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# SUSTAINABILITY IN SOCIAL ENTRPRISE: HYBRID ORGANIZING IN PUBLIC SERVICES

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**ABSTRACT**

It is commonly assumed that Social Enterprises (SEs) are able to meet social outcomes and also be financially viable, however, little research supports this claim. Using hybrid organizing as a lens to analyse case study interview data from ten SEs delivering adult day care services, we identify three factors which affect a SEs ability to simultaneously achieve social outcomes and financial sustainability and thus create value-spillovers for society. These are: diverse income streams to strengthen financial viability and reduce reliance on service-level agreements and grants; delivering social quality (quality of social impact) as well as service quality, and a hybrid workforce.

# SUSTAINABILITY IN SOCIAL ENTERPRISE: HYBRID ORGANIZING IN PUBLIC SERVICES

## INTRODUCTION

Public services within England and in other nation states have undergone radical changes during recent decades (Pollitt, 2012). The role of the Government in social welfare has diminished, whilst communities and individuals have been encouraged to play a more active part in the alleviation of social problems (Dey and Teasdale, 2015). More emphasis has been placed upon collaboration between organizations from government, non-profit, and private sectors to deliver social welfare (Osborne and Brown, 2005; Gillett, 2015) and perhaps as a result there has been growth in the number of organizations operating at the intersections of these sectors. Such organizations, often called social enterprises (SEs) primarily pursue a social mission while engaging in commercial activities to sustain their operations through the sales of products and/or services (Battilana and Dorado, 2010, Hoffman, Gullo and Haigh, 2012).

SEs primarily exist to address societal and environmental challenges (Santos 2012). Definitions of SE reflect distinct regional differences (Kerlin 2010). For example, in the US, discourse of SEs emphasises market-based approaches (Austin *et al*. 2006; Dees 1998; Defourny and Nyssens 2010), whereas in Europe, SE is located in the cooperative tradition of collective social action (Borzaga and Defourny 2001; Defourny and Nyssens 2010; Nyssens 2006). The UK borrows from both traditions, and the government-proposed definition states that a SE is a "business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximize profit for shareholders and owners" (DTI 2002, p. 13). A common feature of all these definitions

is to draw out the two defining characteristics of SE: the adoption of some form of trading activity to generate revenue; and the pursuit of social goals (Laville and Nyssens 2001; Mair and Martì 2006; Peattie and Morley 2008; Peredo and McLean 2006). The emphasis for SEs is to prioritise positive social change above private wealth creation: typical social objectives include reducing poverty, inequality, homelessness, carbon emissions, unemployment and improving social care (Dart 2004; Hall *et al*., 2016; Murphy and Coombes 2009).

SEs straddle the well-established categories of business and charity (Austin, Wei-Skillern and Stevenson, 2006; Mair and Marti, 2006) and are thus an ideal type of *hybrid* organization combining aspects of multiple organizational forms (Battillana and Lee, 2014). By combining multiple forms, they deviate from each, resulting in external and internal tensions between the forms they combine (Greenwood *et al*., 2011; Kraatz and Block, 2008; Powell and Osborne, 2015 and Weber, 2005). To manage these tensions, the concept of hybrid organizing has been proposed, which Battilana and Lee (2014) define as the activities, structures, processes and meanings by which organizations understand and combine aspects of multiple organizational forms.

Recent UK governments have placed increasing emphasis on the role of SEs in public service delivery (Gillett, 2015; Powell and Osborne, 2015), perceiving their ability to produce social outcomes through a business approach as more innovative and responsive than traditional third sector approaches (Bennett, 2008; DH, 2009; GOV.UK, 2017). England is a particularly interesting context to examine public services delivered by SE due to its rapid integration within the policy landscape (Nicholls, 2010).

Yet within this landscape, the SE concept is relatively underdeveloped, although there appears to be a common assumption that SEs will be a financially sustainable vehicle for public service delivery simply because they compete for revenue-generating contracts and engage in

revenue-generating activities (see for example, Di-Domenico *et al*., 2009). However, Mason (2012) laments a lack of critical analysis regarding this assumed financial viability, and the academic research which does exist indicates SEs resilience is dependent upon their ability to advance both their *social* as well as economic missions (Battilana and Lee, 2014). In order to examine how financially viable SEs are, we therefore use hybrid organizing as a theoretical lens to explore the factors which hinder or support the ability of SEs to be financially sustainable organizations. Here we define sustainability as "balancing grant-free income with expenditure whilst meeting social objectives" (Powell and Osborne, 2020, in-press). This is an important topic, Santos *et al* (2015) identify how hybrids may struggle to achieve financial sustainability whilst simultaneously pursuing societal or environmental goals, and calls for research which improves understanding as to how these potentially conflicting goals could be aligned.

Therefore, in this study we investigate the financial viability of SEs delivering adult social care services, whose users, due to public sector reform, have access to personalised care budgets. The article addresses the following research question: *How do SEs delivering public services organise their hybridity?* We critically examine current research on SE and their ability to be sustainable public service providers, before introducing the concept of hybrid organizing as a framework to examine areas of good hybrid practice. Next, we introduce our research approach and the social care context to the paper. We then apply our ten case studies to Battilana and Lee's (2014) dimensions of hybrid organizing to understand how SEs can better organise their hybridity and make sense of their social and economic logics. We close by discussing how SEs can better organise the different elements of their hybridity in order to achieve their social purpose whilst being financially viable.

**HYBRID ORGANIZING IN SOCIAL ENTERPRISE**

Literature concerned with organizational studies, business and management use the word 'hybrid', to explain a type of organization which has dual or multiple objectives which bridge, or straddle, the conventional categories of private, public, and non-profit sectors (Billis, 2010; Battilana & Lee, 2014). Each of the sectors has a dominant set of norms, values and institutional logics (Thornton *et al*, 2012) and a template for organizing (Billis, 2010) and from the analysis of the legal form and governance structure adopted, most organizational forms can be allocated to one of these sectors (Billis, 2010; Haigh & Hoffman, 2012; Seibel, 2015). SEs combine the organizing forms of both business and charity and are therefore seen as an ideal setting to study hybrid organizing (Doherty, Haugh, and Lyon, 2014).

Battilana and Lee (2014) define hybrid organizing as "*the activities, structures, processes and meanings by which organizations make sense of and combine aspects of multiple organizational forms*" (p398). Their conceptual paper identifies the tendency for tensions to emerge from hybridity, and proposes five dimensions of hybrid organizing to manage such tensions: (i) organizational activities (ii) workforce composition (iii) organizational design (iv) culture and (v) inter-organizational relationships.  In essence, Battilana and Lee (2014) postulate that to maintain legitimacy, hybrids must maintain appeal to their multiple audiences by *integrating* activities, resources, structure and culture to deliver multiple forms of value simultaneously (most commonly: commercial, social and/or environmental value).  When this is done successfully, such *integrated* hybrid organizations are more likely to be recognised as legitimate members of multiple institutional forms. An interesting example from the UK to indicate that SEs can successfully integrate potentially opposing objectives is Shoreditch

Development Trust[1] which generates income from its property assets e.g., renting workspace to commercial clients and the income from the asset portfolio is employed to fund the delivery of social and welfare services for the local community. However, for some SEs, social and commercial activities are not successfully integrated because the different activities respond to different and potentially conflicting types of value creation that are more difficult to align.  The term *differentiated* can be used to describe instances where hybrid organisations are unable to integrate activities, resources, structure and culture to deliver multiple and simultaneous forms of value (Santos *et al*., 2015).

