

## Description of the innovation and Background information

Independently, but at the same time, in 2012 Caspe Livestock Cooperative (first degree cooperative) carried out a parallel strategic analysis about the situation of the market where it operates and obtained similar conclusions to those obtained by the Association of Professional Agricultural Engineers and Technical Engineers of Aragón and Rioja (annex VI), figuring out the same weakness as threats, as well as the same strength as an opportunity.

- Lack of added value generation meaning low work and capital productivity
- Lack of business dimension: fragmented sector with more than 1000 companies, 800 out of them with less than 10 employees
- Poor academic training of many boards of directors
- Weak collective organization
- Falling trend in capital investments
- Difficulties to access information due to the lack of business dimension, structural shortages and lack of qualification

Additionally, a relevant strength is showed in the aforementioned analysis:

- 90 companies with higher than 6 million Euros sales, gather 96% of total turnover

Caspe Livestock Cooperative, registering a turnover of 47 million Euros in 2011, was clearly one of these companies with higher than 6 million Euros sales. Identified by the Association of Professional Agricultural Engineers as a strength and gathering a large part of the turnover, Caspe Livestock Cooperative had to take advantage of this key strong position to fight the threatening situation of the sector.

This situation was analyzed, planned, displayed, developed and controlled according to the provisions and orientations established in the guideline 2 of the EFQM Excellence Model, "Strategy", creating an innovative concept of organization named SHARED NET (RED PARTICIPADA), that was brought to life with CASPE LIVESTOCK NET (RED GANADERA CASPE). This concept gets together the evolution of the way of working in join management developed by the cooperative and its familiar partners' companies. The project CASPE LIVESTOCK NET (submitted to the present EACI) was finalist in the national award CEX-2012 on "Efficiency and Competitiveness"

## Detailed presentation of the innovation

WEAKNESS	CASPE LIVESTOCK NET PRACTICAL SOLUTION
Lack of added value generation meaning low work and capital productivity	<b>Added value to industrialisation, economic and social development, and competitiveness:</b> CASPE LIVESTOCK NET provides the industrial and productive fabric of the region of Caspe – and its areas of influence – with a strong impact and added value. It was created as an efficient management core, that breaks the local barriers of rural areas and encourages new entrepreneurs to join this forward-looking project linked to soil. This project does not depend on foreign multinational companies neither on capital, raw materials nor staff. The commercialisation, a pending task for the local industry and companies, is strengthened then by making the most out of synergies.
Lack of business dimension: fragmented sector with more than 1000 companies, 800 out of them with less than 10 employees.	<b>Inter-businesses Alliance:</b> Spanish and Aragonese companies suffer from their small size, what impedes taking advantage of the opportunities of economies of scale that would decrease costs and increase efficiency and competitiveness. Their wealth generating effects affect quickly and deeply to the real and stable employment growth. The CASPE LIVESTOCK NET project brings together several companies that belong to the agricultural, husbandry and services-to-partners sectors. This Net is run only by one management system, although each partner will maintain its own one, and thus, the commitment and the loyalty to the Net must be raising and leading values in the management.
Poor academic training of many boards of directors.	<b>Organizational Innovation:</b> In CASPE LIVESTOCK NET, advanced management tools are modified to make them compatible with the rural idiosyncrasies of the territory. Therefore, success is possible where other urban-thinking Anglo-Saxon business model based projects fail. The following tools are adapted: SWOT, strategic plans, business and marketing plans, processes management, BSC, lean manufacturing, staff management, etc.
Weak collective organization.	<b>Management Systems:</b> The Caspe Livestock Net project is implemented by the Cooperative, taking into account the EFQM Excellence Model. Caspe Livestock Cooperative was awarded with the "Aragón 2009 Excellence Award". In 2013, the Aragonese Institute of Public Works awarded the Cooperative with the "Aragón Empresa" Stamp for its excellent management based on EFQM Model. In 2014, the Company is expected to be re-evaluated, with the aim of achieving the level 500+ in a self-assessment process, tutored by an approved licensee by the Excellence Club.

