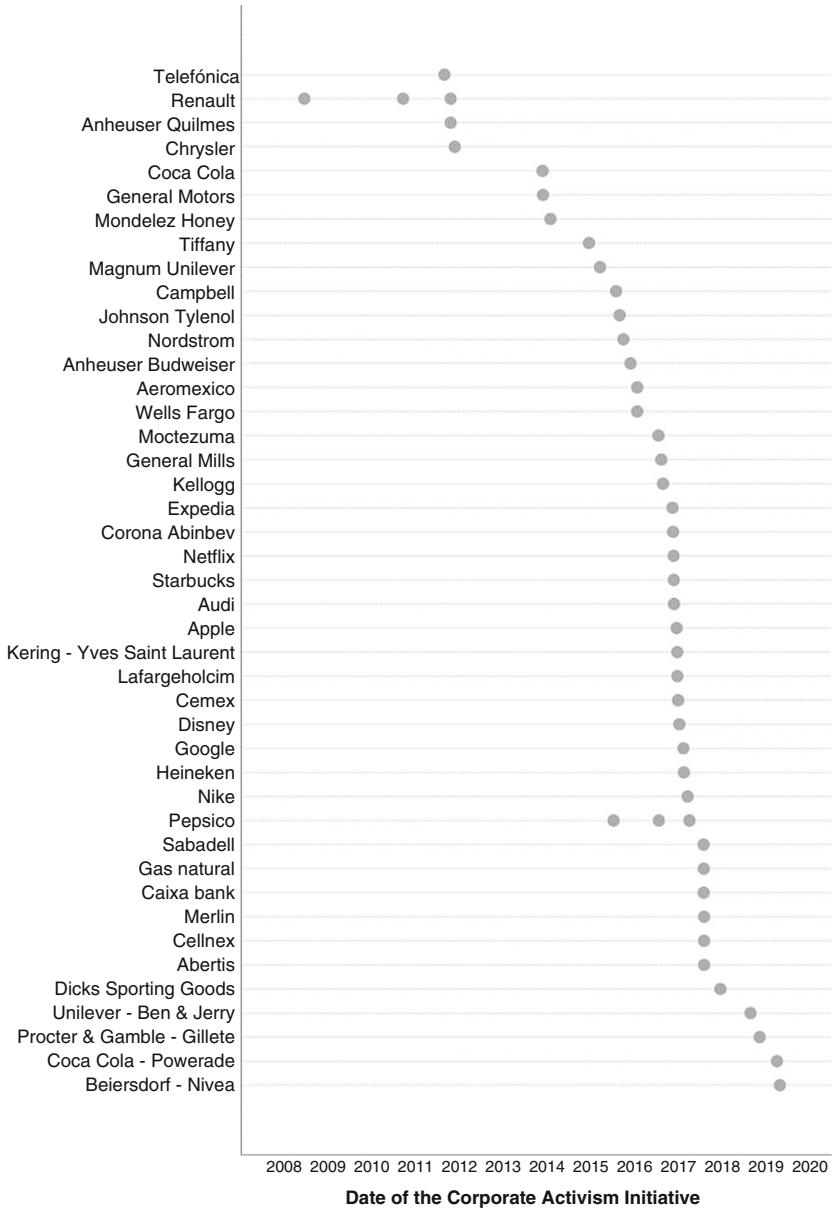


Fig. 3 Breakdown of companies analyzed and the year of the activism actions

such as Telefónica, Quilmes, and Chrysler, all with actions taking place in 2012 or 2013. However, these early actions were timid, and in some cases, the companies decided to stop them due to negative reactions from some sectors. This was the case for Renault, the company at the start of the timeline of the companies studied, which

