



This is a repository copy of *The Hextol Foundation : building a sustainable social enterprise business model*.

White Rose Research Online URL for this paper:  
<https://eprints.whiterose.ac.uk/151831/>

Version: Accepted Version

---

**Article:**

Pattinson, S. [orcid.org/0000-0003-3352-5738](https://orcid.org/0000-0003-3352-5738) (2020) *The Hextol Foundation : building a sustainable social enterprise business model*. *The International Journal of Entrepreneurship and Innovation*, 21 (1). pp. 72-80. ISSN 1465-7503

<https://doi.org/10.1177/1465750319879023>

---

Pattinson S. *The Hextol Foundation: Building a sustainable social enterprise business model*. *The International Journal of Entrepreneurship and Innovation*. 2020;21(1):72-80. © The Authors. <https://doi.org/10.1177/1465750319879023>. Article available under the terms of the CC-BY-NC-ND licence (<https://creativecommons.org/licenses/by-nc-nd/4.0/>).

**Reuse**

This article is distributed under the terms of the Creative Commons Attribution-NonCommercial-NoDerivs (CC BY-NC-ND) licence. This licence only allows you to download this work and share it with others as long as you credit the authors, but you can't change the article in any way or use it commercially. More information and the full terms of the licence here: <https://creativecommons.org/licenses/>

**Takedown**

If you consider content in White Rose Research Online to be in breach of UK law, please notify us by emailing [eprints@whiterose.ac.uk](mailto:eprints@whiterose.ac.uk) including the URL of the record and the reason for the withdrawal request.



[eprints@whiterose.ac.uk](mailto:eprints@whiterose.ac.uk)  
<https://eprints.whiterose.ac.uk/>

**The Hextol Foundation: building a sustainable  
social enterprise business model<sup>1</sup>**

**Steven Pattinson, Senior University Teacher in Strategy,  
Sheffield University Management School<sup>2</sup>**

**September 2019**

---

<sup>1</sup> This case was made possible through the generous cooperation of The Hextol Foundation. The case is intended as a basis for class discussion rather than to illustrate either effective or ineffective handling of management situations.

<sup>2</sup> Corresponding author: Steven Pattinson, Sheffield University Management School, University of Sheffield, S10 1FL, United Kingdom. E-mail: [steven.pattinson@sheffield.ac.uk](mailto:steven.pattinson@sheffield.ac.uk).

## **Learning outcomes**

The case provides a starting point for students to engage in evidence-based discussions about how social entrepreneurs employ business model thinking as part of a decision-making process.

The case enables students to consider how social entrepreneurs develop sustainable social enterprise business models.

The case challenges students to consider the impact of business modelling is an activity designed to strategize the use of business models.

The case also allows students to engage in a broader discussion about the unique challenges presented to entrepreneurs who are driven by social purpose rather than solely by profit generation.

## INTRODUCTION

The purpose of the case is to explore how social entrepreneurs (Sheerman, 2000) use business model thinking (Rajala & Westerlund, 2007) to create successful business models for sustainable social enterprise. Business model decision-making is particularly complex and nuanced in the context of social enterprise (Ridley-Duff, 2008) because of the competing demands of profit versus social purpose (Moizer & Tracey, 2010) and the case enables students to explore this multifaceted issue in detail. The case is centred on the Hextol Foundation, an independent charitable company, based in Hexham, Northumberland. The purpose of the Foundation is to improve the quality of life of young people who are learning disabled, or who have mental ill-health, by providing them with a sense of purpose and *'helping them develop their skills and confidence through work and personal achievement'* (Hextol Foundation, 2019). The case focuses on Chris Milner, the Chief Executive, and his approach to developing a sustainable social enterprise business model to support this purpose. The aim of this case is to provide a detailed account of the unique challenges presented to entrepreneurs who are driven by social purpose rather than solely by the need to generate a profit.

The impact of business model thinking (Zott & Amit, 2010), particularly on business model innovation, goes beyond the traditional concepts of business change (Chesbrough, 2010).

Business modelling is an activity or process designed to strategize the use of business models (Hacklin & Wallnöfer, 2012). Hence, business model innovation, as a result of business model thinking, is a decision-making activity (Pattinson, 2018) – the management of the creation of a business model that challenges the competitive dynamics of a sector. Hence, the case challenges students to consider the impact of business model thinking in creating a sustainable social enterprise business model.

