



THE UNIVERSITY *of* EDINBURGH

Edinburgh Research Explorer

Social enterprises, marketing, and sustainable public service provision

Citation for published version:

Powell, M & Osborne, S 2020, 'Social enterprises, marketing, and sustainable public service provision', *International Review of Administrative Sciences*, vol. 86, no. 1, pp. 62-79.
<https://doi.org/10.1177/0020852317751244>

Digital Object Identifier (DOI):

[10.1177/0020852317751244](https://doi.org/10.1177/0020852317751244)

Link:

[Link to publication record in Edinburgh Research Explorer](#)

Document Version:

Peer reviewed version

Published In:

International Review of Administrative Sciences

Publisher Rights Statement:

The final version of this paper has been published in International Review of Administrative Sciences, Volume 86, Issue 1, March 2020 by SAGE Publications Ltd, All rights reserved. © Madeline Powell and Stephen P. Osborne, 2018. It is available at: <https://journals.sagepub.com/doi/10.1177/0020852317751244>

General rights

Copyright for the publications made accessible via the Edinburgh Research Explorer is retained by the author(s) and / or other copyright owners and it is a condition of accessing these publications that users recognise and abide by the legal requirements associated with these rights.

Take down policy

The University of Edinburgh has made every reasonable effort to ensure that Edinburgh Research Explorer content complies with UK legislation. If you believe that the public display of this file breaches copyright please contact openaccess@ed.ac.uk providing details, and we will remove access to the work immediately and investigate your claim.



Social enterprises, marketing, and sustainable public service provision

(Running-head - Social enterprises and marketing)

Madeline Powell and Stephen P. Osborne

Madeline Powell (corresponding author)

Dr Madeline Powell is Lecturer of Marketing at Sheffield University Management School, UK.

University of Sheffield - Sheffield Management School
Conduit Road, Sheffield, West Yorkshire S10 1FL
United Kingdom of Great Britain and Northern Ireland

Email: m.g.powell@sheffield.ac.uk

Stephen P. Osborne

Stephen P Osborne is Professor of International Public Management and Director of the Centre for Service Excellence (CenSE) in the University of Edinburgh Business School, Scotland.

University of Edinburgh - Business Department, Edinburgh, Scotland

Abstract

This paper explores whether social enterprises are capable of fulfilling the public policy rhetoric surrounding them, to become sustainable providers of public services. It does this by examining their marketing activity within North-East England and focuses on social enterprises delivering adult social care public services. It finds that social enterprises are employing a product-dominant approach to marketing rather than a service-oriented, relationship marketing, approach. This undermines their ability to build the enduring relationships with all their key stakeholders that are the key to effective service management and fatally weakens their potential as sustainable public service providers. The paper subsequently uses service theory to build an alternative model of marketing and business practice predicted precisely upon the need to build such relationships.

Points for practitioners

This paper points to the need for public service practitioners to embrace a service orientation to the management of public services, rather than a product-dominant one derived from manufacturing. It outlines the key elements of relationship marketing in particular and highlights how this approach can contribute substantially to sustainable public service provision.

Key-words

Marketing, Public services, Sustainability, Service marketing, Social enterprise.

Introduction

UK public service provision in recent years has seen increased ‘marketisation’, with the private sector, third sector and a growing number of hybrid organisations competing for public service contracts and grants (Bennett, 2008). This competition has posed considerable resource challenges for these public service organisations (PSOs) – how can they be financially and organisationally sustainable in such a competitive and often uncertain environment? A focus upon such self-reliance is important for PSOs, as public resources have shrunk and become increasingly difficult to obtain. In this context and in common with global trends, the UK has placed a strong emphasis on social enterprises (SEs) as public service providers (Bennett, 2008). They are argued to effectively marry together sustainable business practice with an adherence to social mission – and hence are argued to be well-placed to respond to this challenging environment.

However, there are tensions for SEs in meeting their social and business aims which can threaten their sustainability (Moizer & Tracy 2010), because of the resultant value

conflicts, resource constraints and potential for mission drift (Ramos et al, 2014). Research into SEs has not focused sufficiently upon evaluating the resolution, or not, of these tensions, and whether SEs can genuinely become sustainable public service providers (Galera & Borzaga 2009). Finally, it is not always clear what ‘sustainability’ means in this policy context.

This paper explores this issue. It focuses upon one area of management practice, marketing, in the context of SEs providing day-care services for adults with disabilities in the UK. It asks (RQ1): *is there any evidence of marketing contributing to the sustainability of SEs?* As demonstrated below, there is currently a lack of research that examines the contribution marketing makes to sustainable SEs. Thus, this paper examines empirically if marketing can make such a contribution. In doing so it will address a broader question (RQ2): *can SEs balance their organisational tensions (above) and hence become sustainable providers of public services?* In addressing these two questions the paper presents new evidence from the UK experience about the managerial practices of SEs and explores what ‘sustainability actually means for such organisations. Whilst based on the UK experience, this paper does have the potential for significance globally: both increased competition in public service provision and a need for sustainable public service providers are global imperatives, as are the dilemmas these imperatives pose for SEs. Whilst this paper cannot demonstrate such global import, it can nonetheless point the way for further research that would explore these issues in this context.

We argue that SEs are struggling to resolve the tensions identified above, with a resultant impact upon their sustainability. Consequently, we argue for a revised approach to their management, based within an understanding of them as service-oriented, rather than product-oriented, organisations (Author Reference 2015). The paper commences by exploring the current knowledge about the role of SEs as public service providers in the UK and about marketing as an explicit activity within them. It also examines the dimensions and challenges of sustainability in this context. After describing its methodology, the paper explores the two

research questions above through qualitative case studies. It concludes by evaluating these research questions, to contribute to public management theory and practice.

