

SPARKING A CHAIN REACTION

LE MAT SEMINAR ON SOCIAL FRANCHISING, BRUSSELS 7 SEPTEMBER 2005

A new technique to speed up the creation of successful social enterprises was the focus of the seminar on social franchising organised by the Italian DP Albergo in via dei Matti numero 0 and the Le Mat Association in Brussels on 7th September. The event, held at the Maison Internationale des Associations, attracted some 45 people.

The seminar was entitled ***A brand not only for profit***. As Renate Goergen, director of the Italian DP and chair of the Le Mat Association, explained: *"We are using the existing idea of franchising as practiced by commercial firms, but with one big difference - we dispense with the secrecy!"* And sure enough everyone who attended was presented with a set of four handbooks, setting out the history and operating procedures of the Le Mat franchising idea.

The Le Mat Association is the successor of an EQUAL transnational partnership of the same name, managed by the development partnership Albergo in Via dei Matti numero 0, which has been operating for the past three years with partners in Italy, Sweden, Germany and Greece. Le Mat modelled its business idea on the Hotel Tritone in Trieste, which has been operating successfully as a social co-operative since 1991. Renate's idea was to find a business idea which is in a growing market, and provides the sort of jobs that disadvantaged people can benefit from. "We chose the hotel sector because it combines two production processes - hospitality and integration," she says. "It's perfect for people. After all, the most important asset of any hotel is the smile you get when you arrive!" The Le Mat project has developed training materials and an operating manual that will help groups in other towns to set up similar successful hotels operating under the common Le Mat ("Joker") brand.

1.1. SOCIAL FRANCHISES IN BRITAIN AND GERMANY

The seminar put Le Mat's approach to setting up a social franchise operation in a broader European context. Gerry Higgins of Social Firms UK and Robert Looker of CREATE described a dozen or so of the business ideas that they are promoting under two projects financed by EQUAL and Britain's Phoenix Fund. These range from computer recycling, aquarium maintenance, soap making and logistics management to home care, craft marketing and wholefood warehousing. CREATE has developed a set of useful tools such as a 'franchise suitability matrix' which it uses to assess new business ideas to see if they will work as a franchise. The key lesson of its work is that you should not think of franchising as a way to cut corners - it is neither an easy nor a particularly cheap way to start a business. Meanwhile Social Firms UK plans to investigate a new potential source of social franchising opportunities, by using it as a solution for problems of business succession. It plans to offer to buy out suitable businesses whose owners want to retire but have no obvious successor.

Peter Stadler of Berlin-based FAF, co-ordinator of the INCUBE partnership in EQUAL's second round, described the growth of the CAP-Märkte franchise, which is a chain of neighbourhood supermarkets that employ handicapped people. The chain is expected to grow to 35 shops during 2005. One important factor in its success is that it is managed by someone with a lifetime's experience of working in supermarkets, and so has excellent connections with important partners such as its main supplier, the co-operative

SPAR-EDEKA chain. The professionalism this brings is shown by such facts as that 80% of proposals for new shops are rejected.

1.2. WIDE-RANGING INSTITUTIONAL SUPPORT

Debate was enriched by contributions from Wolfgang Borde from the European Commission's EQUAL Unit, Albrecht Mulfinger, Head of the unit in the Enterprise and Industry DG that is responsible for co-operatives, and Jan Olsson from the European Economic and Social Committee. Carole Chopra explained how the European Franchise Federation promotes a code of ethics and lobbies for appropriate regulation for commercial franchisors, and Giampiero Griffo of FISH, the Italian federation of disabled people, spoke up on behalf of the role people with disabilities can play in social enterprise - the "invisible citizens", as he referred to them. Renate Goergen also views disabled people as one of Le Mat's most important partners: "We see it as crucial to involve disabled people in the development of our network, because only they can really say whether our hotels are fully accessible and are reaching proper levels of labour inclusion and empowerment."

A number of supporting organisations also took part, including Simona Testana of ISFOL on behalf the Italian Ministry of Welfare, and Giorgio Bertinelli, Vice-President of the 400,000-strong Lega Nazionale dei Cooperative e Mutue.

In their eyes, social franchising has an important contribution to make to employment, social inclusion, and fundamental human rights, as well as helping to build a knowledge-based economy. It is important to note that worries about falling foul of EU competition or state aid rules are for the most part exaggerated, as pretty well all social franchises will qualify for the de minimis exemptions applicable to SMEs.

1.3. A BANKABLE PROPOSITION

The seminar's afternoon session was given over to a question-and-answer session, and predictably many of the issues raised concerned finance. Three financial institutions were present, and expressed their willingness in principle to support social franchise firms. For Bruno Dunkel of the European social economy finance consortium SOFICATRA, franchising lowers the risk of investing in new businesses. What is clear is that a mixture of public and private finance is the preferable model. The initial task of identifying and structuring a new socially beneficial franchise business is quite rightly often carried out with public financial support, and in many cases disadvantaged workers qualify for a wage subsidy or relief from social charges. But these payments are in effect a compensation for the extra costs of including people with disabilities, who otherwise would have no way out of long-term unemployment. They level the playing field on which social firms trade.

1.4. AN IDEA WITH A FUTURE

There is widespread interest in methods of replicating business ideas that can be successfully operated as social enterprises, and used to create a social added value as well as an economic one, by employing disadvantaged people and integrating them into society and the labour market. Not all of these need necessarily involve franchises in the strict legal sense of the word, but may more typically rely on licensing or distribution agreements. What the various techniques have in common is that they promote transparency and clearer information about the opportunities and risks involved in running a particular type of business. This helps intending entrepreneurs to develop a clear vision and build enthusiasm in their teams, and gives comfort to investors too. Indeed many franchise packages include a financing plan that has already been negotiated with banks.

Franchising is also something that automatically creates its own network, which not only allows cost savings through economies of scale, but also encourages mutual support. Developing a franchise also ensures clear criteria for quality - as regards both service to the customer and quality of employment.

Though at the moment active interest in the idea of social franchising is patchy across Europe, it is a very live idea, and one which a growing number of movements and development bodies are keeping an active eye on. As well as promoting various opportunities for bilateral transfers of business models between different countries, the seminar has sown the seeds of a broader European social franchise network. EQUAL continues to play an active supporting role, and 21 development partnerships in its second round mention social franchising as part of their plans.

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