SE hybrids therefore aim to balance multiple logics, namely market/commercial logics to successfully achieve business objectives and social welfare/community logic to create social value (Pache and Santos, 2010; Mullins *et al.*, 2012; Gillett *et al.,* 2016).  The implication is that SEs must manage tensions that occur from the dynamic between the multiple logics, such as the requirement for (and pace of) growth in trading income in order to achieve economies of scale and financial security without sacrificing the quality of care or service to recipients (Gillett *et al*, 2016). SEs purposefully prioritise a range of management activities and processes that target positive social impact as opposed to profitability, such as absorbing HR costs by counselling employees from disadvantaged backgrounds and purposefully employing the long-term unemployed and the disabled.

Expectations of SEs have clearly increased due to a perceived propensity for flexibility, innovation, and commercial success but also the economic austerity measures implemented by government to tackle budget constraints. As the literature demonstrates, these capabilities are often

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[1] Shoreditch Trust is a registered charity that works with local residents to help to improve their health, wellbeing, social networks and opportunities (Shoreditch Trust (n.d.).

because of the collective abilities as well as organizational structures. A challenge SEs face is balancing their hybrid objectives, i.e. achieving commercial sustainability, meeting the needs of 'trading' customers, as well as fulfilling social objectives. Despite increased expectations, hybrids must sometimes also face the challenges associated with problems of quality perception, a lack of distribution channels, and difficulties in achieving economies of scale (Hockerts, 2015) when tendering for public service contracts. Santos *et al* (2015) identify how hybrids may struggle to achieve financial sustainability due to their conflicting goals, and call for research which examines how we can better understand how these conflicting goals could be aligned. Whilst literature exists which explores the issues discussed above, very little research has been published within major public management journals to critically investigate the overall viability of SE within the public service context. We address this gap by examining the characteristics which hinder/enhance how hybrid SEs manage the hybridised elements of their organizational culture and what the implications are for their financial sustainability. We contribute to the literature on hybrid organizations and public management theory by showing how hybrid public service providers can manage simultaneous social and economic logics to sustain their social purpose and financial viability.

This paper presents new evidence from England about how SEs organise their hybridity. Whilst our study is based on the English context, findings should also apply in other national contexts because SEs exist across a number of different sectors, globally (Battilana and Lee, 2014) and the need for sustainable public service providers is an important topic within the global context.

**METHODOLOGY**

**Evidence Base**

A multiple intrinsic case study approach (Stake, 2005) was adopted and ten SEs (names anonymized) were examined to identify factors affecting their profitability and financial sustainability. Each case was chosen because it provided an insight into SEs delivering public services (Stake, 2005). By employing replication logic into the multiple case study research design ensured that external validation was established and naturalistic generalisation of the findings could occur (Creswell, 2007; Yin, 2009).

**Research Context**

Whilst based in the North of England, the chosen case studies covered a diverse range of SEs, operating in rural and urban locations. They took on a number of legal forms including community interest companies, registered charities and companies limited by guarantee. The case studies included in the research spanned a number of services operating within social care but were relatively small in nature with the largest case study having around eighty employees (both full-time and volunteer positions). The focus of this paper on social care public services is important. Adult Social Care Services within the UK have gone through a number of changes. In 2005 the Government published the "Independence, Well-Being and Choice" White Paper which outlined the key elements of the reformed adult social system (DH, 2005). The reformed system aimed to give users a personalized Adult Social Care system through increasing the quality of support for adults who depend on Social Care and to ensure that their lives have meaning and purpose. The reform explicitly set out how more choice and control was to be given to service users. It outlined how service users were to have a set budget through which they could choose where and how their

money was spent. 'Personalisation', as it is called, assesses adults with learning, mental and physical disabilities and allocates them a set amount of money depending on their level of need. This amount of money is called a personal budget and the service users can either get it as a direct payment option whereby the service users, their care manager or family have direct control of the money and pay for the services they choose themselves, or the money can be kept in an account held by the Local Authority (LA) and the LA pays for the services chosen or it can be a mixture of both.

In this context, the encouragement of service users to have a personal budget could be seen as part of the wider austerity within public services, which in England has involved the reduction of direct funding to social care organisations (such as those operating day centres) whilst simultaneously expecting them to reduce costs (Needham, 2014). Such changes to the financing of public services place additional pressures on the organizations that deliver them. The financial sustainability of such organizations is therefore a topic worthy of study.

To address the challenges outlined above, our study synthesizes evidence regarding the extent to which SEs delivering adult social care services are financially sustainable, and the extent to which such organizations have been able to respond successfully to an increasingly marketized public service landscape. Furthermore, we provide evidence to demonstrate how these organizations can successfully reduce their reliance on state funding so as to be more independently sustainable, as their budgets continue to be cut.

**Data Analysis**

In order to increase the validity and to provide verification of the data obtained, multiple sources of methods (methodological triangulation) were undertaken, namely; semi-structured interviews (lasting between 1 and 2 hours) and these were supplemented by document analysis (financial and

non-financial reports, websites and newspaper articles). Examining the phenomenon under study from multiple sources will help produce a much more rigorous and rich research design and increase the credibility and validity of the results (McMurrey *et al.*, 2004). Please see appendix 1 for a more detailed overview of the data collections methods and types of sources used for each case. A grounded theory approach (Glaser and Strauss, 1967; Strauss and Corbin, 1990) was taken to sample the case study organizations. The SEs were sampled on the basis that they 1) identified themselves as SEs and 2.) they delivered a core public service in social care. All of the SEs chosen identified themselves as SEs (either on their website or their company materials). They were also characterized as SEs by their local council which had approved them as SE providers of social care public services in the area.

In accordance with grounded theory, data collection and analysis occurred at the same time, which allowed core themes emerging from the data to be further explored in subsequent interviews until the authors felt theoretical saturation had been met (Eisenhardt, 1989; Stake, 2005). In order to analyse the data, NVivo was used. The first level of coding involved breaking the interview data down into core themes and ideas. This was done by grouping similarities and differences together, and then relating those codes to each other to create new sub-categories. This allowed us to explore how the concepts and categories were related across the case study data. The final stage, involved grouping the themes under an overarching dimension which reflected themes and categories explored (Strauss and Corbin, 1990). Our coding is summarized by Figure 1 which shows the themes and order of our analysis.

*FIGURE 1 TO GO ABOUT HERE*

**The Case Studies**

All of the SEs examined in this paper delivered adult public services but they used a range of different business models and strategies to deliver those services which impacted upon their financial sustainability. We used Battilana and Lee's (2014) dimensions of hybrid organizing to examine our ten case studies (please see appendix 2 for detailed information of each case study relating to these dimensions). This framework is used as both Battilana and Lee (2014) and Santos *et al.,* (2015) have called for further research on how hybrid organisations such as SEs can manage their conflicting goals of financial sustainability whilst simultaneously pursuing societal or environmental goals. In particular, Battilana and Lee (2014) have called for further research as to how hybrid organisations can manage hybrid organising in the five domains they highlighted in their framework. We wanted to explore how SEs can be more independently sustainable whilst meeting their societal goals, we felt this was the most appropriate framework in which to answer our research question.