SEs and public service delivery

Defining ‘social enterprise’ has been a key issue in the SE literature. As SEs combine attributes from the private, non-profit and public sectors and seek dual objectives of social and economic aims, they have been argued to represent an “ideal type of hybrid organisation” (Battliana and Lee, 2014, p. 424). This paper is situated within this literature and argues that SEs are indeed *hybrid organisations* which combine attributes from these three sectors (Doherty et al., 2014). This makes them distinctive organisations that try to utilise business tools to create social value, rather than to capture economic value for personal gain. Drawing upon this, the authors define SEs as *hybrid organisation with dual social and business objective. They apply business strategies to meet social outcomes - and with the income earnt from these strategies being used to further social impact rather than to maximise profit for shareholders.*

Because of the combination of this social focus with an espoused ability to create enduring financial value, SEs have been argued within UK public policy to have the potential to be sustainable providers of public services (OFS 2006), due to their ability to derive ‘close to 100%’ of their organisational resources from commercial activity (DTI, 2002, p.21). However, such a policy assertion does raise the dual questions of what exactly constitute ‘sustainability’ and ‘commercial activity’. Wallace (2005) asserts that SE sustainability should be based upon the creation of a mix of income streams not just trading. However, others have posed it simply as ‘financial self-sufficiency’ (Madill, 2015). This is argued to be distinct from the approach of both for-profit and ‘traditional’ non-profit organisations. This is because they use income-based strategies to earn income rather than being reliant on grant-funding – which would not give them control over their resource base (Mair and Marti, 2006). They are also argued to be distinctive from for-profit organisations due to their social change orientation

rather than one of capturing financial value for their owners\shareholders (Madill, 2015). In order to ensure long-term sustainability, SEs thus need to be able to balance their allocation of resources to develop financial security with that to achieve their social aims (Doherty, et al., 2014). What we mean by commercial activity in this paper is “resources derived from the market” (Defourney, 2001, p18). Based upon this and building upon Pharoah et al (2004), we define sustainability as “balancing grant-free income with expenditure whilst meeting social objectives”.

The evolving UK policy context has thus been predicated on the assumption that SEs are more sustainable public service providers than their public/private counterparts (Teasdale et al., 2012). Yet there is little empirical research that tests this assumption. There is US literature that explores the impact of commercial activity upon the social missions of non-profit PSOs, of course (e.g. Eikenberry, 2009). However, there is little that explores the distinct hybrid nature of SEs or whether their use of commercial techniques has enhanced their sustainability. This is an important gap in the literature (Doherty et al., 2014).

Further, despite their overt espousal of independent income sources, SEs have been repeatedly criticised as continuing to be reliant on government grant-funding with evidence suggesting that their use of business techniques has been more rhetoric than reality (Teasdale, 2012). This has led some to question both whether SEs are genuine hybrid organisations and if they can successfully straddle the dual social and business imperatives that are the basis of their hybridity (Macmillan, 2010). Indeed, some have argued further that their hybrid nature presents SEs with fundamental challenges that undermine their sustainability as public service providers (Mason & Doherty, 2016). These issues are the subject of this paper. To explore them, a key area of management practice was chosen where these challenges are particularly apparent - marketing.

Marketing and public services

Marketing has become widely adopted by PSOs in the UK over recent decades. Yet its role is contentious, due to the elision of ‘marketing’ with ‘marketisation’ (Nemec & Kolisnichenko 2006; McLaughlin et al 2009). Because of this elision, marketing is often blamed for ‘crowding out’ the achievement by PSOs of their social objectives and for being based upon a short-term transactional approach that is more appropriate to the sale of products rather than services (McGuire 2012).

The transactional approach to marketing is rooted in neo-classical economics and has a product-dominant logic (Kotler & Armstrong, 2008). It is predicated upon increasing productivity and profitability by increasing the number of individual transactions in any given time-period – thus reducing unit costs (Sloman & Hinde, 2007). Consequently, many PSO’s that adopted such a transactional marketing strategy embraced a ‘selling’ focus and their behaviour became highly individualistic in nature - often at a cost of a broader societal view of need (Author Reference, 2015). Increasingly, however, the appropriateness of this approach has been questioned, on the basis that public services are services not manufactured products. Consequently, a need for a ‘public service-dominant’ approach to marketing has been articulated (Osborne et al 2013, 2015). This draws upon service management theory, which focuses upon the centrality of relationships both to marketing and to the sustainability of service firms. Hence, organisational sustainability derives from building long-term relationships rather than short-term benefits - relationship marketing (Morgan & Hunt 1994).

Marketing and SEs

There is only a limited literature that explores marketing and SEs (Shaw 2004). There is a broader literature that explores the contribution of marketing to non-profit organisations (Balatanis et al 1997, Bennett 2008). However, whilst some SEs identify with this sector, others do not. Even of those that do so identify, their hybridity still differentiates them from

‘traditional’ non-profits and means that the lessons of this literature cannot simply be transferred uncritically to SEs (Doherty et al 2014).

A core tenet of sustainability for SEs is their ability to engage in profit-making activities to fund their social mission whilst maintaining self-sufficiency/autonomy at a financial level (Jung et al 2016). Relationship marketing argues that organisations secure such sustainability through sustaining cooperative and collaborative relationships between the organisation and its stakeholders (Sheth and Parvatiyar, 2000). Such marketing activity is also argued by the CIM to bring ‘positive return on investment, [satisfy] shareholders and stakeholders from business and the community and [contribute] to positive behavioural change and a sustainable business future’.

