



SEEDING - Grant agreement no. VS/2019/0073.  
This project has received financial support from  
the European Union.



# SEEDING

Social Economy Enterprises addressing Digitalisation,  
Industrial relations and the European Pillar of Social Rights



**CASE STUDY  
POLAND**

## Panato Multi-branch Social Cooperative



“This document reflects the views only of the authors, and the European Commission cannot be held responsible for any use which may be made of the information contained therein.”



# Panato

## Multi-branch Social Cooperative



### NAME OF THE PRACTICE

### ONLINE ORDER CONFIGURATOR AND ACCELERATION OF THE PRODUCTION PROCESS

#### Responsible actor

- management
- social partners

#### Type of practice

- business plan

#### Challenges addressed

- automation of work
- platform work

#### Employment impact

- job retention
- skills and training
- working time
- work organisation and work-life balance
- health and safety at work

Order process automation resulted in an increase in employment in the nationwide network of social enterprises employing people with disabilities, operating under one brand as PANATO BAG. With the configurator, the cooperative can accept more orders for its partners, while they – aware of the increase in demand for their work – employ more people. Digitisation brought long-awaited predictability and repeatability of orders, which led to a threefold increase in revenue over three years: from PLN 750,000 in 2017 to PLN 2.5 million in 2019 (from €174,400 to €581,300) and an increase in net profit.

<b>Geographical coverage</b>	<p>The average unemployment rate in Poland is 3.2%, which means that, generally speaking, anyone who wants work will find it (although decent pay sometimes remains an issue).</p> <p>The situation is much worse for people with disabilities. According to government data, there are approx. 3.115 million people with disabilities in Poland (of whom approx. 2.9 million are aged 15 or over). The number of unemployed disabled people seeking jobs is about 70,000.</p> <p>Among people with disabilities, the unemployment rate in 2015-2018 decreased from 13% to 6.2%. According to data for quarter 3 of 2018, the economic activity rate of working age disabled people was 30.2%, whereas the employment rate was 28.2%.</p> <p>Therefore, any initiative that allows the employment level in this group to increase is noteworthy. This is the core of PANATO's activity and their will to increase production capacity.</p>
<b>Sectoral coverage</b>	<p>The advertising products market is dominated by suppliers buying from Chinese companies. However, this is changing under the influence of customers who want to receive good-quality products from the EU without waiting for delivery from China. PANATO wants to meet their expectations.</p>
<b>Company coverage</b>	<p>The cooperative has implemented a successful model of cooperation with sub-suppliers. The cooperative is an outwork employer – the organiser of production, which wins contracts and shares them with 12 sewing rooms employing people with disabilities.</p> <p>This is too small a scale for any trade unions. PANATO takes on this responsibility, taking care of the working conditions of its subcontractors.</p>
<b>Occupational coverage</b>	<p>PANATO is a new brand in the textile and clothing market, established by the network of social economy organisations. Thus PANATO is more than a market product – it is an initiative of enterprises employing people with disabilities whose common goal is providing the highest quality service and production offer tailored to the requirements of contractors, while at the same time being based on social values. The bags and backpacks they produce are made locally, while respecting employees' rights and the principles of sustainable and ecological development.</p> <p>PANATO has 12 social cooperatives in its network. Only two of them work entirely for PANATO. The rest diversify orders, but the cooperative still fills 50% of their production capacity. This makes approx. 50 people in total throughout the country. Increasing orders has a positive effect on stabilising work for sewing workers. Digitisation is neutral for accounting and general office departments, although it definitely facilitates the settlement process with PANATO.</p>
<b>Workforce addressed</b>	<p>Here it does not all translate directly into results. Digitisation of the order process and the design process translates into an increase in orders for partner sewing rooms. Six people supervise the whole process. Soon another one will join the team due to the number of new orders received.</p> <p>Financial surpluses are allocated either for production diversification or development of new competences. The cooperative keeps investing in development. It trains employees of companies from its network in the field of OHS and production methods.</p>

### ACTORS INVOLVED IN THE ACTION

<b>Company management</b>	Yes
<b>Worker members of the cooperative at large</b>	Yes
<b>Works councils</b>	No
<b>Trade unions</b>	No
<b>Employers' organisations</b>	No
<b>NGO</b>	No
<b>Public authority</b>	No

### DESCRIPTION

<b>Rationale for the adoption of the practice</b>	<p>The configurator turned out to be a perfect decision of the cooperative's management board. It literally redefined the cooperative and provided orders for a growing network of sewing rooms throughout the country. In the process, a natural division of roles within the network has been observed: WSS PANATO is responsible for promotion, advertising and distribution of the finished products, while the production is handled by 12 sewing rooms that employ people with disabilities.</p>
<b>Process of the adoption of the practice</b>	<p>The cooperative was looking to redefine its business activity and its mission to support people with disabilities. Vastly diversified production was not a viable option. On the other hand, automation of the ordering process has dramatically accelerated the company's development and focused its activity on acquiring sewing plants interested in custom production.</p>
<b>Description of the practice</b>	<p>The configurator works through the <a href="https://www.panato.org">PANATO.org</a> website. This offers 12 modern and stylish models of drawstring bags, duffel bags and city backpacks with two closing systems – roll top and zip. PANATO encourages customers to use the configurator to choose the fabric, colour, type of carry system and accessories: lining, pocket and tag. Delivery time depends on the number of backpacks ordered.</p> <p>The business model adopted prefers large orders. The cooperative focuses on quality and speed of delivery, and its competitive advantage is based on this. The price reflects the quality. Customers who want to buy little and cheap are not the target group for PANATO.</p> <p>PANATO appoints an order coordinator who defines the parameters of the production process. The sewing room that accepts the order (it has the right to refuse) reads it and then approves it. The production process begins. After production, the order coordinator orders transport, informs the customer about the shipment and supervises the finalisation of the order. It is a communication process supported by the enterprise resource planning (ERP) system using voice telephony and e-mails.</p> <p>In these circumstances, the following order distribution algorithm was proposed:</p> <ul style="list-style-type: none"> <li>• PANATO checks which partners are able to complete the order (taking technical and technological limitations into account);</li> <li>• It then determines whether the order is too large for a single partner and whether it should be divided into lots and fulfilled using more partners;</li> </ul>

- Finally, PANATO assigns the order to the partner (or partners in the case of larger orders), which has so far completed the orders with the lowest value in relation to the declared production capacity.