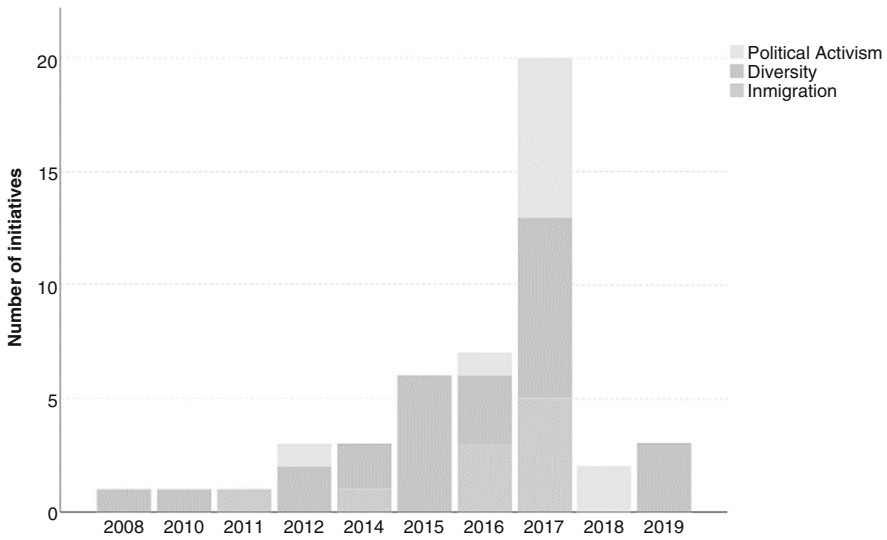


Fig. 4 Evolution of companies and type of initiatives run

in 2008 launched a successful advertising campaign for the Twingo model aimed at the LGTB group, but in 2010 had to withdraw another for the same car model in Italy due to the negative reaction it generated among some groups. However, most companies have opted to follow the trend in social movements that occurred in 2017. It was in that year when companies such as Pepsico, Nike, Heineken, Google, Disney, Apple, Audi, Starbucks, and Netflix decided to play an active role in the main social movements.

However, in 2018, corporate activism decreased significantly. Although the social and political conflicts that began in 2017 were still present in 2018 (inequality, the Brexit, global warming, etc.), it seems that the interest of companies in supporting these types of cause decreased notably (Fig. 4).

It is also interesting to analyze the evolution of the activism initiatives on the basis of the issues addressed by the companies studied. Figure 3 shows the type of activism classified into three groups: (1) political activism, (2) immigration, and (3) diversity. Although there are years such as 2015, in which only diversity-related actions were seen and in 2017, which accounts for almost half of the cases studied, there is a fairly balanced distribution between these three topics.

5.2 Sector Analysis

Research into corporate activism-related initiatives has not yet determined whether the company’s business sector is an important variable in explaining or conditioning the tendency to be involved in social causes.

The analyzed sample includes a very wide range of sectors and the differences in activity between them are quite remarkable. However, we cannot simply compare the absolute number of activist companies in each sector due to the difference in the number of companies classified into each of these sectors. For example, there are only six automotive companies in the analysis. However, one also has to take into account that the total number of automotive companies is much lower than, for example, the number of companies involved in marketing consumer products. Therefore, we have chosen to weight each sector by the number of companies in that sector, using as a reference the indexes published by the Fortune magazine (FG500) and the sector classification of several of the most important benchmark stock market indexes (S&P 500, IBEX35, DAX, FTSE100, CAC40, and FTSEMIB). The distribution into sectors made by each of them does not vary greatly, so this can be taken as a valid proxy for the number of companies by activity sector. Once the results obtained from the frequency analysis of the 47 companies studied have been weighted, the results indicating the propensity to participate in initiatives related to corporate activism, shown in Fig. 5.

According to these results, the sector that seems to have a greater presence in corporate activism-related activities is the automotive sector, followed by the consumer sector. In fact, the difference between these two sectors and all the others contained in the sample is huge. The consumer sector alone records more than double the number of initiatives adopted by the technology sector, financial sector, financial sector,

