

A social hotel chain

Le Mat – the hotel franchising of social entrepreneurs – is a chain and network of hotels and other accommodation facilities that are welcoming and accessible to everyone, and are run by cooperatives and/or social enterprises employing disadvantaged workers. Le Mat sees franchising as a method for the attainment of entrepreneurial growth, even on the part of social enterprises.

Key messages and partners

The project's main lesson regards the **creation of a dynamic network** – the innovative process of evolution from a small social firm's good practice towards a quality trademark and a network of small social enterprises in the hotel sector.

A Le Mat company is a social enterprise, within which people who are normally discriminated against and excluded from the labour market can create possibilities for meaningful work, future prospects and independence.

The **method of social franchising** is about developing franchising systems for achieving social goals. A major feature of the social franchising concept is the transfer of knowledge, management systems and routines that contribute to the achievement of active involvement and other social goals. The franchisor contributes to evaluating and developing the marketing and the organisation for successful business operations. It also provides support for training and recruiting of employees into the social enterprise.

Le Mat started as an **EQUAL project** (Albergo in Via dei Matti N.0) which brought together 24 partners, mostly small organisations. They included:

- small social firms in many different areas – they had to experiment with the whole process of working towards hotel management
- people with disabilities and their families
- hotel business organisations and business experts
- local communities and authorities
- banks, funds and business partners

Over time the partnership changed as the structure evolved. Presently, the Le Mat consortium represents the core group of the “Le Mat system” and associates 10 cooperatives and several other organisations. The Le Mat Association is made up of individuals who share the values and support the development of the Le Mat idea.

History & content

Twenty years ago, five young women started a hotel in Trieste. They were members of “Il Posto Delle Fragole” (a type B social cooperative¹), which consisted of young psychiatric patients, drug addicts, doctors, and volunteer members.

¹ Italian Law 381/91 defines type B social co-operatives as “cooperatives integrating disadvantaged people”. The law covers the following categories of disadvantage: physical, psychic and sensory invalids, drug addicts, alcoholics, minors and offenders. During the 1990s, a large number of type B co-operatives integrating people with mental illness (such as Hotel Tritone) were created as a result of the reform of the psychiatric system, which shut down psychiatric hospitals.

In 2004 a group of people decided to test the replicability of this successful hotel. They formulated an EQUAL project (Albergo in via dei Matti N.0) in order to find out whether the mechanism of franchising could be used to help small social enterprises to operate in the hotel business and to compete more effectively on the market, without losing their essential qualities. Linked to this, they wanted to discover how to organise efficiently as a network, and how to start the process from the bottom up.

The starting point was the **distillation process** of the Hotel Tritone in Trieste. What are the reasons for its economic success and the good results it has achieved as regards including people with disabilities? Research discovered and described **two complete productive processes**, one regarding the hotel **business** and the other the **inclusion** in the work and in the firm's management team of people with disabilities and severe mental illnesses.

This led to the writing of the *Le Mat manuals*.²

The four volumes' content is as follows:

- The hotel franchising of social entrepreneurs: Why, what, who and how – the legal and ethical framework of franchising, social co-operatives, and the Le Mat Association
- Workers' and entrepreneurs' self-determination and self-management, careers and empowerment in Le Mat social enterprises – discusses the social and employment issues involved in running a social hotel
- The Le Mat hotel – gives a detailed description of what quality of service to aim for, from check-in to complaints
- Exercise: how to prepare a budget – takes the reader through the process of choosing premises and preparing a business plan

The next important steps were to start the replication process:

- to find the buildings
- to prepare the business plans
- to train the entrepreneurial group in both the productive processes
- to plan, design and start up the network and to train the entrepreneurs as nodes of the network

This was a long and difficult process, which is still going on throughout the Le Mat network. The main steps in the process are:

Learning the rules of the business game: The search for the buildings to accommodate the hotels. The hotel business is based on selling rooms – the more rooms you can sell, the easier it is to reach your breakeven point! The location of the hotel is important, and the property market affects the balance between costs and revenue. On the one hand, there are abandoned public buildings, private owners unable to find a productive use for their property, unused religious properties. On the other hand, many social cooperatives which manage small hostels and holiday houses are not able to survive in the market. The hotel business is a difficult one, especially for social entrepreneurs. Both in the cases of a new hotel and of the restructuring of an existing one, Le Mat proposes a guided path composed of different steps. The first of these steps is the definition of the business idea and the elaboration of a business plan. Secondly, training and consultancy are very important. The new social hoteliers are supported by experts of the Le Mat network

² Four booklets in A5 format totalling 160 pages. They are available on request from the Le Mat association in Italian, English and Swedish.

on different topics: management, marketing, financial planning, work integration and employment schemes, specific hotel jobs. On-the-spot training is organised in existing hotels and hostels in order to observe and learn from good practices. For example a restaurant in Sicily run by a wheel-chair-using cook is being visited by all those who want to replicate the experience elsewhere.