Thus it is argued that the application of such relationship marketing by SEs to manage their multiple stakeholder groups should contribute to their longer-term sustainability (Hunt & Morgan, 1994). It addresses directly their need to balance the expectations of multiple stakeholders and to build enduring relationships – and often to balance the competing aspirations/goals of these stakeholders. Such an ability is central to balancing the dual tensions of SEs identified above (MacMillan et al., 2005; Madill, 2015).

Despite this potential of relationship marketing to contribute significantly to the sustainability of SEs, the limited literature examining the marketing practices of SEs has lacked a focus upon it. Shaw (2004) has identified the importance for SEs of developing long-term relationships with/within the local community and the impact this has on their credibility– but stopped short of linking this to an appreciation of relationship marketing. Bull & Crompton (2006) also found that a marketing philosophy did exist in SEs, around their need to ‘sell themselves’ to compete. However, they also found that, due to a lack of resources and skills, many SEs found it difficult to implement this approach. Furthermore, SEs failed to appreciate

the import of relationship, compared to product, marketing as essential for their sustainability. A subsequent study by Bull (2007) concluded that marketing appeared to be an ‘informal practise’ in SEs as they viewed ‘pure’ marketing as too business-like. It also reiterated the point that SEs lacked the technical ability, skills and knowledge to practise marketing appropriately.

In contrast, Doherty et al (2009) have identified, at a theoretical level, the potential that relationship marketing could play within SEs, arguing that it offered a means for them ‘to develop strong relationships built on trust and loyalty with stakeholders [and] has significant potential in terms of developing a competitive position (p162)’. However, Smith et al (2010) subsequently argued that the imperatives of their social mission tended to take precedence within SEs over a business orientation. Hence, practices (such as marketing) which came from a business orientation were stigmatized. More recently, Miles et al (2013) found that a marketing orientation resulted in a strong social performance for SEs - but only when focused upon understanding the needs of their multiple stakeholder groups rather than upon promoting themselves. Frustratingly, though, this paper did not link this insight to an appreciation of SEs as service organisations. Nor did it explore the utility of relationship marketing as a model for such relationships building. Finally, Author Reference (2015) did find that marketing could make a significant impact to SEs but that this impact was limited by their adherence to a product-dominant marketing orientation.

Consequently, the extant literature is, at best, unresolved upon the impact that marketing can have upon the sustainability of SEs, and the extent to which a service-orientation and relationship approach will amplify this impact. This current paper addresses this dilemma directly and hence contributes to our understanding of the potential roles and contribution of service and relationship marketing for SEs.

Methodology

The exploratory research underpinning this paper utilised an interpretative qualitative multiple case study approach. This was the most appropriate means of exploring the social realities of management within SEs, and its impact on their sustainability (Eriksson & Kovalainen, 2010). It allowed both intra- and inter-case analysis (Yin, 2009) and ensured that a holistic picture was built around how these SEs viewed and practised marketing, and its impact upon them.

Using a theoretical sampling approach (Eisenhardt, 1989), seven SEs were chosen that worked within the adult social-care sector. The case selection was based upon three characteristics: they operated as a day-care service, were either newly-started (less than 5 years old) (n=3) or long-standing (over 5 years old) (n=4) SEs, and they operated within North-East England. Given the literature identifies long-standing SEs as having a more sophisticated use of marketing (Bull and Crompton, 2006) and given the focus on sustainability, it was deemed important to explore the differences between how early-phase SEs marketed themselves in comparison with later-phase SEs. The sample size was chosen to strengthen comparability and for a more in-depth analysis of the issues identified above.

The UK is also an interesting setting in which to explore these issues due to its burgeoning SE sector – estimated to be 741,000 in 2016 (Cabinet Office, 2016). North-East England was chosen within the UK because SEs there have a significant role in the markets for social care delivery (SSES, 2015). The choice to examine adult social-care was also important. It is a relatively mature UK social-care market that has a diverse experience of contractual and business arrangements. However, the place of SEs and their ability to be sustainable service organisations within this market is unclear. Moreover, day services for disabled people continue to be targeted for government funding cuts, making the sustainability of all PSOs highly ambiguous (Needham 2014). Consequently, this provided a testing policy context for this study.

Evidence base. The seven cases all identified themselves as SEs and were approved SE providers by the local government. They all provided day-care services for adults with disabilities that involved making some sort of product for sale. Hence, they had both a social aim (day-care) and a business aim (sale of products). Balancing both was essential to their long-term sustainability. They have all been given pseudonyms to ensure confidentiality. Table 1 outlines the cases and Table 2¹ provides a financial overview of them.

The data was collected through semi-structured interviews with the founders and staff of the SEs, lasting 1 - 2 hours and followed up with telephone interviews when necessary, with the final number of interviews being 12 (7 face-to-face interviews and 5 telephone interviews). During the interviews, respondents were asked to discuss their understanding of and experiences with marketing in their SE, how they currently utilised marketing, and how successful they felt it was. The respondents were also asked to discuss what tensions and challenges they were facing and how they were responding to them. All interviews were recorded and transcribed verbatim.