## **Business models and social enterprise**

Business models are considered to be a central theme that helps define a company's planned strategy (Magretta, 2002). Casadesus-Masanell & Ricart (2010) suggest a business model reflects an organization's realised strategy. According to Chesbrough (2007), a business model articulates both the value proposition of an organization and outlines the value created to customers (Biloshapka & Osiyevskyy, 2018). It also identifies the market and structure of the value chain, and helps determine the assets required to achieve the organizational goals. The business model, therefore, offers a coherent way for organizations to consider strategic options when conditions are uncertain (McGrath, 2010). However, in order to be useful, a business model must be simple, logical, measurable, comprehensive and meaningful in terms of the overall strategic direction of an organization (Osterwalder, Pigneur & Tucci, 2005).

According to Johnson, Christensen & Kagermann (2008) creating a successful new business model starts with *thinking* about the opportunity to satisfy customer needs rather than by thinking about the business model itself. The next step, they suggest, is to create a blueprint that identifies how the organization will fulfil that need and make a profit. Bocken and Short (2015) suggest that business models provide a suitable framework, or structure, for sustainable business thinking by helping with planning strategy, creating opportunities for value creation, and capturing value in organizations. They suggest tools such as the business model canvas (Osterwalder & Pigneur, 2010) might help organizations innovate their business models. Business model innovation is shaped by both individual and collective relationships (Palo & Täthinen, 2013). Knowledge is therefore a central theme in understanding how new business models are created, and how individual actors and groups develop understanding and share knowledge about creating, delivering and capturing value (Nielsen & Bukh, 2011).

A number of reports have provided examples of how successful social enterprises innovate their business model (see, for example, Pattinson, 2015; Thompson, 2002, 2008; Thompson, Alvy, and Lees, 2000). In one study, Ramsden (2005), suggests that most social enterprises are not truly sustainable and rely to some extent on charitable donations or grant funding. However, CAF Venturesome (2008), the social investment fund, point to three useful business models (Table 1) that enable social enterprises to build innovative business models and enable them to generate social impact from trading activities.

**Table 1 Social enterprise business models**

<b>Model</b>	<b>Purpose</b>	<b>Examples</b>
Model One – The Profit Generator Model	The trading activity is primarily seeking a financial return. As such, it is considered to have no direct social impact. Only after a profit has been made is social impact possible.	‘Ethical’ bottled water companies such as Belu Water, Thirsty Planet gives a percentage of its profits for developing charitable projects.
Model Two – The Trade-off Model	The trading activity does have direct social impact, but a balance is struck between profit generation and social impact. The firm could increase its social impact by decreasing financial returns, or vice versa.	Any ‘fair trade’ company, micro finance company, for example, Venturesome, Ethical Property Company plc.
Model Three – The lock-step Model	The trading activity has a direct social impact, but that social impact increases or decreases in lock-step and in parallel with financial returns.	Social impact enterprises such as, Abel & Cole Organic Food, Justgiving.com.

First, the Profit Generator Model where trading activity that has no direct social impact, the organization makes a profit, and then puts some or all of that profit to another activity that does have direct social impact. Second, the Trade-off Model, where social enterprises engage in a trading activity that does have direct social impact, but manages a trade-off between producing financial return and social impact. Third, the ‘Lock-step Model’ where social enterprises engage in a trading activity that not only has direct social impact, but also generates a financial return in direct association to the social impact created.

However, it is not clear what makes a social enterprise successful and many social enterprises merely replicate traditional business models (Drucker, 2014). As Parkinson and Howorth (2008) note, the emphasis on replicating traditional business models limits the potential of social enterprises in developing new, innovative models that bring together the best elements of ‘social’ and ‘enterprise’.

## **THE HEXTOL FOUNDATION**

The Hextol Foundation<sup>3</sup> is a not for profit charitable company limited by guarantee, and was incorporated in August 2006. With support from Social Enterprise Northumberland, the company was registered as a charity in September 2007. The aim of the Foundation is:

*To improve the lives of people with disabilities, and who may have other disadvantages, by creating opportunities to work, providing education and training and developing other charitable forms of support as required.*

---

<sup>3</sup> More details of the company can be found on its website: <https://www.hextol.org.uk/>

Chris Milner founded the organisation as a social enterprise for very personal reasons. Having a disabled son, he saw what he felt was a lack of support for disabled people once they reached the age of 24. This was partly due to the cessation of support from social services. He also felt that many social enterprises were started by individuals with good intentions but without the necessary skills and experience to achieve a sustainable business. Chris had a background working as a project manager for British Airways. This meant he considered he had the prerequisite skills and experience needed for starting a new business – and he did view it as a business. As Chris explains, “*this is a business and you must view it that way - it doesn't work otherwise*”.