Building the network nodes: the social cooperatives managing hostels and hotels, the entrepreneurial groups starting new activities and the members of the Le Mat Association worked to build the network. Exchange and transfer of knowledge was the main tool. Meetings were organised in different towns. From the beginning the people with disabilities and severe mental problems had to be completely involved. Obviously the problems were very different in the north and in the south of Italy but the process of identifying the many common barriers strengthened the groups and empowered the people. It was a very powerful learning process; learning by doing and learning from each other. People travelled to other towns, learning from each other and becoming the active nodes of an enterprise network.

Creating the central point: Parallel to the local business development work, the network had to be structured. Le Mat the franchisor had to become the central node of the network. The central structure has to be the result of a bottom-up networking process. During the EQUAL project a training course was run involving the 10 small enterprises and the experts who could support the process of replicating the know-how. At the end of the 200-hour course, which was held in five different towns from the north to the south of Italy, the Le Mat network was formally set up and a central office was established in Rome.

Main difficulties

- The **hotel business is a very difficult one**. It requires major investment in premises and specialist professional skills. Competition is very strong. Small hotels find it difficult to survive autonomously, so they often choose to belong to a chain. Start-up capital and access to credit is always difficult for social enterprises. Banks are very reluctant to lend money to companies that are not able to provide adequate guarantees.
- In order to work properly a franchising system should achieve a **critical mass**. The franchisees pay a fee to the franchisor, which provides them with a number of services. If the number of franchisees is reasonably high the cost/benefit ratio is acceptable. But at the beginning, a lower number of franchisees should support high costs. Moreover, a social franchising system should take into account its social goals and adapt to them the economic mechanism based on fees and royalties. Under these conditions, some sort of **financial support is necessary** to start up the network and to reach a critical mass allowing financial sustainability. The start-up of the Le Mat network has been funded by EQUAL. But the funding period was too short to allow the network to achieve its critical mass. Thanks to the deep commitment of its members, the network is surviving without other major funding sources and is struggling to grow. Progress is being made but it is very slow. Some sort of financial support would be very useful to speed up the process and to strengthen the network in order to enable it to work more on promotion and support to start-ups. Individual members have access to funding for training and consultancy but not on a regular basis.
- In order to be economically sustainable, **the ideal Le Mat hotel** should be a three-star hotel located in a town. It has been very difficult so far to find hotels with these characteristics. A lot of work has been done to promote the creation of new hotels, but it is a very slow process. So the network has grown mainly because existing hotels and hostels have appreciated the idea and the prospects.

But in most cases these hotels do not meet the Le Mat requirements. They are located in rural areas, they are open only during the tourist season and are not easily accessible to handicapped people. So, **Le Mat standards** have become a **long-term objective** more than a requirement to fulfil immediately. The social hoteliers commit themselves to introduce Le Mat standards little by little, for example when they have to renew equipment or renovate the premises.

Success factors

- The **commitment and enthusiasm** of the social entrepreneurs involved is the key factor that allows the network to progress. EQUAL funding provided important financial resources to start up the initiative but the process is a long one. Many people put their skills and time at Le Mat's disposal for free. They are rewarded by the happiness of disadvantaged people integrated and by the human solidarity created by and within the network.
- The **business idea is good** and more and more appreciated. Both social entrepreneurs and tourism operators think it is a difficult but promising area. The values promoted by the trademark – social inclusion, decent work, ethics, sustainable development – are more and more appreciated not only by responsible tourism operators but also by the general public. This has facilitated collaboration with other tourism networks such as AITR (Italian Association of Responsible Tourism). Thanks to EQUAL the idea has been disseminated widely in Europe. It aroused a lot of interest especially in Sweden, where some cooperative organisations, with the support of NUTEK (the Swedish government's business development agency), decided to promote Le Mat Hotels. They translated the manuals and started a continuous transfer of knowledge and expertise. The final objective is the creation of a European network.
- The **network** is providing a **growing added value**. Social hoteliers, especially those in rural areas, tend to be isolated. They are rarely connected to tour operators or tourism networks. Their business is very peculiar, so they do not find specialist advice in the social enterprise support system. Le Mat is a network of people and organisations who put together social and tourism skills. The Le Mat association is also a network of experts (architects, tourism operators, hotel managers, etc.) providing specialist advice that meets the requirements of work integration of disadvantaged people. Exchanges and transfer of knowledge are helping social hoteliers to run their business better and to find new ideas. Even if what has been tested in a big city in the north of Italy must be adapted to local conditions if it is to be transferred to Sicily, previous experience is very helpful to avoid mistakes and to improve results.

Results

During the EQUAL project, Le Mat has investigated many sites to set up new hotels and has supported 10 business plans. Training and personalised support has been provided to potential social hoteliers and experts who could support the process of replicating the know-how.

A franchising network of 10 cooperatives (the number is growing rapidly) has been created. Most of them were already active in the hotel or tourism sector but all benefited from Le Mat know-how to improve their business and to ensure stable employment to disadvantaged workers. The network has also developed strong links with major tour operators, tourism associations and local authorities.

At present Le Mat includes eight hotels and hostels all over Italy and one in Sweden. Two more are being created (one in Sicily and one in Sweden).

Methods & tools

The methods and tools are analysed and described in detail in the **four manuals**.