The synchronisation of production processes and the meticulous reduction of unnecessary elements are of great importance. Skilful resource management is also very important, including sharing economics, i.e. development achieved through sharing, networking and redistribution. In this sense, innovative distributed production network management solutions are based on the systemic use of the available resources of existing organisations (fixed assets, people and their competences, contacts-customers-suppliers), but does not try to create everything from scratch. PANATO solutions transform atomisation and mutual competition within the sector into synergistic cooperation.

#### Dismissed alternatives

The golden mean in digitisation has been achieved. If the cooperative had not automated the ordering process, it could not have expanded the scale of production. There was no alternative. Only in this way could the cooperative's efficiency be improved.

In the process of implementing ERP, the cooperative decided not to use one important function embedded in the system, namely the module of automatic submission of orders to partner companies. This would generate too high costs in sewing plants. However, it seems inevitable in the future.

### ASSESSMENT

#### IMPACT OF THE PRACTICE ON:

<b>Job stability and secure employment</b>	There are orders and there is work, which means increased employment and training for employees. If not for the configurator, there would be much less work. People would have to be laid off. Here is a simple philosophy of effective digitisation.
<b>Skills needs and training</b>	On the cooperative side the only additional skills required are managerial skills. On the other hand, sewing workers receive occupational health and safety and product quality training.
<b>Working conditions</b>	This does not apply directly to PANATO, as the cooperative accepts orders for its network. Individual companies are responsible for working conditions. They determine the working time and remuneration. The practice presented concerns the sphere of management. More orders coming through the configurator allow sewing companies to maintain employment and provide employees with attractive working conditions.
<b>Company performance</b>	Digitisation brought long-awaited predictability and repeatability of orders, which led to a threefold increase in revenue over three years: from PLN 750,000 in 2017 to PLN 2.5 million in 2019 (from €174,400 to €581,300) and an increase in net profit. Product quality has improved significantly.
<b>Overall strengths and weaknesses</b>	<ul style="list-style-type: none"> <li>• fast ordering process</li> <li>• unified selection of product designs</li> <li>• more orders for network companies</li> <li>• streamlining of the ordering process</li> <li>• one weakness is the inability to extend the offer by adding different products</li> </ul>



### Overall opportunities and threats

- PANATO and its network are already the main producer of advertising bags in Poland and have the possibility of expansion into other markets,
- however, a company offering more products could follow in the footsteps of PANATO and propose prices low enough for the network to stop being profitable
- that is why PANATO needs to invest more in its network and tighten its cooperation.

### Potential for social partners and collective bargaining to upscale/transfer the practice

Generally speaking, it is a great model for all social cooperatives: one production organiser plus many subcontractors. A perfect division of labour with the following characteristics.

The default solution proposed by the cooperative is to centralise marketing and commercial processes and specialise one organisation within the network – probably the leader – to obtain orders from the market and then distribute them to all network members. However such a model requires mutual trust and in many dimensions ends internal competition.

PANATO proposes in this area:

- cooperation under one brand, which allows the individual activities of partners to be distinguished from their activities within the network;
- formulation of one coherently communicated network offer (which does not exclude the sale of another pool of products by individual network members independently), promoted under the network brand,
- developing standards for communicating outside the network, both to customers and to the media and other recipients,
- internal transparency of offer and commercial processes in order to reassure partners that no activities and orders are being carried out in hiding, to the detriment of some of them,
- creating a common contact database – and here an important caveat: some partners may consider sharing a contact base developed over the years as a far-reaching symbiosis, especially if the contribution of other partners is asymmetrical. In such circumstances PANATO recommends the option of reporting contacts with a reservation of exclusivity for servicing these clients; the advantage of this solution is that it allows the leader to "pass" all orders and promotional and sales processes, but at the same time does not infringe on the interests of the members,
- creating procedures for the development of a joint offer, expanding and modernising it in a way that will also contribute to deepening the integration of partners within the network,
- different partners within the network may propose different prices constituting the basis for internal settlements – the cooperative suggests that a joint discussion should be held to negotiate and harmonise internal settlement price lists. Not only will this avoid unnecessary tensions, but will also facilitate the functioning of the entire network.

<b>Potential for public authorities to support upscaling/ transferring the practice</b>	In the era of increased specialisation, the division of labour into those who organise it online, and those who perform it is in line with the spirit of Industry 4.0. What might be a threat to a certain degree is the emergence (within 10 years) of fully automated production lines that receive orders directly online. However, this might be avoided by retaining companies producing handicraft, which is more expensive and valuable for connoisseurs than automated mass production.
<b>List of annexes, sources</b>	<ul style="list-style-type: none"> <li>• Company website</li> <li>• <a href="https://ekrs.ms.gov.pl/">https://ekrs.ms.gov.pl/</a> – access to annual financial and technical reports.</li> </ul>
<b>Company website</b>	<a href="http://www.panato.org">www.panato.org</a>

The case study was prepared by: Fundacja Inicjatyw Społeczno-Ekonomicznych / FISE (Poland)