### **Social purpose**

The purpose of the Hextol Foundation is to provide young disabled people with a sense of purpose by creating opportunities to work and develop new skills. It does not seek to provide paid work for the trainees, who are all volunteers. The complex UK benefits system often (perhaps unintentionally) discriminates against disabled people if they take on paid work, even if it is part time or temporary. The Board of Directors therefore agreed that the best solution was to provide voluntary, unpaid work opportunities that enabled the trainees to keep their benefit entitlement.

The Foundation was initially set up using a research grant from the European Social Fund and some funding from the Learning and Skills Council in the UK. This money enabled Chris and his team to explore a range of possibilities regarding how the Foundation would operate. Through the network of contacts he developed during this period of research, he eventually brought together a team of four interested local business people who formed the Board of



Directors. After discounting a variety of ‘grand ideas’, the Board decided to start a small packing and post services business, Hextol Greenbox, which became their first enterprise. The Foundation’s initial contract was for the distribution of a local church magazine and by 2011 Hextol Greenbox were making an operating profit of around £12,000. The Foundation had initially identified a number of barriers to employment<sup>4</sup>, summarised in Table 2, and felt that by starting small it was able to provide a more personalised solution to the employment issues encountered by young adults with learning difficulties.

**Table 2 Barriers to employment**

<b>Employment barrier</b>	<b>Explanation</b>
A suspicion of prejudice	The belief that most employers are inherently prejudiced against disabled people
Personal experiences are limited	People with learning disabilities would benefit from advice based more on personal assessments and from more opportunities to experience work
Few job opportunities	There are limited job opportunities and plenty of competition for jobs
Employers have to be seriously committed	People with learning disabilities need jobs to be adapted to cope with their personal vulnerability and limitations
The financial risks are frightening	There is seen to be a big financial risk for people with learning disabilities taking paid employment

### **The Foundation’s Business Model**

Building on the initial success of Hextol Greenbox, the Foundation now runs a number of enterprises that provide safe and supported work experience and work-based training for disabled adults. Initially, it used ‘seed funding’ to start each enterprise then, over time, plan to

---

<sup>4</sup> Employment issues for young people with learning disabilities in Tynedale (December 2005). Available at: <https://www.hextol.org.uk/about-us/reports-and-information/>

establish them as stable, viable businesses, independent of on-going grant funding support. Its original portfolio of enterprises consisted of:

- **Hextol Greenbox** – offers a distribution service for packing and delivery of a range of items, including newsletters, marketing flyers, magazines or conference packs.
- **Hextol Lunches** – produces 'brown bag' lunches, buffets, children's lunch boxes and cakes each weekday and deliver them to workplaces and events around Hexham.
- **Hextol Decorators** – provides a decorating service in and around Hexham.
- **Hextol Gardeners** – provides a gardening service in and around Hexham.

More recently it has added two new enterprises:

- **Hextol Warehousing** - this includes short or long-term storage, order processing and fulfilment using freight carriers and package couriers.
- **Hextol PropertyWorks** - offers handyman and odd job services including woodwork and some construction.

These additional enterprises have expanded the range of services now on offer which allows the trainees a choice of jobs depending on what interests them. Chris based his business model on the Fourth Sector archetype<sup>5</sup> which espouses two primary characteristics:

- **Social Purpose** - the enterprise is driven by a social purpose designed into the organisation's essential structure.

---

<sup>5</sup> Excerpt taken from the Fourth Sector Concept Paper entitled The Emerging Fourth Sector by Heerad Sabeti and the Fourth Sector Concept Group, 1998.

- **Business Method** - the organisation is at a minimum economically self-sustaining and may be profit-making.