<b>WEAKNESS</b>	<b>CASPE LIVESTOCK NET PRACTICAL SOLUTION - continues</b>
Falling trend in capital investments.	<p><b>Funding:</b> CASPE LIVESTOCK NET takes into account three different alternative systems to bank financing for its associated companies:</p> <ul style="list-style-type: none"> <li>- Participating loan, both public and private.</li> <li>- Occasional capital increase: to finance associated companies to the NET.</li> <li>- Voluntary merger of companies: after study, restructure and assessment of the involved companies.</li> </ul>
Difficulties in access to information due to structural shortcomings	<p><b>Infrastructure:</b> In 2012, Caspe Livestock Cooperative opened in Caspe a 1,000 m<sup>2</sup> modern building. This centre will be used to provide specialized management services for cooperative partners and the companies forming the NET. The centre houses people who provide the aforementioned services, offering them the necessary technical resources to develop their activities.</p>
<b>STRENGTH</b>	<b>CASPE LIVESTOCK NET PRACTICAL APPLICATION</b>
90 companies with higher than 6 million Euros sales, gather 96% of total turnover.	<ul style="list-style-type: none"> <li>• The NET is led by Caspe Livestock Cooperative, a company with a successful board team in competitive scenarios.</li> <li>• Caspe Livestock Net LLC was created as a management, investment and R+D+i tool for all the companies belonging to the Net.</li> <li>• Designing of a selection and admission process for new companies, with a one to three years period of adaptation.</li> <li>• Execution of the overall management of the companies belonging to the NET as a constitutional goal.</li> <li>• Maintenance of the participating companies brand Guarantee of the ownership and property of the companies belonging to the NET.</li> <li>• Financing by alternative systems to bank financing: participating loans, temporary capital increase, and voluntary merger of companies.</li> </ul>
<p><b>Starting point analysis:</b> Family companies in the primary sector have created weak commercial societies and cooperatives regarding competitiveness and they usually have low bargaining power.</p> <p><b>Constitution:</b> Caspe Livestock Net LLC. is constituted as a participative society along with the companies belonging to the NET, with Caspe Livestock Cooperative as major participant (70%).</p> <p><b>Approach:</b> The working scope is the rural area, and its mission is to provide cooperative and family companies with a tool of management, participation, reinvestment and economy of scale, without renouncing to their natural idiosyncrasy. With the basis of the values that allowed these companies to remain today, the NET is focused in results and in the future viability of these family companies, through the attraction and recruitment of talent, resources and opportunities.</p> <p><b>Strategic objectives:</b></p> <ul style="list-style-type: none"> <li>- Integration-willing Leadership, to increase efficiency and competitiveness.</li> <li>- Investment, continuous structural improvements, and R+D+i as a distinguishing element and added value input.</li> <li>- Understanding the Cooperatives as units of service.</li> <li>- Searching synergies in commercialisation and innovation.</li> <li>- Modernization of management.</li> <li>- Supporting the creation, participation and extension of existing, family or participated companies.</li> </ul> <p><b>Deployment:</b> NET is composed by the services and production companies:</p>	
<b>Services companies</b>	<b>Main activity / Year in</b>
Coop. Ganadera de Caspe	Livestock products and services / Company founder and leader of RED
Ganar Sociedad Cooperativa	Fuels marketing, fattening, pigs and livestock products / 2000
Trasegar 2005, S.L.	Livestock transport, fuel, feed and commodity / 2005
Red Ganadera Caspe, S.L.	Participative Net / 2013
<b>Productions companies</b>	<b>Main activity / Year in</b>
Pecuarías Bajo Aragón, A.I.E.	Production of fattening pigs / 1996
Bajo Aragón Porcino, S.L.	Production of gilts / 2004
Agr. Albalatillo, S.L.	Production of fattening pigs / 2005
Inporba 2009, S.L.	Production of fattening pigs / 2011
Agr. MAPI, S.L.	Production of fattening pigs / 2013
Agr VALEN MARTIN, S.L.	Production of fattening pigs / 2013

**Crosscut approach:** The concept of PARTICIPATIVE NET (materialized as Caspe Livestock Net) can be applied to any kind of cooperatives in the primary sector, both agriculture and husbandry, where small size farms and family companies predominate. This characteristic of small family company limits and blocks the efficient management of the organization. With the structure of a PARTICIPATIVE NET the size of the companies increase, and the management is modernized, without diminution of each associated company's idiosyncrasy.

