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## **Social Enterprise Cooperative 'Viesimo'**

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As a result of a municipal development project, a cooperative was established in a rural area to develop services in a more user-based manner and to enhance services in a rural area. The cooperative follows the principles of a 'social enterprise' set out by the Finnish Association of Social Enterprises. The approach is related to demography as it responds to challenges of outmigration and increased and new service needs caused by aging.

## Preconditions, Inspiration, Nurture

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The background for establishing a social enterprise cooperative aiming to enhance and develop services in the rural area of Kiihtelysvaara was that Kiihtelysvaara was merged with the central municipality of Joensuu in 2005, which contributed to many services being relocated away from the area. The area is also experiencing population aging and it was found that new and additional services needed to be developed based on the needs of the local inhabitants (City of Joensuu, 2015).

Against this background, the City of Joensuu, together with partners from associations and higher education institutions, concluded that new modes of service provision for Kiihtelysvaara should be developed. Together with its partners (Kiihtelys Village Association, Karelia University of Applied Sciences, University of Eastern Finland, North Karelia Social Security Association, Association of North Karelian Villages, Joensuu region development company Josek and the Finnish Association for Local and Regional Authorities), the city investigated the possibilities for social entrepreneurship in Kiihtelysvaara (City of Joensuu, 2015).

The focus of the development project was to find new service provision modes with a focus on the participation of local inhabitants in a situation where the weak economy of the municipality and population aging were causing severe challenges. The aim of the project was to find a new community-based working model to enhance and develop services in Kiihtelysvaara, and the point of departure was that social enterprises could fill service gaps, in particular in rural areas (City of Joensuu, 2015).

The development project was based on research as well as interviews and consultations with municipal service employees and inhabitants. Village evenings organized by the village associations participating in the project also provided input regarding what was needed in the villages (City of Joensuu, 2015).

The development project concluded that a cooperative social enterprise would be the most suitable solution for rural areas, especially since such enterprises are based on communities and can strengthen the community spirit. At the events held with local inhabitants and village associations, it was commonly expressed that there was low trust among the local inhabitants with regard to the municipal authorities because service levels had worsened. The inhabitants thought that social enterprises could be a way of enhancing and developing services based on what the villagers actually needed and wanted (City of Joensuu, 2015).

The development project took place simultaneously with the development of an area committee, or parish committee, of Kiihtelysvaara where the idea was to develop close-range democracy and improve the linkages between the villages and the municipal

authorities by institutionalizing better dialogue. The committee consists of representatives from all village associations in the area and it has been found that the enthusiasm among villagers brought about by the new committee has also contributed to the interest in establishing a new social enterprise cooperative that would similarly be based on ideas of close-range democracy. The relation between the parish committee and the cooperative is at the moment unclear, but it has been suggested that it could be a centralized way to propose new ideas and initiatives to the cooperative (City of Joensuu, 2015; interview).

The cooperative was established in May 2015 and the idea is for it to work in cooperation with the City of Joensuu. It was granted LEADER funding for a development project (2016–2018), but in April 2016, the funding had not been received; this has slowed down the process (interview).

The plan is for the cooperative to enter into a ‘development partnership’ with the City of Joensuu, meaning that it could produce services for the city. Because of the long-term development partnership, however, the City of Joensuu would not need to apply public procurement principles to the services that the cooperative provided. According to public procurement rules, this would be possible if the cooperation with the cooperative is for research and development reasons, and the results can be widely used.

The cooperative as a social enterprise to develop and enhance services in rural areas takes into consideration both social and economic aspects of innovative social projects, with particular focus on the social aspects because of improvements to existing services and providing other needed services in a rural area. Following a model of a social enterprise, the cooperative will charge yearly fees to its members, and it is committed to investing at least 60% of its surplus to fund its activities.

In practice, the idea for a first step is that the cooperative would take over an elderly care center and develop it further, by implementing—among other aspects—the principles of green care. However, it has proved more complicated than expected to establish the cooperative social enterprise and the development partnership with the municipality, and at the time of writing the process of designing the development partnership is still ongoing.