The adoption of this business model was influenced by Chris's initial research where he came across the Scottish social enterprise '*The Forth Sector*' ([www.forthsector.org.uk](http://www.forthsector.org.uk)) who operate a number of social enterprises with the aim of maintaining them as successful, self sustaining businesses, while providing training and workplace opportunities for people who have experienced mental health problems. In this 'hub and spoke' business model (Figure 1) the Foundation are seen as the hub, or parent organisation, acting as a source of advice and a knowledge base for each of the enterprises. Each individual enterprise is operated as an independent small business, or spoke, supported by the Foundation and led by a full time, professionally qualified Service Leader<sup>6</sup>.

The hub and spoke model does have a number of benefits and costs, both financial and social, associated with its operation. The model offers stability, the hub acting as an enabler, providing strategic direction and leadership, as well as supporting training, education and mentoring across all of the spokes. This enables the Service Leader of each hub to maintain independence and focus their efforts on operational issues. The hub, i.e. the Board of Directors, consists of individuals with an extensive range of business experience, who are able to support the various spokes to be successful. In this sense, the hub represents a cost benefit by providing a centralised resource accessible to all of the spokes. However, the hub and spoke model also represent a cost to the Foundation. It does not generate any income but incurs a number of costs including salaries, office rental and administration. Nevertheless, the Foundation considers the overarching

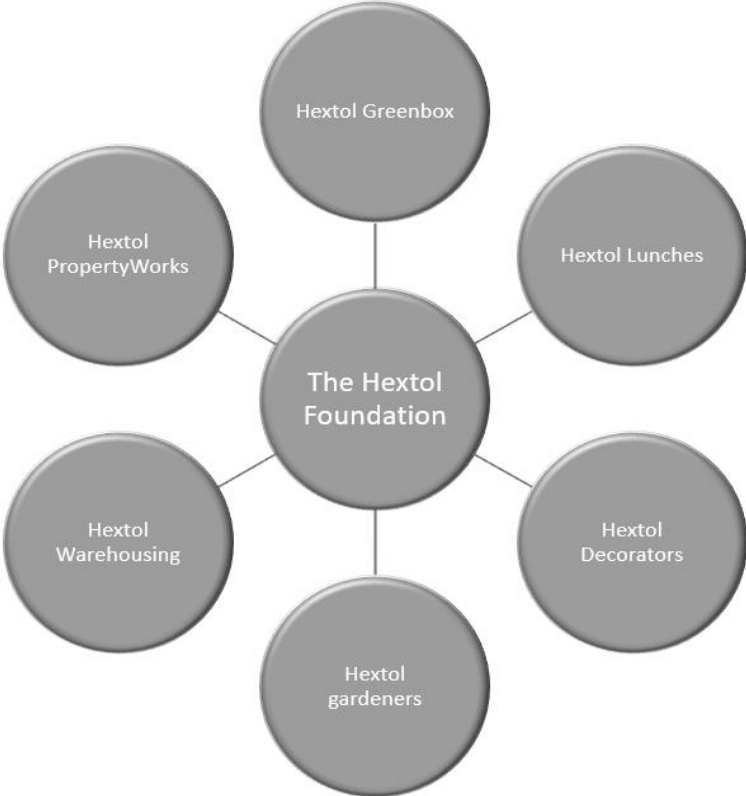
---

<sup>6</sup> All enterprises are led by an experienced and qualified Service Leader to support and work alongside each team of young people.

social benefit - providing safe and supported work experience and work-based training for disabled adults - outweighs the cost of operating the centralised hub.

**Figure 1**

**The Hextol Foundation Business Model**



The Foundation uses three metrics to measure its success – trading revenue, grant dependency and trainee hours worked. In terms of trading revenue, total income in 2017 was £309,187 with £284,212 from trading, representing a 10% increase in trading income compared to 2015/16. In the same period it has also reduced grant dependency from £129,751 to £61,048 (see Figure 2).