To increase the validity and to provide verification of the data obtained, confirmatory data was obtained through documentary analysis and non-participant observation. Documents analysed included financial reports, newspaper articles, leaflets, brochures, and impact reports. These sources helped to identify how dependent the SEs were upon government grant-funding and the potential of them to survive without such grants. It also allowed the examination and evaluation of each SE's marketing materials, and provided a cross-validation of information gained through the interviews. Non-participant observation included discrete observation of service users and their service experiences. It provided valuable insights into the operational

¹ Please refer to the online edition of this paper to view tables.

management of the SEs and situated service user experiences and relationships within this context. Extensive notes on these observations were made during each visit.

Data was analysed using a grounded-theory approach, with data being collected until theoretical saturation (Strauss & Corbin, 1990). The data was broken down by looking at similarities and differences within and across the data and grouping it into core themes. These themes were then broken-up into sub-themes to identify distinct concepts. Once these were identified, analysis continued to determine their prevalence both within and across cases. Data collection and analysis occurred contemporaneously to enhance synergistic analysis (Strauss and Corbin, 1990). Mind maps were also used, to augment the visualisation of the connections within/across the data. Within the interview and observation data we were looking for examples of what respondents' experiences were of marketing and how they currently utilised it, as well examples of the organisational tensions and challenges that they faced and how they responded to them. Examples of codes evolved were 'tension', 'marketing to service users', 'transaction-focused', 'service users not defined as customers', and 'conflict with social values'. These examples were grouped subsequently under the category 'marketing seen as a selling activity'.

TABLES 1 and 2 TO GO ABOUT HERE

Findings

Two inter-locking and over-arching themes were identified in this study – the extent of the adoption of marketing by SEs and its contribution to their relationship building. Underlying these was the tension of balancing the social and business aspirations of SEs identified above as inherent to their hybridity.

(i) The adoption of a marketing model

The views of all the SEs about marketing are summarised in Table 3². The findings indicated that marketing was being used explicitly by them all. However, for most of them, it was seen as a ‘selling’ not a relationship-building process. This had profound effects on how it could contribute to their ability to be sustainable PSOs. Evidence here indicated that product-dominant, transactional forms of advertising and marketing were being employed throughout. Moreover, marketing was seen as an activity which was separate from other management functions and one which could only be implemented by marketing specialists. The Director of Farm Enterprise (FE) expressed a particularly negative view of marketing and saw it as an external and costly activity, not integrated into the mainstream of organisational life, going as far to say, “*I hate the word marketing!*” She felt that marketing was appropriate for the selling of FE’s products but not for building relationships.

TABLE 3 ABOUT HERE

The views of the Manager of Greenhouse Garden Centre (GGC) are also instructive. He believed that GGC was well-known within the social-care arena because it had developed its relationship networks over an extended period. However, he did not consider this to be marketing. He viewed marketing as an activity devoted to selling products, and conducted invariably by (expensive) external experts. This perspective limited significantly the impact that marketing could have for GGC in terms of supporting their broader relationship-building activity.

A final concern about marketing was articulated by the Manager of Enterprising Café - that it was inappropriate to use with service users, citing ethical concerns. Such users were not ‘customers’ and hence it was inappropriate to engage in explicit marketing activity with them - either over where they should spend their personal budget or to build longer-term

² Please refer to the online edition of this paper to view tables.

relationships with them. A similar perception was held towards relationship building with the social-care referring agencies:

“We don’t market to them, as... the way you would find a client is generally... through social workers’ referrals... more than sort of directly going out and finding them”

Manager, Enterprising Cafe

This view of marketing was consistent across almost all the SEs and resulted in a disinclination to utilise marketing to build the relationships with service users and other stakeholders that could be the bed-rock of their sustainability as PSOs.

Arty Shop (AS) was the only SE to see marketing differently. It explicitly defined managing their stakeholder relationships as marketing and the Director spoke of the importance of having these relationships in order to secure trainees:

“We’ve got different types of marketing for different things. The shop markets itself differently to the service delivery element... Going back to the trainees themselves, it’s getting the information to the carers, agencies, the brochures, the information.” *Director, Arty Shop*

He expressed a clear view of the need to build enduring relationships as part of a successful business model for SEs. *Crucially he also identified not simply one ‘customer’/stakeholder group. Rather he identified a cluster of stakeholders with whom successful relationships were essential both for achieving their social and business missions and for building long-term organisational sustainability.* These included service users, social-care referring agencies, the local community – and of course the customers for their end-products. He was clear though that these end-products were a means to achieve their social mission with their service users (i.e. adults with disabilities), and not an end in themselves. This contrasted with the less successful strategies of the other more product-dominant SEs, above:

“I would say its relationships, it’s very key relationships. A lot of marketing could be along more glossy image-based lines but in reality... [i]t’s more on the [user and] social care sort of side, I’d say... that to us is quite important.” *Director, Arty Shop*

(ii) *Marketing and relationship-building*

As suggested above, most SEs here did not see relationship-building as an element of their marketing activity. Their relationships with service users, social-care referral agencies and the local community were seen as happening naturally and were not viewed as a product of conscious efforts. For example, FE had a quite sophisticated approach to building relationships, but this was not viewed as marketing activity. Here the manager explicitly utilised events where service users were socialising (such as end-of-year parties) to encourage them to speak positively about the enterprise. Interestingly, many of these activities related, if unconsciously, to Berry’s (2002) five strategies of implementing a service relationship management strategy. Ironically, FE’s ‘unconscious marketing’ was undertaken despite its Director’s disdain for marketing, which she viewed as a gimmick!

Such unconscious marketing was apparent across most of the SEs. Relationship building was occurring but it was not explicit, targeted or managed – and certainly not seen as a form of marketing. Indeed, Yorkshire Gardens identified the importance of building relationships and the manager spoke with great confidence about having a sophisticated relationship-oriented website set up, and active involvement in social media. Again, though, this was seen not as relationship marketing but simply ‘information dissemination’.