### Verifiable examples of the achievements obtained through this innovation

The creation and consolidation of Caspe Livestock Net has caused the following verifiable achievements:

#### 1.- Results

Contributions and Results	INDICATOR	2010	2011	2012	2013	2014
Contribution to the society	Social Cash Flow * (million €)	4,1	4,9	5,8	7,7	10,5
Results of the companies belonging to Caspe Livestock Net	Sales (million €)	79	105	120	139	155
	EBITDA (thousand €)	2423	2998	3796	5044	5741
	Own Funds (million €)	9,7	12,4	14,4	20	24
Contribution to the internal and external client	Sold fattening pigs (thousand ton)	14,2	18,5	26,6	39,2	46,35
	Sold feed (thousand ton)	105	123	131,6	149,8	165
Knowledge and Talent - Productivity	EBITDA / number of employees (thousand €)	54	48,4	61,4	73,1	80,9
Organizational growth	Number of companies of NET	6	7	7	10	11
	Number of employees of NET (8h.)	44,9	61,9	61,9	69	71

(\*) Social Cash flow: composed by payrolls paid and salaries, payback of shareholders, debt return, total investments, taxes returns and Education and Promotion fund.

**2.- Infrastructure:** Livestock Cooperative opened in Caspe a new modern building of 1,000 m2 usable addressed to provide specialized management services and specially addressed for cooperative partners and the companies forming the NET. The following training and consultancy services are provided: economic financing, business and viability plans, strategic plans, sales and marketing plans, communication, management systems, innovation development, productivity and competitiveness.



#### 3.- Finance Section (Credit):

The Economic Section of the Cooperative was created in 2012, as an important financial tool for the partners of the cooperative and its collaborators: it is a complement to the traditional bank, acting as a nearby system, linked to the sector and to the rural area, transparent and in charge of creating employment in the region of Caspe. The creation of this Section is regulated by the article 6-bis of the national Law 4/2010 of 22th June, that modifies the law 9/1998 of 22th December about the Aragonese Legislation on Cooperatives. This Section is run similarly to a bank, but the difference lies on the scope of the operations, only developed within the cooperative (or within its scope of activity):

- Passive products: current accounts, saving accounts, foresight and fixed time deposits.
- Active products, only financing of liquidity or investments related to the scope of the cooperative:
  - Loan Agreements of Farmers: loan agreements for farmers who own their livestock. The risk is insured through the pledge of the animals.
  - Loan Agreements Integrated Feedlots: loan policies addressed to financing expenses of the integrated feedlots. The invoices paid by the Cooperative for the Integrated-Pig-Farming guarantee it.
  - Loan Agreements for Agriculture: it is a seasonal loan, for the acquisition of agricultural products (fertilizers, seeds, phytosanitary products, etc.) as well as agricultural operation services. The product obtained in the yield (fruit, cereals,...) guarantees it.
  - Long-term loans: although it is not the main purpose of the Credit Section, some of the registered operations can be studied, and only for activities directly related to the cooperative's activity and its scope.
  - Participating Loans: capital financing either for start-ups or for enlargement projects of family companies, besides the support by the management of the corporation, withdrawing the capital in 7 years at the most.

#### **4.- Training and capacity building for partners and members of the Board of Directors:**

In 2013, the availability of facilities, the know-how of manager directors and cooperative staff, and the identified need of training and development for partners and members of the Board of Directors, gave rise to the "Development Programme" where development plans were assessed regarding the following skills:

1. Strategic point of view	2. Internal communication	3. Integrity
4. Negotiations	5. Public relations	6. Team work
7. Results-oriented	8. Flexibility and adaptability	

Along 2014 and 2015, it has been developed the "Leadership Skills Programme" addressed for partners and members of the cooperative. This programme includes the following training actions:

1. Accountability for not accountants	2. Techniques for internal communication techniques	3. What do people do to be highly competitive? Personal efficiency
4. Emotional intelligence and dealing with stress	5. Motivation at work	6. Problems analysis and decision-making processes
7. Being able to speak in public. Tricks to overcome the threat and to obtain the applause.		