The case studies were found to have two different hybrid business models to deliver adult social care which we call *support-based hybrid models* and *separation-based hybrid models*. Within support-based hybrid models, the social care contracts are directly linked to the SEs other income generating activities. Seven of the case studies adopted this type of hybrid business model; Bluebells, Be Inspired, FreeSpirit Productions Hilliers Gardens, The Moorlands, Green Gardening and Halo Emporium. For example, Bluebells uses their shop to train the service users in retail skills so they are able to sell their own artwork. The director wanted the shop to be a vehicle they used for the trainees, whilst the director wanted to ensure the shop had customers, its primary

purpose was not for profit but as a means to train the service users in retail and customer service skills.

Within separation-based hybrid models, the SE income generating activities were not a mechanism through which to deliver the social care contract, rather the income earned from their activities was reinvested back to deliver projects for the service users meeting the terms of the social care contract. Here the income generated from the trading activities did not contribute to the delivery of the social care contracts; it was an additional source of income which supported the charities to continue running the contracts. Three of the case studies adopted this type of hybrid business model; Meadow Project, Woodland Grove and Yew Tree House. For example, within Meadow Project, the director used the income developed from the tea room, farm shop, bakery and campsite to fund the day service she ran for the service users who were adults with learning disabilities. The service users were not employed in these aspects of the organization.

**FINDINGS**

At the outset of this paper we sought to answer the following research question; *'how do SEs delivering public services organize their hybridity*? We argue there is a gap in the literature: a lack of primary research to support assertions that SEs successfully manage the social and economic aspects of their hybridity. Whilst only two of the case studies could be argued to be financially sustainable (in that they were not overly reliant on grants), we found the case studies demonstrated a variety of practices which helped them to organize (or hinder) the social and economic aspects of their organizational design. The exploratory findings showed that there were certain areas of good hybrid practise which enabled these SEs to alleviate the tensions felt between their social and financial objectives. Three core characteristics were identified which are going to be explored in

the following section; diverse income streams, hybrid workforce and delivering a quality service. The most illustrative quotes from our interview data are included in the main body of the paper and additional supportive data is included in Appendix 3, which relates the data to the three core characteristics central to our contribution.

**Diverse Income Streams**

It seems logical that over-reliance on a concentrated stream of income would be undesirable for SEs, exposing them to risks of 'putting their eggs in one basket' - therefore having a repertoire of income streams such as trading and grant income can be considered desirable for organizations in the not-for-dividend sector (Carroll and Stater 2009). However, research shows that balancing commercial as well as charitable objectives can result in tensions and even mission drift (Cornforth, 2014). Furthermore, research shows that too much diversification of activity can also be risky, spreading resources too thinly across multiple areas or exposing themselves to unpredictability in unfamiliar markets (Kingma, 1993). It seems reasonable to assume this latter point might also be true of SEs that attempt to diversify their income streams, however our research identified that some of the participating organizations had done so successfully.

Meadow Project is a unique case because out of all of the SEs explored it had a distinct business approach which it used to deliver their social care contracts. Meadow Project has been in business for over twenty years and for the majority of that time it had operated not unlike the other SEs examined in this study. The majority of its income came from both the social care contracts and a large amount of grant funding. However, in 2010, the manager of Meadow Project obtained a mortgage to buy a dilapidated farm within the community as she felt the money she was paying to lease a property was wasteful and she did not want to be reliant on grants. This move, whilst

opportunistic, was potentially risky and it was questioned by a number of the key stakeholders of the organization. When discussing the negative reaction to this move, she stated *'people kept asking what's a charity doing that for? And my response was "to be sustainable!"'*. Purchasing the farm enabled Meadow Project to have a number of diverse income streams to support the work they were doing with the service users without being reliant on grant funding. On the farm they now host weddings and operate a caravan club, a successful café, and a farm shop. However, the service users are not integrated into these aspects of the enterprise which are used as a way to fund the activities done with the service users.

Evidence of diverse income streams was also consistent with both Hilliers Gardens and Woodland Grove SEs. Hilliers Gardens' gardening work is seasonal but can also be quite inconsistent, so the enterprise has a number of other enterprises to maintain income generation to support the enterprise which provide activities for the service users to develop their work based skills, such as selling Christmas trees, working with the local community to help with 'Britain in Bloom'[2] work and providing a composting service. For Woodland Grove the motivation to having diverse income streams was around reducing the risk from funding cuts:

> You have got to have something, you have got to be providing something that people want and the better you can do it, the more sustainable you are going to be. It's important in our field to not rely on North Yorkshire County Council, if you put all your eggs in one basket, you've got a real problem if the basket disappears. *Director, Woodland Grove*

This view about reducing risk through diversification contrasted with the view of our respondent from Yew Tree House, which had its full focus upon the charitable aspects of the business, i.e. grant funding and fundraising. Whilst a significant amount of their income came from social care

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[2] The Royal Horticultural Society's 'Britain in Bloom' annual competition involves communities of towns, villages and cities engaging in projects to demonstrate horticultural excellence. (Royal Horticultural Society, 2017).

contracts, what they defined as their SE arm was the print works. Yew Tree House is 5-years old and has yet to make a profit. The changes to social care contracts away from block contracts to personalized budgets meant that this source of income was becoming inconsistent if service users did not attend the day service; the council would not pay them for that service, presenting financial challenges for the enterprise (Appendix 3 provides further supporting quotes). The income from personalized budgets alone was insufficient to sustain the organization (see appendix 1) meaning that the organization became more reliant on grant funding. This was an interesting finding because we considered the reliance of such organizations on grant income or trading income and what the balance between the two should be. Whilst identifying themselves as a SE, this type of approach to social care delivery would struggle to remain financial sustainable in the long term if its grant funding were to be reduced or cut.

This finding also contrasted with FreeSpirit Productions as their main source of income was the contracts they won for working with service users to deliver social films and training programs. Whilst this was their only source of income, they did engage with a number of different partners and projects in their service delivery, not just the local and county councils, meaning rather than have diverse income strategies, they had diverse partners and projects in their service delivery. For example, they have worked with many different universities, charities and private organisations as well as delivering projects for local councils. The director felt this was important due to the volatile nature of contracts: *"in the climate I think you need to find new customers particularly because of who our client group are but equally important you need to sustain the relationships that you have already built"*.

This finding shows that hybrid organizations such as SEs are responding to the changing environment and are willing to undertake risky strategies to enable themselves to become financially sustainable by diversifying their income streams. SEs such as Yew Tree House who were unwilling to diversify their income streams are now struggling to remain financially viable as grants become increasingly difficult to obtain and social care contracts become volatile, providers will only be paid out if a service user turns up.