It could be argued that it is unimportant how this activity was conceptualised so long as it was occurring. However, Grönroos (2006) has well demonstrated that such ‘unfocused’ effort will only ever ‘generate interest’ but will not contribute to developing the relationships that are the key to sustainability for service organisations. This requires a conscious and strategic approach to relationship formation and maintenance. This was lacking here, yet

could have contributed if understood as a relationship building activity and as the basis of organisational sustainability within a framework that saw SEs as service providers rather than product manufacturers.

This research identified three approaches that were dominant in the marketing approaches of the majority of SEs (whether they identified them as such or not): external marketing, unplanned communication, and implicit marketing. All are rooted in a product- (rather than service-) dominant approach to marketing and do not integrate conscious relationship-building as part of either a successful marketing strategy for their SE or of a sustainable business model more generally. Whilst the unplanned communication methods (such as word of mouth) might be opportunistic in building relationships, this was not undertaken in the strategic way identified by Gronroos (2006) as necessary to build sustainable businesses. Thus, 'external marketing' and 'unplanned communication' are what the SEs defined as their marketing activity, if they identified anything. 'Implicit relationship building' refers to their unplanned, naturally occurring, relationship marketing. However, this was not understood as marketing nor undertaken explicitly as a route to building the stakeholder relationships that would both enhance the achievement of their social mission and underpin their organisational sustainability.

Once again, the exception to this pattern was AS. Whilst it had only been open a year, it had experienced a steady increase in attendance in its day service, and its income, in contrast to the more precarious state of the other SEs. The Director described its business mission as focused upon the needs of service users - whilst secondarily bringing in income through product sales. He explicitly embraced marketing as a means to build and maintain relationships with service users, local community and social-care agencies as their core 'customers'. He was explicit that the way they marketed their goods in shops used a different (selling) strategy.

It is not possible in this exploratory study to confirm this relational orientation to marketing as a causal source of Arty Shop's sustainability compared to the other SEs. Nonetheless, the contrast is stark - it was the only SE that differentiated between marketing to the public (advertising/selling) and to service users or social-care agencies (relationship-building). The other cases only spoke of marketing in terms of advertising or selling their income-generating products. This appeared to limit severely their ability either to utilise marketing to communicate and build relationships with their stakeholder groups or to use such relationships as the basis for an enduring and sustainable business model.

Discussion

This exploratory study set out to consider two important questions for SEs. *First: is there any evidence of marketing contributing to the sustainability of SEs?* It has found that marketing has potential to so do – but only when a service-oriented and relationship-building, rather than product-oriented/transactional and selling, marketing approach was adopted. This empirical evidence is important in its own right and contributes to the literatures concerning both SEs and public services marketing. At the most basic level, it suggests that SEs are not identifying themselves as service organisations for their service users, social-care agencies and local communities, and where the products that they produced are secondary/supportive to the service that they are providing. With respect to their marketing activity, this was limited to a transactional, product-oriented model concerned with selling the goods that they produce. It is in contrast to a service-oriented approach that rather privileges the role of relationship building with all their key stakeholders as a key to organisational sustainability (Gronroos 2006).

Our evidence confirms Bull & Crompton (2006) and Bull (2007) who found SEs to have a narrow view of marketing, associating it only with selling – the product-oriented view identified above. It also confirms Miles et al (2013) who found marketing could enhance social and economic performance of SEs – but only when it was based upon building relationships

with, and contributing value to, their key stakeholders. However, these three prior papers failed to link such a contribution to a service-oriented or relationship marketing approach as a framework for sustainable SEs. That is the contribution here.

It is true that our study did find evidence of SEs engaging in activity to promote relationship-building, but this was invariably unconscious, lacked strategic focus - and indeed was rarely seen as a form of marketing (let alone relationship marketing). This limited its impact upon their sustainability. As Gronroos (2006) has demonstrated, if such (marketing) activity is to contribute to organisational sustainability then it requires to be conducted within a deliberate strategic framework of relationship marketing that consciously seeks to create enduring relationships as the bedrock of organisational sustainability and where such relationship marketing suffuses all organisational activity. The evidence presented here is that most SEs were not doing so and that this was undermining their ability to become sustainable PSOs, as articulated as a key role for them in public policy. The exception was of course AS, that did employ a conscious service-oriented relationship marketing approach – and which was one of two SEs to demonstrate a capacity for long-term sustainability.

Interestingly, Arty Shop was a newly founded SE and had only been in operation for a year at the time of the interview, yet demonstrated a far more sophisticated understanding of marketing than the other cases which had been in operation longer - in contradiction to Bull (2007) who found that SEs who had been in operation for a longer time had a more sophisticated understanding of marketing. The other sustainable SE (FE), whilst having a negative view of marketing, did nonetheless act to build enduring relationships with its service users and other key stakeholders and did view this as an important approach to its sustainability.

The fatal flaw undermining the sustainability of the other SEs was their reliance on a product-oriented rather than a service-oriented approach to their marketing. Combining these

findings with the substantive body of service management and marketing literature, we would posit four propositions about how SEs might be successful in achieving such sustainability, and which can form the basis of further research:

- To develop an explicit and conscious focus upon relationship-building as a route to sustainability, and understand this as a core part of their marketing activity (Gronroos, 2006; McLaughlin et al 2009),
- To recognise that there is synergy between building relationships for social aims and how these might contribute to their sustainability (Yilmaz & Hunt, 2001; Gronroos & Ravald, 2011),
- To understand the need to engage and communicate with *multiple* stakeholder constituencies (Morgan & Hunt, 1994, Gummesson, 2002), and
- To appreciate that all staff and service users are marketers for their organisation – it is not a discrete or external activity (Grönroos, 1990; Ferdous & Polonsky, 2014).