**Figure 2**

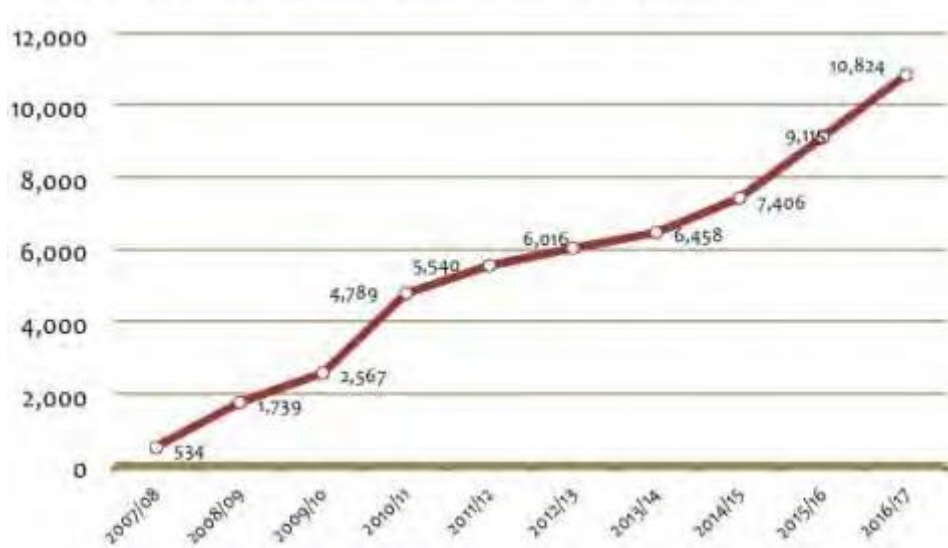
**Statement of Financial Activities for the Year Ended 31<sup>st</sup> March 2017**

	unrestricted funds £	restricted funds £	total 2017 £	total 2016 £
<b>Income from:</b>				
Donations and legacies <i>(Voluntary income)</i>	19,177	41,871	61,048	129,751
Charitable activities <i>(Trading)</i>	248,139	-	248,139	225,897
<b>Total incoming resources</b>	<b>267,316</b>	<b>41,871</b>	<b>309,187</b>	<b>355,648</b>
<b>Expenditure on:</b>				
Raising funds	3,732	-	3,732	2,798
Charitable activities	251,205	78,078	329,283	277,842
<b>Total expenditure</b>	<b>254,937</b>	<b>78,078</b>	<b>333,015</b>	<b>280,640</b>
<b>Net income and net movement in funds for the year</b>	<b>12,379</b>	<b>(36,207)</b>	<b>(23,828)</b>	<b>75,008</b>
<i>Reconciliation of funds</i>				
<b>Total funds brought forward</b>	<b>57,704</b>	<b>87,232</b>	<b>144,936</b>	<b>69,928</b>
<b>Total funds carried forward</b>	<b>70,083</b>	<b>51,025</b>	<b>121,108</b>	<b>144,946</b>

The Foundation has also seen an increase in the number of trainee hours worked, which have seen a significant increase from 534 in 2007/08 to 10,824 in 2016/17 (Figure 3).

**Figure 3**

**Trainee hours worked each year**



Chris envisages each enterprise eventually becoming financially self-sustaining with the hub being maintained by a combination of grant funding and contributions from the profits of each of the spoke enterprise.

### **The problem**

However, not all of the enterprises had achieved sustainability. Chris reviewed the latest figures for The Hextol Foundation's diverse activities and was having difficulty deciding on the best course of action. Most of its enterprises were now operating with a small surplus, with the exception of the catering enterprise, 'Hextol Lunches', which was still generating a loss. This was partly due to the high set up cost associated with this type of business, i.e. capital purchases such as a delivery van, but also because of the nature of this type of business. It was often difficult to manage fresh produce efficiently, resulting in high levels of wastage and increased

costs. The issue was compounded by the cost of a new project, the Hextol Tans café. With the focus for the catering teams being on planning, equipping, recruiting and training the new café, Hextol Lunches, had taken a secondary role recently, and the Board had suspended all its services during the summer period so that 100% of the Foundation's attention could go on opening the café. Chris's dilemma was now whether it makes sense to reinstate Hextol Lunches if it continues to make a loss. However, on balance, Chris felt that the catering operation should continue because of the social benefits it provides to the 'trainees', i.e. the disabled or disadvantaged people who come to work at Hextol Lunches. One possibility could be to subsidise Hextol Lunches from the surpluses generated by the other enterprises. He had a meeting with the Board of Directors that afternoon and needed to decide on the best way forward for all concerned.

