Chapter 9

Innovation, Sustainability, and Organizational Change in a Social Portuguese Organization: A Strategic Management Perspective

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ABSTRACT

Social economy has been a prominent topic among scholars, politicians, and practitioners. Social economy organizations are mission-driven with the purpose of creating social value, overcoming a social problem, and contributing to attain sustainable social development. In this chapter, a particular weakness underlying those organizations is addressed: lack of managerial skills and the importance of a well-structured process of strategic management and organizational innovation. Based on the analysis of a Portuguese case study, the goal is to increase the knowledge on the facilitating factors and barriers to the improvement of the quality of service and the efficiency of the management of a social economy organization, in order to understand how it creates and delivers social value and ensures its future sustainability. The findings highlight a number of best practices in the design of a structured innovation process which were supported by the Portuguese program Q3-qualifying the third sector, which may help similar organizations to improve their innovation and organizational processes.

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INTRODUCTION

The concept of social economy has been a highly prominent topic among scholars, politicians and practitioners (Spear, 2013). However, there is no widely agreed definition of that concept (Noya & Clarence, 2007). As a working definition, social economy is understood in this chapter as integrating the set of activities with social and economic expression, managed by non-profit entities and aimed at satisfying needs not met by market mechanisms (Borzaga & Tortia, 2007). Within this context, organizations belonging to the social economy are mission driven organizations with a social purpose, since they try to meet a social need or tackle a social problem (Millar & Hall, 2013). Social economy organizations do not belong either to the public or the private sectors, they develop their activities within the economy as a whole, forming a third sector, whose role is to provide services that address social needs that are not served by the state or the market. Social economy organizations are characterized by democratic and participative decision-making processes, and profits are employed to expand the organization and improve its services to its members and to society (Bastida, Marimon & Tanganelli, 2017). In this way, they differ from the organizations of the business (or market) sector, which are profit-maximization oriented. Social economy organizations have grown in number and relevance, contributing to employment, social inclusion, democratic participation and community building (Noya & Clarence, 2007) and they have focused, particularly, on improving social cohesion, on achieving sustainable development, on protecting the environment and consumers, and enhancing/complementing social security policies (Monzon & Chaves, 2008). Examples of social economy organizations are (Pérez & Perdomo, 2017): cooperatives; mutual associations; foundations; philanthropies; social enterprises; holy house of mercy; and private social solidarity institutions.

The importance of the social economy in the overall economic context of a country is increasingly recognized (Bastida, Marimon & Tanganelli, 2017). For example, the European Commission highlights that a “significant proportion of Europe’s economy is intended to make profits for people other than investors or owners.” (European Commission, https://ec.europa.eu/growth/sectors/social-economy_en). In Europe, there are 2 million social economy organizations, contributing to about 10% of the output of the European business sector, with a share of about 6% in total employment (about 11 million people), revealing an industry that will be called to give a greater contribution to the current problems of unemployment and social cohesion due to the social and economic transformation under way. In the particular case of Portugal, this sector has a dimension as large as or more important than other traditional sectors of the economy, not only for the universe of 55,000 organizations that constitute it, for the 227,000 people it employs, but also for being responsible for 5.5% of national paid employment and 2.8% of gross value added (Decree-Law no. 172-A / 2014).

The main sources of funding for social economy organizations are (Dragan & Popa, 2017): public funds; private sources; revenues from the sale of goods and services and user contributions. However, it should be noted that, especially, for those organizations that are primarily aimed at responding more directly to the satisfaction of social needs, public funding is the major source of funds (López-Arceiz, Belostas & Rivera-Torres, 2017). It is, however, imperative that these organizations move towards ensuring the conditions for greater financial autonomy.

In spite of the growing importance of the social economy, research on the phenomena of the Social Economy still lacks in many respects, concerning, for example, its role in the development of local, regional and national competitiveness (López-Arceiz, Belostas & Rivera-Torres, 2017). There is a lack of methodologies, tools and indicators appropriate to the social economy, which allow the reconciliation of