# Implementation

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## Resources

The development project funded by the City of Joensuu, the European Social Fund and the Center for Economic Development, Transport and the Environment constituted a resource that assisted with the development of the cooperative and its role as a social enterprise in rural areas that responded to service needs (City of Joensuu, 2015).

The project produced knowledge about possibilities for social enterprises in the specific context of Kiihtelysvaara. The project also spread knowledge about social enterprises and what such an enterprise could achieve in Kiihtelysvaara, because there had been some negative reactions to the developments, caused by the lack of knowledge (City of Joensuu, 2015).

The development project also emphasized the need for business and administrative expertise in the cooperative. There is one employee working to lead the development of the cooperative at the time of writing (April 2016).

It is emphasized by the representative of the cooperative that there is still a lack of knowledge about social enterprises among decision-makers, which has slowed down the process of establishing cooperation with the municipal authorities (interview).

There is no tradition of municipalities working together in partnerships with other actors because usually, municipalities either produce or purchase services. There is limited understanding of how to work in development partnerships with other actors in a way that is not simply one of applying a purchaser–provider model (interview).

## The Network / Cooperation

The development project leading to the establishment of the cooperative included, as noted, actors from the municipal authorities, various village associations, as well as higher education institutions. The network consisted primarily of local and regional actors, but the Finnish Association for Local and Regional Authorities also participated (City of Joensuu, 2015).

In running the cooperative and its activities, it is and will remain central for it to cooperate with the municipal authorities. At the moment, a process of establishing a development partnership between the cooperative and the municipality is ongoing (interview).

The cooperative also has close connections to the village associations and it is envisioned that the newly-established area or parish committee consisting of representatives of all

village associations will make suggestions for the activities of the cooperative. This would be one way of ensuring that the cooperative responds to the actual needs of the villages.

## **Enablers and Barriers**

The lack of knowledge about social enterprises and how they can work in partnership with a municipality has been a clear barrier during the early stages of establishing the cooperative. The issues to be solved are complex and difficult to grasp and there is a great deal of bureaucracy involved. There is no tradition of this type of structure in Finnish municipalities, but this cooperative could function as an example for other social enterprises in Joensuu and other municipalities at a later stage (interview).

Interest and enthusiasm among local inhabitants with regard to establishing the cooperative has been an important driver for the process (interview).

## **Interaction with Municipalities and Other Levels of Governance**

The municipal authorities have been a central cooperation partner for the cooperative from the outset, and will preserve that role. The idea of establishing a cooperative first came from the municipally-led project, and the municipality has been active in aiming to find new ways of enhancing service provision in rural areas based on the inhabitants' needs.

The cooperative will be working within a LEADER-funded development project together with the municipality between 2016 and 2018. After the project, close contact with the municipality will continue to be needed as the cooperative will produce services for the municipality. As noted, a development partnership with the municipality is also in the process of being established in order to guarantee long-term development cooperation with the municipal organization.

## Social Innovation Effects

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### **Outcomes, Impact and ‘Scaling’**

The cooperative is still in its early stages but the aim is that it will soon take over the running of a home for the elderly in the municipality and develop it—among other aspects—based on the principle of green care.

Measuring the impacts of the cooperative’s activities has been discussed and has been identified as an important aspect. When it comes to the home for the elderly, topics such as inhabitants’ well-being and activities; inhabitant satisfaction; staff well-being; development of community spirit and commitment of volunteers will be measured and monitored (interview).

Stemming from the municipal investigation on social entrepreneurship in rural areas, a larger regional research project with the Karelia University of Applied Sciences has also been established.

## Lessons Learned

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The cooperative is still in its early stages, but its interviewed representative states that so far, the most important lesson has been that the development is taking more time than expected. The reasons for this include the fact that there is no tradition of social entrepreneurship in Finland, and partnerships between municipalities and other actors in service provision beyond purchaser–provider-models are new.

There is a lack of knowledge and unified interpretation of the public procurement legislation, which means that municipalities may differ in how they interpret the requirements specified therein.

## References

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