In 2014, an Opinion Group was also founded by the partners of the cooperative and coordinated by an expert in team work. Every month, the group in the different meetings deal with the issue "Personal Relations in Labour Environment", regarding both the work context and the business context.

#### **5.- Corporate Social Responsibility**

##### **5.1.- Social Cash Flow**

As a consequence of the development of NET, a concept of economic contribution to rural society gained strength, planned on long-term financing through the different stakeholders of the organization:

1. Payrolls and salaries provided to the NET employees, mainly in the rural area and continuously growing.
2. Payback of shareholders, normally family companies of the rural area, boosting the generation change.
3. Return of the debt, paying the acquired short and long term debts. The guarantors of the financial entities will be those established in the rural area, and with their own financing systems.
4. Total of investments, either tangible or intangible, acquired to local suppliers.
5. Accrued taxes thought public institutions, at national, autonomic and municipal levels.
6. Education and Promotion fund for associates and society in general, especially for the disadvantaged sectors.

##### **5.2.- Labour Social Responsibility**

Additionally, along with the development of NET project, a new necessity arose. It was necessary to encourage people management from an Excellence perspective: emphasizing on trustful relations that were historically held between company and employees. In order to do that, "good will" was not enough and a solid project based on Social Science was needed. Thus, the project "The company as a social transforming agent" was brought to life in 2013. This project was awarded with the "Corporate Social Responsibility Award" in Labour Category by the Department of Industry and Innovation of the Government of Aragon.

In order to achieve this mutual confidence between company and employees, two key skills are promoted: responsibility and commitment, as the true way for confidence prevailing over legal relations. This project is extended to the 100% of the staff.

It would be possible to talk about performance, productivity and achieved goals, but we prefer to express the social benefits of this project. It has consolidated the progress of knowledge and talent, strengthened the development of labour skills, encouraged personal and professional development, and promoted the development of the organization. The developed skills are incorporated to daily routines of the people and leaders of the organization, being integrated citizens who contribute to social transformation.

#### **Short description of the innovation (max. 150 words)**

CASPE LIVESTOCK NET is created as a Participative Net, a business corporation concept that emerges from the cooperativism experience, joining cooperative and commercial SMEs. This concept unifies the investment and the management around a leader company, Caspe Livestock Cooperative, founded in 1985, with a continuous growth, encouraging the R+D+i as a distinguishing and added-value tool in products and services. Its know-how is based and developed on four principles:

- Excellence Management
- Analysis of Investment.
- Technological Sustainability in animal feeding.
- Efficiency in Livestock Services.

The increase of efficiency and competitiveness is achieved by transferring, in a supportive way, the leading Cooperative's knowledge to the rest of the companies, which maintain its property control while delegating the economic and technical management. The cooperative and family companies are provided with a tool of management, participation, reinvestment and economy of scale, without renouncing to their natural idiosyncrasy.

## PRACTICAL INSTRUCTIONS

**Applicants should be aware that the jury will take into consideration the following**

**\*Criteria of assessment:**

The objective of all business innovation efforts is to reach in some effectiveness and/or efficient improvements, which will allow the cooperative to improve its competitive position in the market.

Thus, the candidacies will be analysed according to the following criteria:

### **Improvement of the effectiveness in the business or the organisational structure**

- Penetration in new market(s) and/ or new market segment(s)**
- Increase of market share in existing markets**
- Internal structural improvements**
- Improvements in the supply chain in collaboration with partners**
- Membership improvements [increase in number of members, or the volume/ value of patronage (transactions with members)]**
- Other positive externalities (not marketed goods or services, which benefit the natural, social and/ or the economic environment of the cooperative)**

### **Improvements in efficiency**

- Improved returns (higher net sales, cash flow)**
- Increased profitability (higher profit margin)**
  - Higher value added, increase in sales price level**
  - Lower costs**

In cases where the aforementioned criteria are nor relevant or appropriate to assess the positive impact of the innovation in concern, applicants are encouraged to submit and argue on their own suggestions of a case specific assessment criteria, in the framework of contribution to **competitiveness of the cooperative.**