Whilst an approach to diversifying income streams may still have limitations because it is not guaranteed that each income stream will materialize, the cases which did diversify were able to generate "value spill-over" to the service users (Santos *et al.,* 2015). For example, Farm Enterprise had more income to provide a better quality service for its users and the manager recognized the importance of this. She stated that *"they're [service users] your best thing as well as long as we're giving them a good service, word will spread, it would be no good us giving the students a rubbish service because they wouldn't want to come"*. She also reported an instance in which Farm Enterprises' financial surplus had been *"invested"* in a community event for its service users. This case demonstrates the importance of being user-centric by providing a service to its users that would encourage them to continue visiting that day service, making the income from day contracts more stable. This spill-over effect also impacts more widely on society as more service users are employed in the day service. This is explored in more detail in this next key finding; delivering a quality service.


**Focus upon Quality**

Despite pressures on service providers to operate within the financial constraints of the sector, our findings above infer that it is also good practice for SEs to focus upon delivering a *quality service*

within these constraints. For the case studies, there were two core dimensions to quality. Firstly, 'quality' in terms of the day care service they provided for the service users, we term this 'social quality'. Within this context we conceptualize *social quality* as the extent to which the SE achieves its social aims for its service users (here adults with disabilities) and its other key stakeholders (such as social care agencies). Secondly, 'service quality' in terms of the service or products provided to their trade customers (this includes the council in terms of gardening contracts). Here we conceptualize service quality as a high standard of performance where customer expectations are consistently met or exceeded (Grönroos, 1981; Wirtz and Lovelock, 2018). Considering quality in these two ways allowed the organizations to successfully build inter-organizational relationships with each of these stakeholder groups (service users and the local community) by ensuring that their perceptions of the service were high (Grönroos and Ravald, 2011). This is explored further below.

The focus on 'social quality' was an important strategic move to make in light of the changes to adult social care through the personalisation agenda. Often, it is the decision of the service user and their families which day care provider they will spend their personal budget with. Therefore, by ensuring that a quality service is delivered to the service users not only ensures loyalty with current service users but also helps to attract new service users:

> "It's a word-of-mouth thing, my service users go and socialize with all of the other adults with learning disabilities and one will say "oh it's alright working at Farm Enterprise" so they're your best thing - as long as we're giving them a good service. It would be no good us giving the students a rubbish service because they wouldn't want to come!" *Director, Farm Enterprise*

None of the interviewees spoke of perceiving a tension in terms of trade-offs between delivering a quality service and meeting their financial bottom line. For FreeSpirit Productions, they operate within the film sector which is heavily dominated by private sector businesses. The director knew that in order to compete against other private firms, they had to make sure that their proposals were competitive. This was important in terms of the social mission of the enterprise as it enabled them to have more income to spend on the service users:

> We don't do anything cheap. We bring in the best artists, the best photographers, we give people an unforgettable experience and give them control and power over the messages we are going to deliver - I think that sells itself. *Director, FreeSpirit Productions*

The director had found that in order to sustain what they were doing, it was recognized the quality of the service delivered had to be perceived by its trade customers as being excellent. This resulted in positive word-of-mouth with delivery partners and further work. This was something the director could then use as evidence to new delivery partners regarding the quality of the service being delivered. It was recognized that this was more effective than purely communicating the societal goals that the enterprise was meeting.  This was also recognized by the Manager of Hilliers Gardens. It is one of their long-term strategic directions to secure a more sustainable future for the enterprise. This was the first SE set-up by their parent charity and there was a steep learning curve for the manager as there was an assumption that the social side of the enterprise would be enough to retain the garden contracts secured for the service users from the county council. However, they found out very quickly, that just because it is a service run by service users on day care contracts did not mean the council (as trade customers) would automatically give them preferential treatment, the service provided had to compare favourably with the services offered by other providers:

It's not good enough to just say we are a charity, they are people with learning disabilities, nobody is interested in that, it doesn't cut through, nor should it and we had to learn that as well. People will drop us, people have dropped us! You've got to be reliable still, you've got to be flexible still, you've got to deliver a good quality service. *Manager, Hilliers Gardens.*

The focus for Hilliers Gardens in delivering a quality service to the trade customers was to grow the enterprise so that they had more income to provide more work placements for the service users thus increasing the impact of their social aims (social quality). This was also iterated by the manager of Green Gardens who found he needed to build a reputation within the local community as there was a common concern amongst the public they would not receive as the same quality service as private gardening companies (due to the abilities of the service users). Because the organization had only been in operation for 2 years, the manager found himself in the position that he could only give placements to service users who had a certain level of "transferrable skills" in order to provide a high quality service. This resulted in positive word-of-mouth publicity within the local community. By initially taking this approach, the enterprise was able to build a loyal base of customers and a reputation that the service users were skilled enough to be able to deliver a quality service. As the enterprise had more income, they could take on less abled service users thus increasing the impact of their social aims. However, in the case of Be Inspired, the manager did not want to grow the enterprise or to provide more placements for services users. His focus was on delivering a *quality service* for the current service users and he felt that if the enterprise got too big, they would not be able to provide such a good quality service:

One of the reasons we are successful is we're not as big as other places I've seen but I don't want to be. We have such a local feel about us which I think people respond to better. *Director, Be Inspired.*

For Meadow Enterprise, the focus was developing the reputation of the farm by providing a good quality service within areas such as the café (by ensuring all food is home cooked) and creating a space in which families can go and visit (farm, gift shop, farm shop). This is evidenced in their five-star review on TripAdvisor[3] and being 22nd best (out of 85) place to visit in that town. The additional earnings from these income streams allows Meadow Enterprise to provide a wide range of activities for their service users, resulting in positive word-of-mouth reputation, which helps the organization to attract more service users (social quality).

This is in contrast to Be Inspired who wanted to retain much more of a local focus. The findings indicate this was because the income generating activities (the shop) were directly linked to the service they delivered for the service users, meaning it was more likely that a tension could occur between the social and economic aims of the organization. But for Meadow Enterprise, because the social aspects of the business were separate from the trading aspects, and the income earned from the farm was then reinvested instead to support the service delivery, the manager in fact exhibited much more propensity to engage in risk, such as taking on a dilapidated farm, as this would not directly impact the service users. Furthermore, the manager would only employ the service users in aspects of the farm, if they had proved themselves like any other job candidate and that she was not in the market (in her words) for *'charity begging'*, this was purely business arm to the SE. Her choice of language indicates a strong opinion regarding her perceptions of the division between the training activities of the farm and the social objectives of the day service.

This was also true for Bluebells, the manager spoke of the tension he felt in trying to run a successful lighting business whilst also ensuring that his service users were given opportunities to develop their skills. However, he found that at times this was not possible because they were

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[3] Trip Advisor is a website which allows people to leave anonymous reviews about attractions in local areas (Trip Advisor, 2017).

dealing with very unwell and vulnerable people.  As Bluebells often provides lighting and sound to large events within the local town, he believed that it would not be commercially feasible to employ the service users in the lighting and sound part of the enterprise, because of their relatively lower productivity:

> So there is that sort of challenge which I'm just not sure economically we're in a position where you can afford to support people in the lighting and sound part of our business who aren't functioning at 100% and many of our service users are not functioning at 100%. *Director, Moorlands*.