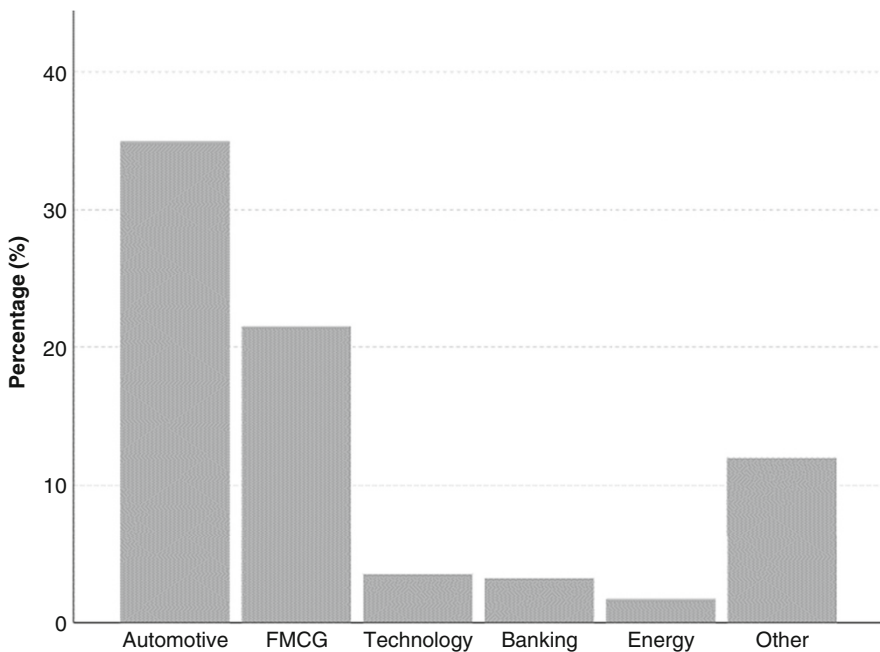


Fig. 5 Classification of corporate activism actions by sector

and energy sector combined. The reasons for this imbalance are not clear, but may be related to the degree of controversy of the sector to which they belong, their proximity to the consumer, or the maturity of the market in which they operate.

5.3 Analysis of the Type of Activism

Likewise, it is interesting to explore what type of activism is most frequently performed and the profile of the companies attracted to one type of social activism or another. Figure 6 clearly shows that corporate activism initiatives lean more toward social issues related to diversity and inclusion than toward political activism or immigration.

Again, the reasons for this trend are not clear, but it may relate to the degree of public acceptance of the company, the personal involvement of the CEOs of the companies, or the perception that it is less risky to support this type of social cause than others with a higher degree of polarization.

To analyze this trend in more detail, a simple chi-square analysis has been carried out in order to study whether the choice of the type of activism can be determined by the sector to which the company belongs. The results obtained (see Table 2) indicate that these two variables are related ($p < 0.05$) and, therefore, companies may show a

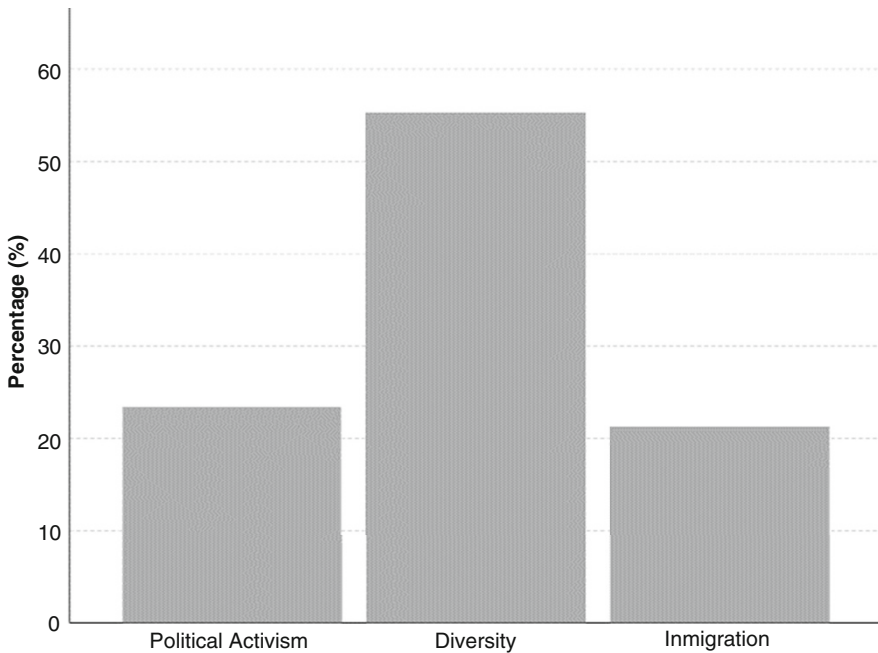


Fig. 6 Types of activism performed by the companies analyzed

Table 2 Relationship between business sector and corporate activism

	Type of corporate activism		
	Political activism (%)	Diversity (%)	Immigration (%)
Automotive	14.3	23.8	0.0
Banking	28.6	4.8	0.0
Consumption	42.9	61.9	57.1
Energy	14.3	0.0	0.0
Technology	0.0	9.5	42.9