## **SUMMARY**

Chris Milner now has an important decision to make. Should he continue to support Hextol Lunches, or should he advise the Board to direct the Foundation's resources elsewhere, and focus on the other, more viable enterprises? Losing Hextol Lunches would mean that Chris could direct more of the Foundation's resources at the more successful enterprises but at the loss of the social benefits provided to trainees working on Hextol Lunches. This case is useful in highlighting how business model thinking is used by entrepreneurs to identify, evaluate, and pursue a range of strategic options. It advances our understanding of business model thinking and business model innovation in the context of a social enterprise.

## Questions

1. How is Chris's approach to developing the Foundation's business model an example of business model thinking?
2. What justification is there for continuing Hextol Lunches if it continues to make an operating loss?
3. What impact does continuing with Hextol Lunches have on the sustainability of the Foundation's business model?
4. Are there any alternative business models that Chris and the Board of Directors might want to consider?

## References

- Biloshapka, V., & Osiyevskyy, O. (2018). Value creation mechanisms of business models: Proposition, targeting, appropriation, and delivery. *International Journal of Entrepreneurship and Innovation*, 19(3), 166-176.
- CAF Venturesome. Available at: <https://www.cafonline.org/charities/borrowing/social-investment>. Accessed on: 4th February 2019.
- Casadesus-Masanell, R., & Ricart, J. E. (2010). From strategy to business models and onto tactics. *Long Range Planning*, 43(2) 195-215.



- Chesbrough, H. (2007). Business model innovation: it's not just about technology anymore. *Strategy & Leadership*, 35(6), 12-17.
- Chesbrough, H. (2010). Business model innovation: opportunities and barriers. *Long Range Planning*, 43(2-3), 354-363.
- Drucker, P. F. (2014). *Innovation and entrepreneurship*. New York: Routledge.
- Hacklin, F., & Wallnöfer, M. (2012). The business model in the practice of strategic decision making: insights from a case study. *Management Decision*, 50(2), 166-188.
- Hextol Foundation website (2019) <https://www.hextol.org.uk/>
- Johnson, M. W., Christensen, C. M., & Kagermann, H. (2008). Reinventing your business model. *Harvard Business Review*, 86(12), 57-68.
- Magretta, J. (2002) Why business models matter. *Harvard Business Review*, 80(5), 86-92.
- McGrath, R. G. (2010). Business models: A discovery driven approach. *Long Range Planning*, 43(2-3), 247-261.
- Moizer, J., & Tracey, P. (2010). Strategy making in social enterprise: The role of resource allocation and its effects on organizational sustainability. *Systems Research and Behavioral Science*, 27(3), 252-266.
- Nielsen, C., & Bukh, P. N. (2011). What constitutes a Business Model: The perception of financial analysts. *International Journal of Learning and Intellectual Capital*, 8(3), 256-271.

- Osterwalder, A. & Pigneur, Y. (2010). *Business Model Generation: A Handbook for Visionaries, Game Changers, and Challengers*. Wiley, Hoboken, NJ.
- Osterwalder, A., Pigneur, Y., & Tucci, C. L. (2005). Clarifying business models: Origins, present, and future of the concept. *Communications of the Association for Information Systems, 16*(1), 1.
- Palo, T., & Tähtinen, J. (2013). Networked business model development for emerging technology-based services, *Industrial Marketing Management, 42*(5), 773-782.
- Parkinson, C. and Howorth, C. (2008). The language of social entrepreneur. *Entrepreneurship and Regional Development, 20*(3), 285–309.
- Pattinson, S. (2015). Social Enterprise in the Creative and Cultural Sector: Building Sustainable Business Models. A report conducted on behalf of Creative Darlington as part of the See Change Initiative funded by UnLtd and HEFCE.
- Pattinson, S. (2018). Understanding effectual decision-making in a science-based business: The case of Hart Biologicals. *International Journal of Entrepreneurship and Innovation*, DOI: 1465750318818279.
- Rajala, R., & Westerlund, M. (2007). Business models—a new perspective on firms' assets and capabilities: observations from the Finnish software industry. *International Journal of Entrepreneurship and Innovation, 8*(2), 115-125.
- Ramsden, P. (2005). *Evaluation: The Phoenix Development Fund Final Report*. London: Small Business Service.