This separation has implications for the way these enterprises are run. Both Meadow Enterprise and The Moorlands perceived and operated the farm and lighting part of the SE as much more of a business, where the focus was upon achieving *service quality*. Whereas for Be Inspired, because the business and social side of the enterprise were interlocked, the manager felt the shop was more of a means to an end to deliver the service, which was also true for Woodland Grove.

> We need customers to come into the shop, not necessarily because we desperately need to make sales to make a profit … but more as a training experience for the service users, you need customers to give customer service. So that's quite important. *Director, Be Inspired*

In the case of Be Inspired which employed a support-based hybrid model, the focus was more upon the service for the service users, the manager felt it would be unwise to engage in risky behaviour with the shop because that was a vehicle in which to deliver the service. Here the focus was upon social quality. Whilst for Meadow Enterprise which employed a separation-based hybrid model the trading activities were separate but just as important in terms of the wider social mission. Here the focus was both upon social and service quality. Whilst these were two different ways to approach the delivery of adult social care, neither one could be argued to be a better approach and

in fact these two SEs out of the ten studied are the ones which are independently financially sustainable (see appendix 1) but Meadow Enterprise is a larger-scale organization, supporting substantially more service users than Be Inspired, and as such offers a clearer opportunity to achieve greater social impact. In comparison, Yew Tree House has adopted a separation approach to the social day service and business trading activities like Meadow Enterprise, but has less business focus. In fact, the "SE arm" of the enterprise is making a loss and yet to make a profit, indicating that it is not in fact the model adopted which contributes to financial sustainability but the approach of the director/manager who implements that model.

**Hybrid Workforce**

The last area of practice which emerged from our data was the use of a hybrid workforce. For a number of the SEs, they spoke of the importance of having a workforce composition made up of employees skilled in the service they were delivering rather than just having a social care background. For Meadow Farm, the Director when interviewing members of staff does not mention the day care service side in the job advert. She first and foremost aims to recruit employees with specific skills. This again supports the notion of delivering a good quality service. For Meadow Farm there was a clear separation between the social care contracts and the delivery of the farm trading activities. Meadow Farm's board members were also all from a business background. The Director did not want anyone from a social care background to be on the board, this helped the enterprise to retain focus upon the financial goals:

> My management committee is primarily made up of business people … we're business
> focused and I find that far more useful, they will be far more challenging to me looking at
> profitability, but… my job is to remind them that we are not profit driven you're supposed

to have social work people on the management committee but they would really struggle

with the business aspect. *Director, Meadow Enterprise*

Having business people on the management committee helped to maintain the focus between the trading activities of Meadow Farm (the café, farm shop and caravan club) and the day care service, so that they did not compete with one another for resources.  This arrangement helped to prevent both mission drift and economic drift. The hybrid nature of both Meadow Enterprise's approach to hiring staff and her management committee helped to retain the balance between the social and economic parts of the enterprise.

Similar comments were made by the managers of Bluebells and Hilliers Gardens, but unlike Meadow Enterprise, these enterprises did employ a manager whose main focus was on the day care service users and who has a background in social care. The trading activities of the enterprise, such as running the service-user team which tends to gardens in the local community, were supervized by an experienced gardener with very little experience in managing adults with severe learning disabilities. Just like the board members in Meadow Enterprise, this balance of different skills helped Bluebells and Hilliers to manage their double bottom line of social and financial objectives.

For Hilliers Gardens, who took over a Walled Garden as part of the enterprise from the children's charity Barnardos, this was an important strategic move to make. Prior to Hilliers Gardens taking over the walled garden, the staff who were employed by Barnardos were not concerned by profit or footfall. As a large proportion of the staff continued to work at the Walled Garden after Hillier Gardens took over the management of it they had challenges in changing the perspectives of the staff.

It was the real struggle to get used to people who had worked here for twenty plus years to go it actually does matter what your pricing strategy is – it does matter how many people come in. So that's been a challenge for people to get used to that. *Manager, Hilliers Gardens*

They also found that there was resistance from the parent charity's Trustees to understand that it is a '*different beast'* (in the manager's own words) to the charity organization and there needed to be a focus on profitability as well as the social mission of the organization. This demonstrates that the SEs interviewed adopted a variety of different hybrid practices to deliver their social care outcomes. However, what sets the more financially sustainable enterprises apart is the social enterprise leader, who drove these practices. Whilst the SEs adopted a variety of different practices to support service delivery, as evidenced above, what moderated their use was the two different models which the SEs adopted to engage in these areas of practice.

**DISCUSSION AND CONCLUSION**

This article offers an empirical investigation of how SEs delivering public services organise their hybridity. Using Battilana and Lee's (2014) framework of hybrid organizing we empirically explored ten case study SEs delivering public services in the adult social care sector to further understand of how SEs make sense of their hybridity. Therefore, this paper aimed to address two research gaps, as we now explain.

Firstly, we argued that there is little empirical evidence to support the current government's claim that SEs are *a more sustainable* option than traditional third sector or private sector organisations (Chapman *et al*., 2007; Macmillan, 2010; Teasdale *et al.,* 2012). Research which has looked at the abilities of SEs delivering public services has been contrary to this assertion (Seedco

Policy Centre, 2007; Chapman *et al.,* 2007; Carmel and Harlock, 2008), with some third sector providers rejecting the business ideology which SE represents (Dey and Teasdale, 2013). Yet, the government continue to highlight the important role SEs will play in delivering key public services.

Secondly, within SE research, there have been few empirical research publications which have explored how SEs organize their hybridity and under what conditions enable SEs delivering public services to be financially viable whilst achieving societal outcomes. Most of the scholarly literature on SEs has focused on their distinctiveness, definitions and tensions. Literature on SE has identified that SEs often struggle to balance the tension associated with meeting social and economic aims (Dees, 1998; Russell and Scott, 2007; Foster and Bradach, 2005; Moizer and Tracey, 2010). This is argued to be a contributing factor which affects their ability to be sustainable in the long term.

The findings of this study, which addressed the research question *'how do SEs organize their hybridity?',* provided an empirical application of the hybrid organizing model proposed by Battilana and Lee (2014). In fact, they call for future research which advances understanding of their five dimensions. We have shown the model to be a good fit for our data as the model's dimensions were evident in all ten cases, underlying its relevance as an explanation as to how SEs organize their hybridity. This research develops our understanding of the hybrid dimensions of organizational design in hybrids, workforce composition, inter-organizational relationships and activities. The model enabled us to compare and contrast our cases (as summarized by the table in Appendix 2) and we were able to develop the model by identifying three areas of good hybrid organizing which enabled SEs to sustain a social purpose whilst being financially viable. These three areas were; diverse income streams, delivering a quality service (social quality and customer service-level) and hybrid workforce. This is a novel contribution to the SE literature, as we have

identified the potential types of SEs delivering public services which are more financially viable, and which aspects contributed to their success. We also identified two different organizational designs which SEs delivering public service can adopt (separation-based hybrid model and support-based hybrid model) and have identified how the three areas of hybrid practice can be mediated (or constrained) by these organizational designs.