$$\chi^2 = 15,667; df = 8; p = 0.047$$

certain preference for an activist option depending on the sector in which they operate. Some interesting differences are as follows: (1) the automotive sector and also the consumer sector seem to prefer diversity-related initiatives, (2) other sectors, such as the finance sector and the energy sector, seem to be more committed to political actions, and (3) the technology sector is the only one that leans more toward initiatives related to immigration, probably because a large part of its human capital comes from countries other than the one in which the company resides.

5.4 Analysis of the Controversy of the Sector

Some of the latest research on corporate activism suggests that the controversy of the sector may possibly be a factor in determining the decisions made by companies. Figure 7 shows the proportion of companies in the sample that operate in controversial sectors, such as finance, energy, and very recently, the technology sector, challenged for alleged infringements of privacy rights.

As can be seen, the proportion of companies in noncontroversial sectors that perform this activity is much higher than the number operating in controversial sectors. These data suggest that, at least for the moment, companies belonging to controversial sectors are more conservative, as they may believe that there is too great a risk of consumers interpreting their corporate activism initiatives as a way to excuse their behavior and clean up their image, or simply as an act of hypocrisy.

6 Discussion and Conclusions

Fourth sector companies play a paramount role in social transformation and corporate activism is yet another new way to contribute to that change. However, the commitment required by corporate activism initiatives is even greater than in other types of social action and, therefore, a further step in the definition of the fourth sector itself.

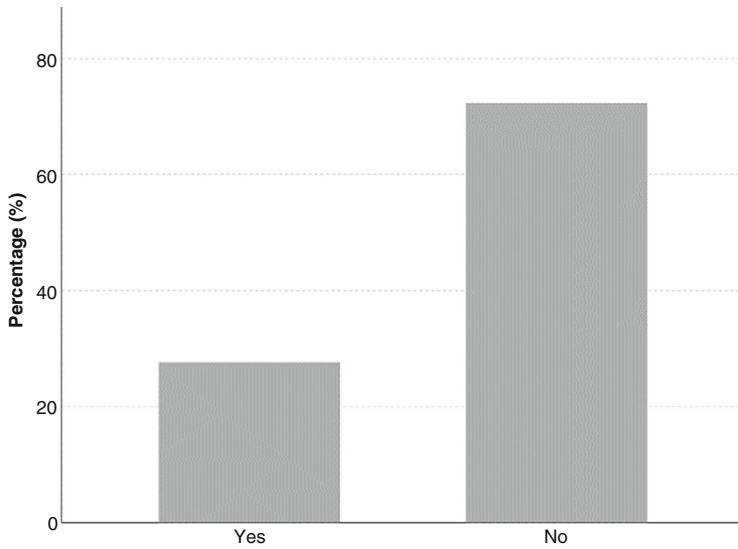


Fig. 7 Controversial vs non-controversial industries

Our descriptive research was designed to find out more about the companies that have adopted communication strategies based on corporate activism and look in more detail at their general characteristics. In the empirical analysis, companies listed on the stock market have been used as activist actions can be considered a risk because by polarizing consumers, they can provoke negative reactions among investors. The analysis allows companies from the fourth sector to understand how corporate activism works so that they can adapt their marketing strategies to their stakeholders, understanding the most suitable type of activism given variables such as the degree of controversy in the sector. However, more extensive research on the antecedents and effects of this new type of activism and its contribution to the fourth sector is still needed.

As can be seen from the results, there was a general increase in activist actions between 2008 and 2019, although the significant increase in 2017 is worth highlighting. This arose due to the social context at that time (presidential elections in the United States, uncertainty of Brexit, and marches to demand women's rights, among other circumstances). In the early years of the time period analyzed, we detected activist actions that had to be stopped due to negative reactions from stakeholders, while other actions with similar themes have been well received in later years. A balance over the years in the adoption of the following activist themes has been confirmed: political affairs, immigration, and diversity. This was also the case in 2017, the year with the most activist actions.