The manuals preach that social hotels can take on any competition: the preferred locations are hotels of 3-star standard with 30-60 rooms near the centre of major towns, in areas where hotel occupancy rates are high. It also advises users to minimise risk by balancing out custom from three market segments: individuals, corporate clients and travel agency groups.

While the manuals provide examples, illustrate the minimum standards and describe a working method, each new franchisee will create its own **personalised manual** (with the assistance of all the entrepreneur workers and with Le Mat as its tutor). This manual will represent the operational basis of the Le Mat Hotel. In fact, it sets out the requirements, the procedures to follow and the monitoring system. Monitoring is essential in order to guarantee the quality of the product, the financial sustainability of the enterprise and the achievement of work integration objectives. Monitoring is a continuous process involving both the individual enterprise and the Le Mat central network.

Personalisation of these programmes and manuals is obviously required because hotels and hospitality establishments are different from each other and located in different places. It is also and primarily due to the fact that the Le Mat working method envisages the active participation of all the workers-entrepreneurs in the construction of instruments and products. Furthermore, the length of the affiliation path will obviously depend on the point from which the aspiring Le Mat hotelier sets out.

Le Mat considers the hotel sector one whose style of entrepreneurship is particularly suitable for the creation of employment, a career and independence for persons with a history of disability, mental illness or social deprivation.

A hotel is (or should be) a **welcoming enterprise**. No one better than persons who have been the subject of discrimination and exclusion understand the need for a good reception: these persons, therefore, will be better suited than anyone else to contribute towards a high-quality reception.

Work integration is the central objective of Le Mat. Running welcoming hotels is a promising way to create stable, good-quality and well-paid jobs. Disadvantaged people are also empowered thanks to the relationship with customers, which is one of the main characteristics of the hotel business. Le Mat hotels are also intended for those who have developed or are in the process of developing an **ecological and social consciousness**, and hence are looking for sound biological and integrated services directed to the cleanest possible enjoyment of their environment and its human, economic and social resources.

Hotels bearing the Le Mat trademark most readily and competently receive **guests with special needs**: persons in wheelchairs, those with poor sight or hearing losses or allergies, elderly persons who find it difficult to move and get around, children; all those who are often faced with barriers when they try to get into places or when travelling.

Le Mat hotels promote **local development**, making the best use of local resources and products and promoting local attractions and sites.

Le Mat trademark has been **registered** at European level and it belongs to the Le Mat consortium. The **consortium** is a second level cooperative (according to Italian law) whose members are the cooperatives managing the hotels and some other actors involved, such as FISH (the Italian Federation for Overcoming Handicap). The

consortium acts as the franchisor, but it has adapted the franchising method to the specificity of social entrepreneurship. Whereas in commercial franchising the ownership of the trademark is exclusively in the franchisor's hands, in social franchising its ownership is shared by the whole network. Furthermore, the method is built from the bottom up and with the contribution of all the members (franchisees).

The **services offered** by the consortium include:

- guidance, training and consultancy for the creation of cooperative and social enterprises;
- support and technical assistance in starting up and business planning;
- training, consultancy and support in finding and setting up hotels;
- vocational training for disadvantaged people and hotel workers;
- entrepreneurial training and consultancy;
- support with promotion and commercialisation;
- research, studies, designing of models and paths aimed at the employment and vocational growth of persons who are excluded from the labour market;
- search for funding and support to access credit;
- agreements and contracts with suppliers;
- contacts with tourism associations;
- joint participation in trade fairs.

These activities are pursued through collaboration with public, private and social organisations. The consortium is based in Rome and has only one staff member. It calls upon the skills of its own members and a network of external consultants.

The members pay a small **annual fee** (€500) and pay for the services required. Since they are very small they often need public funding to pay advice and training.

All the results of the consortium activities (manuals, reports, etc.) are put at members' disposal in order to increase the capacity of the whole network.

Beside the consortium, the **Le Mat Association** is a network of individual experts who share the Le Mat values and concepts, and who offer their skills to help the development of the system. For example, architects are studying and experimenting with solutions to overcome barriers and to adapt workplaces (an accessible bar is being studied).

Prospects

As previously mentioned, the development of the network is proceeding slowly but steadily. The main areas to develop in the future are:

- **Product and quality standards:** all the members should progressively increase the quality of their hotel services and comply with Le Mat requirements. It is a slow process because it requires major investment, but all the hotels and hostels want to proceed in the same direction. A better product also means better work opportunities and conditions for disadvantaged people.
- Once the quality of product is achieved, the following step is its **commercialisation**. Le Mat is thinking of creating a network for commercialising its hotels all over Europe. Joint participation in fairs has started and it is giving positive results.

- **Strengthening the network** is important to achieve a critical mass and to increase relationships and visibility. The situation has greatly improved and Le Mat is starting to be known and to attract new members.
- **Creation of a European network:** the relationship with Sweden is very strong. Recently a group of 30 Swedish social entrepreneurs spent a week in Trieste to study how to replicate Hotel Tritone. Good contacts have been activated in Germany, Poland and UK, and the possibility of creating a European cooperative is being studied.

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