This consideration of the nature and impact of marketing upon SEs is a critical contribution of this paper in its own right. However, its import goes beyond that. Earlier we outlined a second question from within the SE literature: *can SEs balance their organisational tensions (above) and become sustainable providers of public services?* The case of marketing was here used as a critical test of this question. Our evidence suggests that SEs are not currently resolving this tension. Confirming Smith et al (2010), their business aspirations are often more rhetorical than real and their social aims are invariably hegemonic. Moreover, and as argued above, even when they do adopt a more business-like approach to public service delivery, they are adopting an inappropriate and ineffective product-oriented model that exacerbates rather than resolves their tensions - rather than the relational, service-oriented model that could provide a framework within which to resolve the tensions above. The former leads to service failure, as

Gronroos has suggested in his thesis of the ‘missing product’ (Gronroos, 1998), whilst the latter is the basis of sustainable service businesses (Gummesson 1991).

Hence, whilst most of these SEs were adequately meeting their social objectives, by providing training and skills development for adults with disabilities, they continued to be heavily reliant upon government grants and contracts - despite their rhetoric of financial independence. As Table 2 suggests, only two of the SEs had the potential to be financially sustainable in the longer term (AS and FE) – and both were ones with a conscious service rather than product orientation.

To return to the earlier question of the nature of sustainability for SEs, this can be summarised as the need to “live with a dynamic tension of what makes good business sense and what fulfils the organisation’s social mission” (Emerson & Twerksy 1996, p.3). The results here suggest that SEs are indeed meeting their social missions, in the short term, but failing to employ the appropriate *service* business skills that would ensure their long-term sustainability. Even those SE managers that did employ explicit business approaches, utilised product-oriented ones, rather than the service-oriented and relational ones that characterise successful service businesses. Further, the managers also revealed limited ability to balance the social and business tensions of SEs, with an overwhelming tendency to favour the former.

Consequently, our argument concludes that SEs need to be understood as *service organisations* whose success and sustainability is based upon building and balancing enduring and productive relationships with multiple stakeholders. Further these relationships are with multiple stakeholder groups which must be communicated with in different ways (including customers for their end-products, local communities, adults with disabilities who are their service users, and health and social-care agencies that refer these adults to the SEs and are responsible for their government funding). This requires an active service-oriented relationship

marketing approach that focuses upon long-term relationships rather than upon short-term transactions as the foundation of sustainability, and that understands marketing as a strategic activity embedded across the whole organisation rather than confined to selling function limited to ‘marketing’ specialists alone.

Conclusions and future directions for theory and practice

This paper has aimed to explore both the tensions faced by SEs in trying to meet social and business aims and the ways in which they can manage these tensions. It has done this by exploring the nature and role of marketing in SEs. It has found both that SEs struggle to balance their social and business aims and that, contrary to the public policy discourse, they also struggle to achieve organisational sustainability through business rather than grant income. We identified their adherence to product-oriented approaches to their work as the root of this failure. Consequently, the paper has argued for SEs to be conceptualised as *service organisations* and has identified the implications of this both for theory and for practice. It has identified that the fatal flaw for many SEs has been to adopt a product-oriented approach to their management which is not consistent with their nature as service businesses and not suitable to help them balance the tension between their social and business aims. We have argued instead for an approach that resonates with, and provides evidence for, the emergent public service-dominant framework. This emphasises the nature of public services as ‘services’, the processual and relational nature of effective public service delivery, the need to balance multiple stakeholder groups in achieving organisational and service sustainability, and the need to understand organisational sustainability as embedded in relationships rather than discrete market transactions (Osborne et al 2015).

In terms of the implications for the appreciation of the role of marketing within SEs, our evidence is consistent with the broader views of Gronroos & Ravald (2011). They argue

for the need to shift the debate from a perception of marketing as a product-dominant activity (a discrete, transactional and external function) to service-oriented one which is relationship based and is embedded in all the activities of an SE. This latter approach is a strategic not operational one that imbues the whole organisation - with staff and service users engaged in creating the relationships vital to achieving their social and business aims.

Drawing upon the services management and relationship marketing literatures and rooted within public service-dominant logic, we have hence reasoned for a reconceptualization of marketing for SEs. This could ultimately facilitate those SEs delivering public services to manage the tensions between their social and business imperatives more effectively, and to be a more sustainable and effective approach to managing their multiple stakeholder groups. Such an original use of service theory to explore the tensions and management of SEs has enabled us to lay bare the actuality of the tensions that SEs face as well as the blocks to their sustainability. This is, we believe, a unique and important contribution to our understanding of SEs.

Finally, we have contended that this approach has important implications both for the effective management of SEs in general and for research about them. For the former it articulates the need to understand the actual nature of the *service* that SEs provide, for disabled people in this case, and the need to understand that this provision is being enacted through their relationships with their multiple stakeholder groups. Such an understanding is hence the basis through which to mediate the social/business tension implicit in their hybrid nature and to achieve organisational sustainability. Employing a product-oriented approach, focused here upon the products that these SEs sold in local communities rather than their core service-imperative, has only amplified this tension. A service-oriented one can help to resolve, if not solve it. For research, we believe that this paper has demonstrated the worth of using a service-

oriented and public service-dominant lens for understanding the nature and processes of SEs working as hybrid organisations within the field of public services delivery.