From the research results, it could not be determined whether the sector of activity is a variable that encourages involvement in corporate activism. However, multiple sectors have been analyzed and although the number of activist companies is small compared to the total number in the sector, the actions analyzed show that the

automotive and consumer sectors have generated a high number of activist actions. Moreover, in terms of the type of activism, the results show that social content generates the most interest among organizations, as is the case in companies in the fourth sector. There is greater interest in issues related to diversity and inclusion, but actions related to political activism and immigration are less common; the role of the CEO and their statements may be important in this aspect. Our research has also confirmed that the type of activism used is related to the sector in which the company operates; thus, the automotive and consumer sectors favor diversity-related actions, while the financial and energy sectors prefer actions of a political nature and the technology sector is more oriented toward initiatives associated with immigration.

The results also allow us to observe a larger number of activist companies in the noncontroversial sectors, as is usually the case with companies from the fourth sector. Having analyzed companies belonging to controversial sectors (financial, energy, and technology), these companies seem to be more cautious when carrying out activist actions, possibly to avoid unwanted perceptions among their stakeholders (hypocrisy or alleged clean-up of their perceived image).

Our results reflect the growing importance of corporate activism over little more than a decade, and they are also clearly in keeping with the previous literature. In this way, we see a greater importance for the use of communication focused not on the products and services of the companies, but rather on improvements in society (Dodd and Supa 2014) through advocacy advertising and controversy advertising (Cutler and Muehling 1989; Haley 1996). The increased number of corporate activism actions over the years analyzed reflects the positive reception from consumers of programs that add value to society (Ellen et al. 2006) reinforced by the theory of cognitive dissonance developed by Festinger in 1957, who argues that in situations that conflict with our values, ideas are generated that allow us to reduce that tension and these can lead to changes in behavior and attitude.

This increase in activist actions also reflects the fact that companies are increasingly joining in with the protection of civil, social, and political rights (Marshall 1965; Matten and Crane 2005), acting where previously only governments acted, and taking specific positions on social issues, based on the perceptions of their audiences, as argued by the concept of corporate social advocacy (CSA; Park and Berger 2004).

Likewise, as has been verified in the literature review, activism can be received in different ways depending on the sector in which the company operates, which can be controversial or noncontroversial (Wilson and West 1981; Cai et al. 2012; Kilian and Hennigs 2014), affecting the expectations that stakeholders may have (Aqueveque et al. 2018) and moving closer to the standard objective of corporate citizenship as companies, including those from the fourth sector, are adopting actions normally associated with governments (Camilleri 2017).

Our research also shows that activist companies are aligned with the fourth sector, given the social purpose of their corporate activism actions, compatible with a for-profits business model (Fourth Sector Network 2009), which place greater emphasis on social responsibility than self-interest (Harjoto et al. 2019). In this way, in the future they could become B Corporations, performing commercial

activity consistent with a social purpose incorporated into their strategy (Schoenjahrn 2012). All of this implies that companies cannot be neutral about controversial issues that matter to society and that actions focused on corporate activism are in line with companies from the fourth sector and could be considered one of the key strategies in this business model.

Although our study has allowed us to identify the evolution in companies using corporate activism over the last decade and their characteristics, we should mention some aspects that could be studied in more depth and considered in future research. It would be useful to analyze the motivations of companies in the fourth sector for performing the activist actions outlined in our research, and to find out the reasons for the increase or decrease in actions, as well as to further analyze the correlation between the sector to which they belong and the actions performed.

It would also be very useful to look in more depth at the effects of corporate activism on consumers and, specifically, on their purchase intentions, as well as to examine in more detail the impact of the statements made by CEOs on the results of corporate activism.

All of this would allow us to understand in greater depth how corporate activism works, since it can be used as a common strategy by companies in the fourth sector. It would also help governments and public institutions to understand this phenomenon, which is so closely related to social, economic, and cultural aspects of global importance. This new information would also allow us to test in more detail the previous theories mentioned throughout this work.

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