We found that a crucial factor which helps support SEs to avoid mission drift and tensions which occur as a result of their hybridity is to understand the needs of their multiple stakeholder groups. This is supported by engaging in the three areas of hybrid practice identified in this paper. Focusing on building inter-organisational relationships with their key stakeholders is a crucial element of sustainable service delivery. These key stakeholders include (but are not limited to) the local community, their service users, internal staff and other organisations delivering public services as well as the local council who they deliver their contracts for. It is only when SEs take advantage of an interaction between themselves and a stakeholder, that value can be co-created and a relationship can be sustained (Grönroos and Ravald, 2011; Grönroos and Gummerus, 2014). Therefore, it has identified the importance of co-creating value with multiple stakeholder groups as a key route to long-term sustainability for SEs. This links to the public-service dominant literature which advocates building long-lasting relationships with key stakeholders of the service and the focus of public services being rooted within the public service paradigm rather than the private sector paradigm (Osborne *et al*., 2013; Osborne *et al*., 2015). Employing this type of approach will help SEs to reduce the tension felt in meeting economic and social objectives (Powell and Osborne, 2020).

The findings of this study also relate to the wider debate of co-production and its contribution to sustainable public service delivery. Osborne *et al.,* (2016) identify four types of co-

production which enable public services to be not only sustainable put contribute to wider society. The first is the "co-creation of value" by meeting the needs of a disadvantaged group of individuals (such as adults with learning disabilities or disadvantaged youths) that in some way contributes towards society. For some of the SEs examined in this paper, it was done via keeping the enterprise small to focus more on each service user and how they could develop their role within society. For others it was considered important to grow the organization so that they could reach as many service users as possible. These approaches enable SEs the *opportunity* to generate "value spill-over" for society (Santos *et al.,* 2015) so they produce stronger social outcomes from the income generating activities they engage with the general public. This value spill-over is contingent on SEs engaging in both *diverse income streams* (focusing not only on social care contracts and grant funding) and delivering a *quality service* (for trade customers, service users and the council).

The second is co-designing the public service so that not only are the service users developing their own employability skills but they are also contributing to society in some way (such as gardening projects) (Osborne *et al*., 2016). This is mediated by our third area of good hybrid practise having a *hybrid workforce* (workforce composition dimension). There was an understanding that despite not all service users going on to paid work within the case studies, their social mission was still being met because these individuals were still contributing to society in other ways. In order to sustain their ability to provide *service quality* to their trade customers, the case studies have to be seen as credible. They do this by engaging and building inter-organisational relationships with key stakeholders which helps to develop legitimacy within the community (Moizer and Tracey, 2010). Doing so required the SEs to have an appropriate workforce composition. They had to have confidence in the staff that they had the skill to deliver their organizational trade activities. This helped to generate consistent income from the trade activities

to support the SEs in being able to deliver *social quality* to their service users, thus continuing to build relationships with their service users.

The third is co-constructing the service so that well-being is being created for the service user (Osborne *et al*., 2016). This is where our focus on *delivering a quality service* and *social quality* is important. By *delivering a quality service* to their trade customers (by having an appropriate workforce composition) enabled the SEs to generate enough income to deliver *social quality* to their service users. This could be through further training opportunities, employment opportunities or by simply giving them leeway to be able to put more time into the development of the service users' skills.

The fourth is co-innovation, whereby, the service is designed so that it could contribute to resolving social issues in the future (Osborne *et al*., 2016), such as employment opportunities for adults with learning disabilities. If SEs delivering public services can organize their hybridity appropriately through the areas of hybrid practise identified could enable them to financially viable for the foreseeable future. This will create more training and job opportunities for service users and thus limit the social problem of unemployed adults with learning disabilities.

Therefore, our contribution is two-fold. Firstly, it offers a significant contribution to the literature on the sustainability of SEs. It identifies the *potential* SEs could have on the sustainable delivery of public services and provides an important contribution to the ways in which SEs (a type of hybrid organization) could organize their hybridity – by focusing on three areas of good hybrid organizing which can enable them to sustain a social purpose whilst being financially viable. Relatedly, we have highlighted the importance of building of inter-organizational relationships which contribute to SEs social and financial objectives. Secondly, we have provided a novel contribution in the conceptualisation of "quality" within SE hybrids. The findings from

this paper have identified the appropriateness of engaging in service quality within SEs in order to develop credibility. But it has also identified that within a SE setting another form of quality is appropriate, that of social quality which is the extent to which the SE achieves its social aims for its service users (here adults with disabilities) and its other key stakeholders (such as social care agencies). This enables the SEs to be able to contribute to both their social and financial aims and therefore the opportunity to be financially sustainable in the long-term. This has important implications for SE research and which contributes theoretically to the ever growing literature on SE as it helps us to further understand the conditions in which SEs can balance and meet both social and economic objectives.

We acknowledge the limitations of our study stemming from the limited geographic scope of our cases, however, we feel that are our findings have potential generalisability for areas which have similar social care service demand. Whilst these limitations do provide problems in generalising to the wider population of 'SE', it does not impact the quality of the data submitted within this paper. Whilst this paper cannot demonstrate its global applicability, it has provided exploratory data which can be applied to other public services and other regions of England and indeed other parts of the world. The empirical data submitted has provided a true reflection of those cases and has therefore provided a good basis to further apply the ideas discussed in other settings.

We started this article by arguing that there was lack of critical research within major public management journals exploring the viability of SEs delivering public services. Our article has addressed this gap by identifying areas which are uniquely important to understanding hybridity within SEs and how SEs have organized their hybridity to alleviate negative effects of mission draft and tensions in their multiple logics. This advancement on understanding hybrid organizing

within SE is not only confined to SE but could also provide insight into other hybrid organizations which deliver public services and therefore will help to enhance our understanding of many different types of organizational forms which deliver public services.

**Areas for Further Research**

As well as reflecting upon what our findings have shown, it is also useful to identify related areas which offer potentially useful areas for further research. For example, we have mentioned that SEs face challenges in managing their financial and societal goals and how some have managed to do so successfully, but our study does not investigate in much depth the role of leadership, an important area of study within the literature. Extant literature at a leadership level suggests managers who embrace the competing logics (financial and societal) are less likely to lead organizations down the path of mission drift (Besharov, 2014; Waldman and Bowen, 2016). However, there has been limited work on the process and conditions for integration, and very limited work on communicating this integration externally (Dey and Teasdale, 2015). This could be a relevant way to extend our research because, within our cases, the organizations which identified the importance of employing people not only with social care backgrounds but also skilled in the area they are looking to fill (such as chef, gardener etc) were led by managers which embraced the hybrid nature of their organization. Therefore, further research could be undertaken of a larger sample of SEs from a wider geographic spread and/or in contexts additional to adult social care, to explore the extent to which leaders must establish (and manage within the context of) effective organizational systems and processes relating to the three identified areas of good hybrid practice.