Further research is now needed to test the model posed here beyond the limits of this exploratory study. Such research will refine further our understanding of SEs and their management. Manifestly, this research has been conducted within a discrete territorial and service locus – though we argue above that this is a significant setting for theory testing due to its characteristics. Nonetheless further research in different geographic and service settings is now required to test the generalisability of our findings. We do not believe that these limitations undermine the contribution of this paper. Equally addressing them will test further, evolve, and strengthen this contribution.

Funding: This research received no specific grant from any funding agency in the public, commercial, or not-for-profit sectors.

References

- Balabanis G, Stables RE, Phillips HC. (1997). Market orientation in the top 200 British charity organizations and its impact on their performance. *European Journal of Marketing*, 31(8), 583-603.
- Battilana, J and Lee, M. (2014). Advancing Research on Hybrid Organising – Insights from the Study of Social Enterprises. *Academy of Management Annals*, 8(1), 397-441.
- Bennett, R. (2008). Marketing of voluntary organizations as contract providers of national and local government welfare services in the UK. *Vountas*., 19, 268–295.
- Bull, M (2007). ‘Balance’: The Development of a Social Enterprise Business Performance Analysis Tool. *Social Enterprise Journal*, 3(1), 49-66.
- Bull, M. and Crompton, H (2006). Business Practices in Social Enterprises. *Social Enterprise Journal*, 2(1), 42-60.
- Cabinet Office. (2016). Social Enterprise Market Trends. <https://www.gov.uk/government/publications/social-enterprise-market-trends-2014> [Accessed 30/01/2017].
- Department of Trade and Industry (2002). Social Enterprise: A Strategy for Success. <http://www.uk.coop/document/social-enterprise-strategy-success> [Accessed 15/01/2016].
- Doherty, B., Foster, G., Mason, C., Meehan, J., Rotheroe, N., and Royce, M (2009). *Management for Social Enterprise*. London: Sage.
- Doherty, B., Haugh, H., and Lyon, F (2014). Social Enterprises as Hybrid Organisations. *International Journal of Management Reviews*, 16(4), 417-436.
- Eikenberry, A.M (2009). Refusing the Market: A Democratic Discourse for Voluntary and Non-Profit Organisations. *Non-Profit and Voluntary Sector Quarterly*, 38(4), 582-596.

Emerson, J. and Twersky, F (1996). *New Social Entrepreneurs*. San Francisco, CA: Roberts Foundation.

Eriksson, P., and Kovalainen, A (2010). *Case Study Research in Business and Management*. In A, Mills., G, Durepos., and E, Weibe. (Eds.). *Encyclopaedia of Case Study Research*. Thousand Oaks: Sage, pp.94-97.

Ferdous, A.S. and Polonsky, M. (2014). The Impact of Frontline Employees' Perceptions of Internal Marketing on Employee Outcomes. *Journal of Strategic Marketing*, 22(4), 300-315.

Galera, G. and Borzega, C (2009). *Social Enterprise: An International Overview of it's Conceptual Evolution and Legal Implementation*. *Social Enterprise Journal*, 5(3), 210-228.

Glaser, B. and Strauss, A (1967). *The Discovery of Grounded Theory*. Chicago: Aldine.

Grönroos, C (1998). *Marketing Services: The Case of Missing Product*. *Journal of Business and Industrial Marketing*, 13(4/5), 322-338.

Grönroos, C (2001). *Service Management and Marketing*. Sussex: Wiley.

Grönroos, C (2006). Adopting a Service Logic for Marketing. *Marketing Theory*, (6)3, 317-333.

Grönroos, C. and Ravald, A (2011). Service as Business Logic: Implications for Value Creation and Marketing. *Journal of Service Management*, 22(1), 5-22.

Gummesson, E. (1991). *Marketing Orientation Revisited*. *European Journal of Marketing*, (25)2, 60-75.

Gummesson, E. (2002). *Practical Value of Adequate Marketing Management Theory*. *European Journal of Marketing*, 36(3), 325 – 349.

Kotler, P. and Armstrong, G.M (2008). *The Principles of Marketing*. Essex: Prentice Hall.

Lings, I.N. and Greenley, G.E. (2009). The Impact of Internal and External Market Orientations on Firm Performance. *Journal of Strategic Marketing*, 17(1), 41-53.

MacMillan, R (2010). The Third Sector Delivering Public Services: An Evidence Review. TSRC Working Paper 20 <http://www.birmingham.ac.uk/generic/tsrc/research/service-delivery/wp-20-public-services-evidence-review.aspx> [Accessed 12/03/2016].

Mason, C and Doherty, B. (2016). A Fair Trade Off? Paradoxes in the Governance of Fair Trade Social Enterprises. *Journal of Business Ethics*. 136, 451-469

McGuire, L (2012). Slippery Concepts in Context: Relationship Marketing and Public Services. *Public Management Review*, 14(4), 541-555.

Miles, M.P., Verreynne, M-L., Luke, B. (2013). Social Enterprises and their performance. *Journal of Business Ethics*, 123, 549-556.

Moizer, J. and Tracey, P (2010). Strategy Making in Social Enterprise. *Systems Research and Behavioural Science*, 27(3), 252-266.

Morgan, R. and Hunt, S. (1994). The Commitment-Trust Theory of Relationship Marketing. *Journal of Marketing*, (58)3, 20 - 38.

Normann, R (2001). *Reframing Business* Chichester: John Wiley and Co.

