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# Small is powerful

The Basque region is the proposed setting for the world's first 'social Silicon Valley'. Alison Benjamin meets two Spaniards intent on creating a post-industrial revolution



Alison Benjamin

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Park life ... Carlos Fernández Isoird and Inigo Urkidi. Photograph: Gorca Estrada/EFE

High in the hills of Spain's Basque region, an experiment is taking place that could determine how we tackle social problems in the future. At a time when governments, economists and businesspeople are desperately looking for new solutions to deliver us from a recession and meet pressing social needs, Carlos Fernández Isoird and

Inigo Urkidi think they have the answer.

Their new social firm, Business Innovation Brokers (BIB), is creating what they claim will be the world's first industrial park for social enterprises and co-operatives. It hopes to attract to the campus-style park new start-up social businesses, alongside non-governmental organisations, foundations and institutions from around the world that promote and support social enterprise. A school of social innovation will provide a research and development function for the park's occupants.

"Think of a social Silicon Valley," Fernández Isoird says. "We want to attract and nurture new talent that will develop models, methods and tools for social innovation."

The idea grew out of a summer school that Isoird and Urkidi held in the Basque city of San Sebastian in July, in partnership with London-based social enterprise, the Young Foundation. It brought together people and international organisations at the cutting edge of social innovation.

Geoff Mulgan, director of the Young Foundation and co-author of *How to Innovate: the Tools for Social Innovation*, says the concept is taking off, with similar business parks expected in Australia, New Zealand,

Portugal and possibly Russia. Lesson sharing, specialist units, and brokers are identified in the report as important prerequisites for creating social change.

The Basque country has a long history of supporting co-operatives, which use business methods to meet social goals. The world's largest co-operative group, Mondragón, now Spain's sixth largest company, with a €1bn turnover and 100,000 people employed globally in more than 250 companies, began here more than 50 years ago. Since then, hundreds of co-ops have set up all over the region, attracted by generous tax allowances in return for investing 10% of their annual surpluses in the local community to support education, cultural activities and youth employment.

Fernández Isoird, 42, an intense man who ran Mondragón's innovation and knowledge (MIK) department for seven years until the end of last year, says co-ops offer hope in times of economic hardship: "Their purpose is to create jobs and equitable wealth for the surrounding area, rather than profit for shareholders or private owners."

When Jose Maria Arizmendiarieta, a priest on whose principles Mondragón was founded,

arrived in the town of that name in 1941, there was little chance of work for the youth of the parish following the Spanish civil war. So he opened a vocational school - which later became the University of Mondragón - to help young people acquire the skills and knowhow to set up their own businesses. Its first graduates produced paraffin stoves and heaters from a tiny workshop that became the hugely successful employee-owned Fagor Electrodomésticos, a founding member of the Mondragón Co-operative Corporation (MCC) that now spans finance and supermarkets as well as industrial goods.

In general, the region's co-ops generally weathered the recession of the 1980s better than private companies. Fernández Isoird explains: "Co-op members don't receive a salary. They receive an advance of what they expect the company to earn, so wages reduce alongside performance. The worst-hit co-ops can receive funds from other co-ops in the group, and their members can be relocated temporarily or permanently to co-ops in a less critical position." Mondragón also has its own bank and a social security scheme that provided a lifeline to individuals and co-ops.

However, Fernández Isoird left MIK last

month to set up BIB after he penned an outspoken attack on Mondragón in the local press for becoming too large, multinational and capitalist in its outlook. He explains: "The value was the work. Capital is subordinate to that. Co-ops should be about people and local development first, with money the means to do that, not a goal in itself."

He cites the €160m that MCC lost when Lehman Brothers went bust last year, and the group's failure to allow new worker co-ops. Of its 264 firms, less than two-thirds are employee-owned, which the company attributes to a lack of adequate co-op laws and culture overseas. But it doesn't explain, Fernández Isoird says, why MIK's Basque-based employees weren't allowed to become owners.

"It is not easy to reconcile co-operative principles with the need to compete in international markets with pure capitalist rules," he says. "That's why co-op values and philosophy are in a profound crisis." He suggests that the way to preserve co-op values is to keep it small, to ensure a sense of ownership and entrepreneurship.

BIB hopes to use the construction of the industrial park as a way to kick-start the

creation of grassroots co-ops run by long-term unemployed people that will build new offices and workspaces and maintain, clean and manage the park. BIB is in negotiations with local councils for funding and with non-governmental agencies to identify unemployed candidates and people on disability benefits who could start their own businesses.

They need an estimated €1.8m to develop the park's business employment centre, school of social managers, social innovation centre and an international wing. By 2012, they hope the park will be home to more than 1,000 people employed in social businesses.

Fernández Isoird says that, over the last two years, public authorities had started to take notice of the work he was doing at MIK to develop social enterprises as they offer "more self-sufficiency, a safety net and a solidarity network that reduces dependency on the state," he says.

### **Peer training**

In a drab building in Pasajes, an old industrial port on the outskirts of San Sebastian, five women are receiving a diploma for completing a peer training programme designed to build their confidence and life skills and, in doing so,

prepare them for a job. Isabel Diaz, 58, was approached in the street by an outreach worker and invited to join the course run by a charity, Zirkinca. Diaz, who worked in retail before she married and had children, says: "My biggest difficulty was that I had lost my confidence. Now I hope to become a secretary."

Zirkinca's project manager, Vanessa Paz acknowledges that finding the clients conventional work will be a struggle in the current economic climate.

The same is true for the Gureak Group, which employs, in workshops and factories across the Basque country, more than 3,000 people who have a learning or physical disability. Like its British counterpart, Remploy, it is exploring employment opportunities for its clients that are cheaper than the heavily state-subsidised production lines. New services include providing vegetable boxes of fresh, local produce, and recycling products.

Regional government officials put Fernández Isoird and Urkidi in touch with both organisations to develop business opportunities for people marginalised from mainstream employment.

Urkidi, 32, says that BIB also wants to explore

the black economy. "We want to see how we can help benefit claimants turn what they are doing into a legitimate social business," he says. "That way, they come off welfare and pay taxes."

When he met Urkidi, Fernández Isoird, a trained engineer, was running the Tekniker Foundation's Department of Innovation in Management, which helps industry to become more competitive by generating and applying new technology. He took the young business and humanities graduate with him when he was headhunted by Mondragón to set up its own innovation centre.

Among his achievements during his time at MIK, he lists setting up a social innovation school in Barakaldo, a depressed industrial area west of Bilbao, and the first European laboratory of creativity and innovation located on an old fishing boat in the nearby port of Bermeo.

So what have the school and lab actually created? The school, Isoird says, involved local people in 21 different activities, including making musical instruments. With these, they formed a band and tried to sell their products. The lab created a new way of packaging tuna.

### **Creating a dynamic**



When I suggest that this sounds far from revolutionary, Fernández Isoird replies: "The school is about creating a dynamic, an excuse for people to get to know each other to generate new ideas. And the lab is to find new ways to make business. We need to work with companies and local government to change the business model."

This month, the partners are exporting their ideas to the US. They have been invited to attend the presidential inauguration of Barack Obama by Felipe Floresca, a former Clinton adviser who now works with the president-elect, and to visit community groups in Brooklyn.

Fernández Isoird is optimistic that out of the ashes of this economic collapse will come more equitable ways of doing business. "First, we have to democratise companies, then we have to build the organisation on principles and values so they become part of the community and part of the solution to tackling social problems," he stresses.

He adds that if you trace the root of the word "companies", it all falls into place. "Companies comes from the Latin to mean 'share the bread'."