- Ridley-Duff, R. (2008). Social enterprise as a socially rational business. *International Journal of Entrepreneurial Behavior & Research*, 14(5), 291-312.
- Sabeti, H. (2011) 'The Emerging Fourth Sector', Washington, DC: The Aspen Institute. *The Fourth Sector Network Concept Working Group*. Available at: [www.boardsource.org](http://www.boardsource.org).
- Sheerman, B. (2000). The role of the social entrepreneur. *International Journal of Entrepreneurship and Innovation*, 1(3), 198-198.
- Thompson, J. L. (2002). The world of the social entrepreneur. *The International Journal of Public Sector Management*, 15(5), 412-431.
- Thompson, J. L. (2008). Social enterprise and social entrepreneurship – where have we reached? A summary of issues and discussion points. *Social Enterprise Journal*, 4(2), 149-161.
- Thompson, J. L. Alvy, G. and Lees, A. (2000). Social entrepreneurship - A new look at the people and the potential. *Management Decision*, 38(6), 328-338.
- Zott, C., & Amit, R. (2010). Business model design: an activity system perspective. *Long Range Planning*, 43(2-3), 216-226.

## **TEACHING NOTE**

### **1 Summary of the case**

The Hextol Foundation is a social enterprise that aims to improve the lives of people with disabilities and other disadvantages by creating opportunities to work, by providing education and training and by developing other forms of support as they are needed. It runs a number of enterprises that provide safe and supported work experience and work-based training; using seed funding to start them but, over time, trying to establish them as stable, viable businesses, independent of on-going grant funding support. This case study focuses on the Foundation's attempts to develop a sustainable business model.

### **2 Teaching objectives and target audience**

The key issue in this case study is whether the organisation should continue to support one of its enterprises that currently makes an operating loss. The main argument is focused on whether the loss is acceptable in light of the (arguably more important) social benefits the enterprise brings to the trainees who work there. This case study will enable students to understand different approaches to sustainability in social enterprises. This case study is aimed at both undergraduate and postgraduate students studying entrepreneurship and social enterprise, as well as strategy.

There are four learning objectives:

- a) The case provides a starting point for students to engage in evidence-based discussions about how social entrepreneurs employ business model thinking as part of a decision-making process.

- b) The case enables students to consider how social entrepreneurs develop sustainable social enterprise business models.
- c) The case challenges students to consider the impact of business modelling is an activity designed to strategize the use of business models.
- d) The case also allows students to engage in a broader discussion about the unique challenges presented to entrepreneurs who are driven by social purpose rather than profit generation.

### **3 Teaching approach and strategy**

This case study can be used as the starting point for students to discuss business model thinking and business model innovation in the context of a social enterprise. It allows the application of classroom-based theory to be applied to a real-life situation and encourages active participation in the learning process. The main theoretical points to highlight when using the cases study centre round the concepts of business model thinking and business model innovation. The case study places these two concepts in the context of a social enterprise, providing an opportunity for students to gain new insights into the requirements of social enterprise business models. The case allows students to engage in a broader discussion about entrepreneurial approaches to strategy building and development in small firms.

Wherever possible, the classroom should be arranged with desks in a semicircle, or a similar layout, that allows students to face each other and work together in small groups. This layout will help to facilitate a direct exchange of views between students. Teaching this case begins by asking students to read and think about the case – either at the start of, or prior to class –

depending on the length of the seminar/tutorial. A 5-10 minute introduction to the case by the lecturer might then be useful before beginning any discussion. The introduction should explain Chris's dilemma; whether to continue to support Hextol Lunches, or to focus resources on other profitable areas of the Foundation. The lecturer might wish to present the potential alternatives to Chris's suggestion to continue to support Hextol Lunches. The goal of the case is not to select the correct choice for the Hextol Foundation, but rather to understand the challenges inherent in building a sustainable social enterprise business model.

Once the introduction is complete, the lecturer might wish to break the class up into teams of three to five students, depending on student numbers. The teams should discuss and summarise their answers to each of the questions presented in the case study and choose one representative to present a summary of the team's answers to the class. The lecturer should work to move the discussion past a listing of challenges to an identification of the potential outcomes of the available choices. To conclude the session, the lecturer might consider asking students to report back – either in their groups or individually – to summarise what they consider to be the main learning outcomes of the session. Alternatively, the lecturer could ask them to take a few minutes to summarise their own thoughts about the main points raised in the case. It is also important to ask students to evaluate the usefulness of the case in their studies in order to help students evaluate their own learning as well as to help the lecturer to evaluate the usefulness of the case and make amendments where necessary.

