

Business Model Innovation in Social Purpose Organisations: Sustaining the lifeblood of communities in need during times of crisis



Whether it be tackling poverty, discrimination or homelessness, promoting equality, supporting victims of trauma, or protecting the environment through conservation and recycling – social purpose organisations (SPOs) are taking a greater share of society’s most challenging and most important work. It is fair to say that since February 2020, COVID-19 has shaken the world, stretched public finances, and deeply impacted the quality of life of many vulnerable individuals and communities who represent the lifeblood of SPOs. The importance of SPOs in the economy is reflected in their increasing involvement in the delivery of services across multiple policy dimensions in the UK (Bryson et al., 2017).

Renowned for their innovation in addressing social challenges and wicked problems, SPOs seek to create value for disadvantaged beneficiaries. Take for example their response to the current COVID-19 pandemic, SPOs have been a trusted partner, bolstering public services and complementing government action by rapidly mobilising their resources and utilising their unique capabilities to provide rapid solutions by “*catalyzing social change and meeting social*

needs' (Salvado 2011, p.84). However, balancing social mission with economic margin has become an increasingly challenging exercise for SPOs in a climate where more is expected with less. So, while we applaud their timely and innovative responses to COVID-19, the current pandemic has impacted the financial sustainability of many SPOs. Estimates at the start of the coronavirus crisis suggest that the UK SPO sector may lose around £2.5 billion each month that the lockdown continues (Social enterprise UK, 2020). If we then add cuts in public sector services, increased competition for resources, and heightened demand for services from vulnerable groups historically provided by the State to the mix, the challenges for SPO sustainability are further compounded (Henderson and Lambert, 2018).

As the magnitude and complexity of socio-economic challenges facing society exceed the capabilities of any single SPOs organisation, collaboration is perceived as essential. Against such limitations, it is perhaps not surprising that an increasing number of SPOs are innovating their traditional, silo focused business models to form value networks.

By forming value networks with other inter-sectoral and/or cross-sectoral partners, SPOs seek to co-create superior value through reciprocity whereby knowledge, skills and experiences are exchanged by partner organisations and their stakeholders for the benefit of the collective (Palo and Tahtinen 2013). However, forming a value network with multiple stakeholders begs questions that need to be understood including what factors motivate SPOs to innovate their business models?, how is value co-created in an SPO value network?, how is value perceived by different stakeholders comprising the network?, and how do SPOs balance competing social and economic institutional logics within a multi-stakeholder network?

While much has been published about Business Model Innovation in the context of for-profit organisations, SPO business models have received little, although increasing, attention in the literature (e.g., Seelos and Mair, 2007; Wilson and Post, 2013; Spieth et al., 2019). What we can glean from prior studies is that a range of internal and external factors motivate SPOs to enhance their sustainability by innovating their business models. First, by forming a network SPOs are motivated to scale up their operations (Thompson et al., 2017; Mills et al., 2013) in order to compete for higher value public contracts with an increased duration, and a payment-by-results orientation. The Supported Employment Solutions (SES) network in Northern Ireland is a good example of practice where seven SPOs formed a network to collaborate rather than compete for the delivery of a public service contract worth £1.5m per year.

Collaborative networks are attractive propositions for small and large SPOs for different reasons. Smaller organizations enjoy the benefits of associational gains, including increased company profile as a result of offering services in new geographical areas for example while larger organizations benefit from the specialist knowledge and innovation capabilities of smaller SPOs. Second, drives to demonstrate increased efficiency (Spieth et al., 2019; Zott and Amit, 2010), central to public administration values, motivate SPOs to bundle and co-ordinate resources so as to minimise service duplication, reduce waste, and demonstrate economies of scale and scope. By bundling resources an SPO network expands the potential for collective social innovation through stakeholder collaboration (OECD, 2020). Third, SPOs are motivated to innovate their business models to enhance customer services, and extend quality of life improvements for their beneficiaries by co-producing and co-delivering services that meet the tailored needs of beneficiaries, with other stakeholders who have complementary values. A network orientation enables the implementation of innovative and customer-centric models of best practice to be co-designed with beneficiaries. The collective voice of a network also offers

the potential for SPOs to influence government policy and government reform through strategic consultations and lobbying. Fourthly, SPOs form networks as a result of influence from service commissioners and government agencies seeking value for money demonstration.

SPOs are recognised as the pioneers of Elkington (1997) “*triple bottom line*”, with their focus on meeting the social, economic and environmental requirements of stakeholders. While business research on SPOs lags behind studies of practice in for-profit organisations, much can be gained by examining the SPO sector’s unique ability to reconcile economic objectives with environmental and social requirements. In the words of Porter and Kramer “*Business and society have been pitted against each other for too long*” (2011, p. 4). If we are really interested therefore in tackling wicked problems of society through innovative approaches that hold the promise of a new wave of growth, then perhaps value networks offer a platform for fruitful intervention.

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