Osborne SP, Radnor Z, & G Nasi (2013) A New Theory for Public Service Management? Toward a (Public) Service-Dominant Approach in *American Review of Public Administration* (43, 2)

Osborne, S.P., Radnor, Z., Kinder, T., Vidal, I (2015). The SERVICE Framework: A Public-Service-Dominant Approach to Sustainable Public Services. *British Journal of Management*, 26(3), 424-438.

Ramos, T., and Vaccaro, T. (2014). Stakeholders Matter: How Social Enterprises address Mission Drift. *Journal of Business Ethics*, 1-16

Shaw, E (2004). Marketing in the Social Enterprise Context: is it Entrepreneurial? *Qualitative Market Research* 7(3), 194-205.

Smith, B.R. and Knapp, J (2010). Social Enterprises and the Timing of Conception. *Journal of Non-Profit and Public Sector Marketing*, 22(2), 108-134.

Strauss, A. and Corbin, J (1990). Grounded Theory Research: Procedures, Canons and Evaluative Criteria. *Zeitschrift fur Soziologie*, 19(6), p. 418-427.

Teasdale, S (2012). What's in a name? Making Sense of Social Enterprise Discourses. *Public Policy and Administration*, 27(2), 99-119.

Teasdale, S., Alcock, P., and Smith, G (2012). Legislating for the Big Society? *Public Money and Management*, 32(3), 201-208.

Van Manen, M. (1990). *Researching Lived Experience*. SUNY, New York.

Walsh, K. (1994) 'Marketing and Public Sector Management', *European Journal of Marketing* 28(3): 63–71.

Yin R. (2009). *Case Study Research Design and Methods*. Los Angeles: Sage.

[6,946 words]

Tables

Table 1: Overview of the Case Study Organisations

	Main Sources of Income		Size
	<i>Day Service</i>	<i>Other Income-generating Activities</i>	
Farm Enterprise	- Individual service contracts	- Tea Room - Farm shop and bakery	<u>Service users:</u> 80+ <u>Employees:</u> 20 F/T & 12 P/T
Arty Shop	- Individual service contracts	- Craft item sales,	<u>Service Users:</u> 15 <u>Employees:</u> 5 P/T <u>Volunteers:</u> 1
Greenhouse Garden Centre	- Block grant contracts	- Gardening Service - Plant sales	<u>Employees:</u> 8 F/T <u>Service Users:</u> At Full capacity.
Social Café	- Individual service contracts	- Café	<u>Service Users:</u> 8 <u>Employees:</u> 3 F/T
Yorkshire Gardens	- Block grant contracts	- Gardening Service - Garden Centre - Shop	<u>Service Users:</u> 25-30 (not at full capacity) <u>Staff:</u> 2 F/T and 5 P/T <u>Volunteers:</u> 22
Handmade Works	- Individual service contracts	- Craft item sales	<u>Service Users:</u> 9 (not at full capacity) <u>Employees:</u> 3 F/T
Helping Manor	- Individual service contracts	- Printing Service - Craft item sales - Café	<u>Service Users:</u> 20 (not at full capacity) <u>Employees:</u> 9 F/T and 3 P/T

			<u>Volunteers:</u> 5
--	--	--	----------------------

Table 2: Financial Overview of the Case Study Organisations

	Principal funding sources	Economically sustainable?
Farm Enterprise	<ul style="list-style-type: none"> • Services: 36% • Contracts: 33.1% • Sales and Donations: 30.81% 	Yes – not grant dependent
Handmade Works	No financial information but the SE is dependent upon the support of the parent charity.	No – dependent upon charity support
Social Café	<ul style="list-style-type: none"> • Grants: 80% 	No – dependent upon grant income
Yorkshire Gardens	<ul style="list-style-type: none"> • Local government service contracts: 48.8% • Sales and Donations: 25.4% 	No – made a loss
Arty Shop	<ul style="list-style-type: none"> • Social Care Day Care Contracts: 60% • Education Day Care Contracts: 40% 	Yes – not dependent on grants
Greenhouse Garden Centre	<ul style="list-style-type: none"> • Contracts: 68.8% 	No – making a loss
Helping Manor	<ul style="list-style-type: none"> • Grants: 40% 	No – dependent upon grant income

Table 3 Summary of Case Study Organisations Orientation towards Marketing

Case study organisation	Market orientation, as expressed by Chief Executive
Farm Enterprise	“If I have to go out and market it we’re in dire trouble... because we don’t do that... I don’t particularly like charities that do that”
Arty Shop	“The main things are the website [and] ... we run information events. ...What else? Other marketing ... Yeah and it tends to be other professionals, it's about networks ... and contact over time”
Greenhouse Garden Centre	“Marketing? Headache! It's an honest answer! I'm sure that we can do better if we had more expertise with us, ...it's wanting expertise comes to mind.”
Enterprising Café	“The marketing is more around the customer side of it, you know the people that come through the doors and buy things rather than the clients ...we don’t market to them as such ... I think there would be massive ... ethical issues I think in trying to market to a client”
Yorkshire Gardens	“I think too often that people think that they can have a dabble in marketing, they’re not experts, ... I’m a bit like ‘please leave it to experts actually’”.
Handmade Works	“Yeah it's definitely important because we need to get our products sold and we need to sell ourselves as well ... [It] is a big market out there so we can't have you know, a big flash marketing campaign, it's restricted to what we can achieve with the funding we have.”
Helping Manor	“To be honest with you that’s where I would say we lack in knowledge etc., because we’re not marketers, we don’t know really what we’re supposed to be doing ... It's mainly advertising things that tends to be how we do it really.”