#### **4 Analysis**

Students should be reassured that there are no right or wrong answers, but rather the case study provides a springboard for discussion about the main issues raised in the case. However, students

are challenged to think about a real-life scenario in which the actions of the main protagonist (Chris Milner) can be analysed in detail. More specifically, students should consider the following point in their answers to the questions posed:

*How is Chris's approach to developing the Foundation's business model an example of business model thinking?*

Students should be able to identify that Chris's decision-making approach could be considered an example of business model thinking. From his comment, "*this is a business and you must view it that way - it doesn't work otherwise*", students should be able to ascertain that Chris envisages each enterprise within the Foundation will eventually becoming financially self-sustaining with the hub being maintained by a combination of grant funding and contributions from the profits of each enterprise. In addition, students might identify that Chris based the Foundation's business model on the Fourth Sector archetype which focuses on supporting social purpose through economic self-sustainability.

*What justification is there for continuing Hextol Lunches if it continues to make an operating loss?*

Students should recognised that Chris's dilemma is whether to reinstate Hextol Lunches which continues to make a loss. Students might ascertain that Chris feels the catering operation should continue because of the social benefits it provides to the trainees who come to work at Hextol Lunches. The case also hints that the other director might not share this view. On the other hand, students might also recognise that losing Hextol Lunches would present a trade-off, allowing Chris to direct more resources at other more successful enterprises, but at the loss of the social benefits provided to trainees working on Hextol Lunches.

*What impact does continuing with Hextol Lunches have on the sustainability of the Foundation's business model?*

Students should be able to recognise that continuing with the Hextol Lunches will have an impact on the sustainability of other enterprises within the Foundation. Equally, some students might argue that the financial loss is worth the social gain provided by continuing with Hextol Lunches. Students might also consider more broadly how social entrepreneurs can develop sustainable social enterprise business models.

*Are there any alternative business models that Chris and the Board of Directors might want to consider?*

The Hextol Foundation is a charity and the case asks students to consider the implications of discontinuing one of its unprofitable enterprises. Students might, therefore, want to consider whether there are any alternatives to the Foundation's current business model. Students should be encouraged to consider the challenges inherent in building a sustainable social enterprise business model.

## **5 Feedback**

Please take time to reflect and consider how the case worked in different situations (for example, with different student groups, or on different modules). The case has been tested and has been an effective part of teaching entrepreneurship and strategy to a range of undergraduate and postgraduate programmes, including Business Management, International Business Management, Marketing, and Business and Entrepreneurship. More specifically, it has been used to support the teaching of small seminars groups on modules such as 'Entrepreneurial



Leadership' and 'Sustainable Business Strategies'. This case could also be used on other programmes of study such as Master's degrees in enterprise, entrepreneurship and/or innovation, Executive/MBA courses, or with doctoral students. Potentially, the case is suitable for use as a written assessment or for an examination, role-playing, or for other purposes.

## **6 Additional readings or references**

Chell, E. (2007). Social enterprise and entrepreneurship: towards a convergent theory of the entrepreneurial process. *International Small Business Journal*, 25(1), 5-26.

Darby, L., & Jenkins, H. (2006) Applying sustainability indicators to the social enterprise business model: The development and application of an indicator set for Newport Wastesavers, Wales. *International Journal of Social Economics*, 33(5/6), 411-431.

Defourny, J., & Nyssens, M. (2008). Social enterprise in Europe: recent trends and developments. *Social Enterprise Journal*, 4(3), 202-228.

Mair, J., Robinson, J., & Hockerts, K. (2006). *Social Entrepreneurship*. New York: Palgrave Macmillan.

Peredo, A. M., & McLean, M. (2006). Social entrepreneurship: A critical review of the concept. *Journal of World Business*, 41(1), 56-65.

Seelos, C. & Mair, J. (2007) Profitable Business Models and Market Creation in the Context of Deep Poverty: A Strategic View. *Academy of Management*, 21(4), 49-63.

Yang, R., Meyskens, M., Zheng, C., & Hu, L. (2015). Social Entrepreneurial Intentions: China versus the USA—Is There a Difference? *International Journal of Entrepreneurship and Innovation*, 16(4), 253-267.

Yunus, M., Moingeon, B., & Lehmann-Ortega, L. (2010) Building Social Business Models: Lessons from the Grameen Experience. *Long Range Planning*, 43(2-3), 308-325.