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**APPENDICES**

**Appendix 1: Each Case's Data Collection Techniques**

| | Interviews | Document Analysis |
|---|---|---|
| **Meadow Project** | One semi-Structured interview conducted with the Director lasting 1 hour and 11 minutes. | • Website and Facebook<br>• Annual Financial Report<br>• Leaflets |
| **Bluebells** | One semi-structured interview was conducted with the Manager lasting 1 hour and 8 minutes. | • Articles written by Bluebells in local Magazine<br>• Facebook<br>• Annual Financial Report<br>• Website<br>• Leaflets |
| **FreeSpirit Productions** | One semi-structured interview conducted with the director lasting 1 hour and 20 minutes. | • Twitter and Facebook.<br>• Website<br>• Online Newspaper Articles<br>• Annual Report |
| **Woodland Grove** | One semi-structured interview was conducted with the Manager which lasted 2 hours and 7 minutes. | • Website<br>• Facebook<br>• Newsletter<br>• Impact Report<br>• Annual Financial Report<br>• Service User Brochure<br>• Referrer Brochure |
| **Be Inspired** | One semi-structured interview was conducted with the Director and Workshop Manager which lasted 1 hour. | • Leaflets<br>• Website<br>• Facebook<br>• Financial information. |
| **Hilliers Gardens** | One semi-structured interview conducted with the Manager lasting 1 hour 23 minutes. | • Website<br>• Twitter and Facebook.<br>• Leaflets.<br>• Annual Financial Report |
| **The Moorlands** | One semi-structured interview was conducted with the Operations Director of the parent charity who also manages garden enterprise lasting 1 hour and 5 minutes. | • Leaflets<br>• Parent Charity Annual Financial Report.<br>• Newspaper articles |
| **Green Gardening** | One semi-structured interview was conducted with the manager 1 hour. | • Leaflets<br>• Annual Financial Report.<br>• Newspaper articles<br>• Website<br>• Referrer Brochure |
| **Yew Tree House** | One semi-structured interview conducted with the Service Manager lasting 1 hour and 9 minutes. | • Website and Facebook<br>• Brochure<br>• Leaflets<br>• Annual Financial Report |

| Halo Emporium | One semi-structured interview was conducted with the Manager lasting 1 hour and 1 minute. | <ul><li>Website</li><li>Leaflets</li><li>Facebook</li><li>Annual Financial Report</li></ul> |
| --- | --- | --- |

**Appendix 2: Case Study Information based on Battliana & Lee's (2014) Dimensions of Hybrid Organizing**

| Case Study Organisation | Organisational Activities | Workforce Composition | Organisational Design | Inter-Organisational Relationships | Culture |
|---|---|---|---|---|---|
| Meadow Project | Social Care Contracts and Income Generation Separated - income though providing campsite facilities, a tea room, farm shop and also weddings. The service users are not engaged in these activities, rather the income earnt is re-invested back to deliver projects for the service users.<br><br>Income<br>Social Care Contracts: 35%<br>Trading from Farm: 65% | Separation between social care employees and individuals employed in business activity | Organisation Structure - *Structurally Separated* between the social/charitable and business activities.<br>Incentives<br>Co-produce the service with services users; provide yearly parties and social events for service users;<br>Governance<br>Board comprized of business people and the director. | Funding: Local Government and Social Care Contracts.<br><br>Word of mouth<br><br>Relationships with local businesses (locally sourced food for the café). | Charity<br><br>Business |
| Bluebells | Social Care Contracts and Income Generation Integrated –provides training to enhance the service user's employability and skills and bring in additional sources of income, the service users work in the gardening service, the garden centre, make crafts or work in the shop.<br><br>Income<br>Day Care Contracts: 70%<br>Trading: 25%<br>Grants: 5% | Gardening centre/service run by service users, supported by skilled workers/skilled social care workers;<br>Shop run by service users, supported by volunteers | Organisation Structure –<br>*Structurally Integrated* between the social/charitable and business activities<br><br>Incentives<br>Managers rewards service users via commission.<br><br>Governance<br>Board comprized of officials from the local council and voluntary sector. | Funding: Local Government and Social Care Contracts.<br><br>Word of mouth | Charity |
| FreeSpirit Productions | Social Care Contracts and Income Generation Integrated –to improve service user skills they develop, film and take part in the community films.<br><br>Income<br>Social Care Contracts: 100% | Film makers and third party partners/service users. | Organisation Structure<br>*Structurally Integrated* between the social/charitable and business activities<br><br>Incentives<br>Produced with service users to ensure message is unique to their voice<br><br>Governance<br>Board comprized of the director, a journalist and an accountant. | Funding: Social Care Contracts.<br><br>Partners: Third Sector Organisations, NHS, Local Government and Charities. | Business |

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| Woodland Grove | <u>Social Care Contracts and Income Generation Separated -</u> income through local council placements and a sound and lighting business.<br><br><u>Income</u><br>Day Care Contracts: 40%<br>Grants: 55%<br>Trading: 5% | Combination of skilled musicians and social care workers plus volunteers. | <u>Organisation Structure -</u> *Structurally Separated* between the social/charitable and business activities.<br><br><u>Incentives</u><br>Day care activities co-produced with service users<br><br><u>Governance</u><br>Not applicable | <u>Funding:</u> Local Government and Social Care Contracts.<br><br>Word of mouth amongst service user networks.<br><br>Relationships with local organisations in the community and local council for events. | Business<br><br>Charity |
| Be Inspired | <u>Social Care Contracts and Income Generation Integrated</u> – the shop is used generate income and to develop employability skills and meet conditions of the social care contracts<br><br><u>Income</u><br>Day Care Contracts: 90%<br>Trading: 10% | People with a social care background | <u>Organisation Structure</u><br>*Structurally Integrated* between the social/charitable and business activities<br><u>Incentives</u><br>Service co-produced with service users to ensure tailored service.<br><u>Governance</u><br>Board comprized of social care professionals. | <u>Funding:</u> Education Grants and Social Care Contracts. | Charity |
| Hillier's Gardens | <u>Social Care Contracts and Income Generation Integrated</u> –service users either work in the gardening service or help grow plants and vegetables to generate income.<br><br><u>Income</u><br>Day Care Contracts: 70%<br>Grants 15%<br>Trading: 15% | Garden centre/ gardening service run by service users, supported by skilled workers/ social care workers. | <u>Organisation Structure</u><br>*Structurally Integrated* between the social/charitable and business activities<br><br><u>Incentives</u><br>Activities are tailored to service users<br><br><u>Governance</u><br>Board comprized of social care and local council professionals plus Director of the parent charity and business development manager. | <u>Funding:</u> Local Government and Social Care Contracts, plus Community Payback Scheme<br><br>Word of mouth. | Business<br><br>Charity |
| The Moorlands | <u>Social Care Contracts and Income Generation Integrated</u> –train the service users on the job through the gardening service<br><u>Income</u><br>Day Care Contracts: 60%<br>Grants: 40% | Garden service run by service users, supported by skilled workers/social care workers | <u>Organisation Structure</u><br>*Structurally Integrated* between the social/charitable and business activities<br><u>Incentives</u><br>No incentives provided.<br><u>Governance</u><br>Board comprized of social care professionals and a local council official | <u>Funding:</u> Local Government and Social Care Contracts.<br><br>Word of mouth<br><br>Local community and Council for gardening contracts. | Charity |
| Green Gardens | <u>Social Care Contracts and Income Generation Integrated</u> – on the job training through gardening service for the council. | People with a social care background | <u>Organisation Structure</u><br>*Structurally Integrated* between the social/charitable and business activities. | <u>Funding:</u> Local Government and Social Care Contracts. | Charity |

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| | Income<br>Day Care Contracts: 45%<br>Grants: 55% | | Incentives<br>Activities are tailored to service user's needs.<br>Governance<br>Board of trustees from parent charity | | |
| Yew Tree House | Social Care Contracts and Income Generation Separated – social care contracts, fundraising, print service and a cafe. The service users do not participate in the fundraising, print service or café.<br><br>Income<br>Grants: 35%<br>Day Care Contacts: 45%<br>Fundraising: 10%<br>Print Service and Café: 10% | People with a social care background | Organisation Structure<br>*Structurally Separated* between the social/charitable and business activities.<br>Incentives<br>Co-Produce personalized package for skills development.<br>Governance<br>Board comprized of social care professionals. | Funding: Local Government and Social Care Contracts.<br><br>Local community for printing and the café. | Charity |
| Halo Emporium | Social Care Contracts and Income Generation Integrated –the service users create printed mugs and sort donated items for sale either in the charity shop or be sold online<br><br>Income<br>Support from Parent Charity: 70%<br>Contracts: 25%<br>Trading:5% | People with a social care background plus staff in the wider charity | Organisation Structure<br>*Structurally Integrated* between the social/charitable and business activities<br><br>Incentives<br>service users choose which items they feel are most valuable to be sold and the rest go to the charity shop.<br>Governance<br>Board comprized of officials from the charity. | Parent charity refers service users to Halo Emporium. | Charity |

**Appendix 3: Core Characteristics and Supporting Data**

|  | **Example of Supporting Data** |
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| **Diverse Income Streams** | "Yeah, the increase in the day service rate we got and a full number of people coming, at the moment it feels okay, I think definitely need to look further afield, as we are, for … different individuals from different areas from the sector. Further down the line, I don't think we can rely on the disability route forever, so we need to look and diversify in that way, which we are starting to do." *The Moorlands* |
|  | "We used to be on a block contract and you got whatever you got four times a year, whereas now you don't and it's kind of individually based, if they don't come on a day then we don't get anything, whereas before you did regardless you see, but it doesn't work like that now so it's been a real struggle." *Yew Tree House* |
|  | "The councils want charities and social enterprises to be business-like but we are constrained. If you didn't turn up to a recording studio they would invoice you for the time wasted. But the council won't pay if a service user doesn't turn up. It feels like on the one hand they want you to do all of these things and on other hand they won't actually treat you like if you were a business. So I think, broadening and diversifying what you're doing and looking for opportunities, looking for possibilities to work with other people and stuff like that is vital to becoming and remaining sustainable." *Woodland Grove* |
|  | "You have got to have something, you have got to be providing something that people want and the better you can do it, the more sustainable you are going to be. I think what is important in our field is not relying … we are not reliant on North Yorkshire County Council, so if you put all your eggs in one basket, you've got a real problem if the basket disappears of whatever". *Director, Woodland Grove* |
|  | "We are constantly diversifying what we do, so we do production, we do project delivery, frontline project delivery, arts projects or campaigns if you like and then we also do training delivery and workshop based education delivery stuff what we might do is used some of the content we have created – some of the media we have created and deliver workshops and in universities, seminars, presentations, sometimes we bring young people in with us to add value to the debate and discussion". *FreeSpirit Productions* |
| **Focus upon Quality** | "Theres lot of social activities for the service users, discos and youth clubs and clubs on at night and weekends and they do talk about things like that, so they do mention it and if they enjoy a place they're going to say I am going to so and so today and I did this and I did that, so people are going to listen and then they want to come and have a look and see what we offer." *Halo Emporium* |
|  | I think the perhaps the concern from the public is am I still going to receive a decent service from people with special needs. And so that's the bit we can overcome by reassuring through the words of other people that yes we have had a good quality service, we're really pleased with how our gardens looking. *Green Gardening* |

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| | "We are happy to take advise on things that we could do to make what we do more effective, how we could do things differently, especially if they involve the trainees we want to be involved in every stage of things. They help with almost every element." *Be Inspired* |
| | "I don't want to exploit our charitable status, or because we happen to have people with learning disabilities, I mean that's the one thing I do not want to be, you know, because a lot of people do! You know, that's why I would rather deliver a good service and it's a consequence of it rather than because of it." *Farm Enterprise* |
| | "We don't do anything cheap, we don't do anything cutting corners, we don't just meet up in a room and sketch on paper, we bring in the best artists, we bring in the best photographers, we give people experiences that they will never forget and give them control and power over the messages we are going to deliver through the campaigns and I think that sells itself" *Director, FreeSpirit Productions* |
| | "If the quality of the work is not good … it's not good enough to just say we are a charity, they are people with learning disabilities, nobodies interested in that, I don't think that cuts through, nor should it and that's been one of the things we have had to learn as well. People will drop us, people have dropped us! You've got to be reliable still, you've got to be flexible still, you've got to deliver a good quality service." *Manager, Hilliers Gardens.* |
| | "One of the reasons we are successful is we're also … we're not as big as other places I've seen but I don't want to be. We have such a local feel about us which I think people respond to better. When it gets to the stage that you don't know everybody and you don't know what people are up to, then it's too big." *Director, Be Inspired.* |
| | "So there is that sort of challenge which I'm just not sure economically were in a position where you can afford to support people in the lighting and sound part of our business who aren't functioning at a 100% and many of our service users are not functioning at 100%" *Director, Moorlands.* |
| | "we need customers to come into the shop, not necessarily because we desperately need to make sales to make a profit … but more as a training experience for the service users, you need customers to give customer service. So that's quite important." Director, Be Inspired |
| **Hybrid Workforce** | "We have people who come from a business background as well as people who have come from a social sort of background into social care background. You need that, we both have learnt from each other." *Hilliers Gardens* |
| | We set up the enterprise out of redundancy and we founded the company out of the back of … we working for a national charity and they were delivering social care contracts, previous to that I was a freelance film maker and obviously Tom came from an education background and what we did was fuse the two together. So we brought creativity and education together … how can we improve this group of young people's learning experience by bringing in opportunities and |

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| | creativity and different way of learning and different learning styles. *FreeSpirit Productions* |
| | We have a range of staff with different skills. I have a deputy manager whose main focus is on the service users. Then in each area there's people who have expertise in that area, so for instance there's a chap who in charge of producing plants in pots and he is the main thought around what we produce and grow and there's somebody who has skills in making crafts, there's a chap who runs the gardening team whose an experienced gardener, so he thinks about the costings and the next steps for the gardens, it works really well. *Bluebells* |
| | "My management committee is primarily made up of business men … we're business focused and I find that far useful and they will be far more challenging to me of looking at profitability, profit margins and all of that but… my job is to remind them that we are not profit driven … whatever profit has to be reinvested … your supposed to have social work people on the management committee but they would really struggle with the business aspect". *Director, Meadow Enterprise* |
| | "It was the real struggle to get used to people who had worked here for twenty plus years to go it actually does matter what your pricing strategy is – it does matter how many people come in, it does matter how many placements we have etc. So that's been a challenge for people to get used to that but we're now getting the right team of people in" *Manager, Hilliers Gardens* |