

## **“Profit is not a dirty word”: Social entrepreneurship and community development”**

### **ABSTRACT**

The main purpose of this exploratory study is to propose a theoretical framework based on Max Weber’s types of rationality to understand the motivations for and operationalisation of social entrepreneurship, drawing from the case of Homebaked, an organisation operating in Liverpool, UK. Face-to-face interviews with nine Homebaked’s members, including management, were complemented by several on-site observations, industry and consulting report reviews. The data were analysed using qualitative content analysis. A juxtaposition between entrepreneurship and SE emerged, in that for-profit principles were implemented to drive and achieve objectives of social causes. Indeed, maximising the organisation’s financial potential, enhancing its profitability by increasing sales and expanding its offerings, was reconciled with its objectives to benefit the local community. From a theoretical perspective, a strong connection was revealed between the findings and all four types of rationality, as postulated by Kalberg.

**Keywords:** Social entrepreneurship; motivations; operationalisation; Weber’s types of rationality; local community

### **Introduction**

The significance, interest in, and demand for social entrepreneurship (SE) for various stakeholders, including practitioners, educators, and researchers has been documented in contemporary research (e.g., Miller et al. 2012; Peredo and McLean 2006; Yan and Wu 2016). According to Sullivan Mort et al. (2003), part of such increasing significance is based on “the convergence of a variety of forces” (p. 85), which include “growing needs of target markets” (p. 86), and competition for service contracts, grants, and donors.

SE has been defined in a variety of ways (Chell et al., 2016). Mair and Martí (2006) refer to this concept “as a practice that integrates economic and social value creation” (p. 36). Furthermore, SE is linked to the term ‘enterprise’, or organised behaviour, which results in transforming inputs into outputs (Liles and Presley, 1996). Indeed, SE involves income generating, whereby the focus is predominantly on social benefits rather than on profits (Peredo and McLean, 2006). For Zahra et al. (2009), SE is related to maximising opportunities for improvement and social change. Light (2009) acknowledges that one of the aims of SE is to increase hope for eliminating- as opposed to treating- distress within society. In this context, the academic literature underlines that some social entrepreneurs are primarily driven to establish social enterprises based on their desire to achieve social change and support less fortunate individuals to be successful (Renko, 2013). Social entrepreneurs are therefore perceived as doers, taking direct action and seeking to transform existing systems, while in the process playing the role of social advocates and social service providers (Martin and Osberg, 2015). Furthermore, being mission-driven and restless, and through the implementation of sustainable business practices, social entrepreneurs endeavour to have a social impact, thereby changing their communities, cities, or even the world (Germak and Robinson, 2015).

Despite its growing importance, SE is “still emerging as an area for academic enquiry” (Austin et al. 2006, p. 1). Moreover, knowledge of required competencies to succeed as a social entrepreneur is very limited (Miller et al. 2012). In addition, and as Sullivan Mort et al. (2003) explain, there is a need for a better understanding and conceptualisation of SE, capturing “the unique organisational characteristics of social enterprises” p. 86), and for facilitating research on competitive advantage, innovation, or capacity building among social

enterprises. Sullivan Mort et al.'s (2003) earlier argument appears to maintain its significance. Indeed, Hossain, Saleh, and Drennan (2017) posit that, while SE has grown in popularity among researchers, its conceptualisation has remained obscure. In a similar vein, Choi and Majumdar (2014) recognise that consensus as to what it actually means is still to be reached (Choi and Majumdar, 2014).

Importantly, and in the context of the present research, while a key part of SE is generating social value, ways in which social value and transformation can be achieved have been studied to a very limited extent (Sigala 2016). Boluk and Mottiar (2014) posit that few published articles have focused on the motivations of social entrepreneurs. In addition, the theoretical foundation of SE is still at a very early stage, and, consequently, "much more research is needed to build a solid field" (Alegre and Berbegal-Mirabent 2016, p. 1172).

The present exploratory study, which investigates the case of Homebaked, a social enterprise operating in the city of Liverpool, United Kingdom (UK), makes various contributions, some of which address previously recognised knowledge gaps. First, the study examines motivational elements related to SE, thus, contributing to increasing the understanding of an area that, according to Boluk and Mottiar (2014) is still underdeveloped. Second, the study's contribution is also manifested in that it seeks to elucidate the extent to which transformation and social value are achieved by the studied organisation.

Consequently, and through face-to-face interviews with management and other key members of Homebaked, answers to the following fundamental research questions will be generated:

RQ1: What are key motivations behind Homebaked members' SE initiatives?

RQ2: How are the motivations of the individuals reflected in the organisation's operations?

The importance of investigating the organisation members' motivations for and ways of operationalising SE will have positive impacts for various stakeholders, including initiators, mediators and recipients of SE initiatives. Emerging new information from addressing the above questions could illuminate practitioners, community and volunteer groups, academics, and government stakeholders in a variety of ways. One illustration is that, through participants' comments and answers, specific strategies, or ways of operating that could be considered as a template or a baseline to maximise the impact of other social enterprise endeavours shall be revealed.

To guide the research, and partly in accord with earlier research (e.g., Nicholls 2010), the study's theoretical foundation is based on Max Weber's types of rationality (e.g., Weber 1978). Thus, the following additional research question will be investigated:

RQ3: How can Weber's types of rationality facilitate understanding of Homebaked's SE initiatives, including motivations for and operationalisation of SE initiatives?

By employing this framework to gain a deeper understanding of SE in the context of the studied social enterprise, and proposing a refined conceptualisation, this study will also make a theoretical contribution. Therefore, the study provides various key unique contributions, both practical and theoretical.

## **Literature Review**

### *The significance of SE*

As a sub-discipline of entrepreneurship (Certo and Miller 2008), SE emphasises the application of entrepreneurship in social spheres, which bridges a significant gap between

benevolence and business (Roberts and Woods 2005). Entrepreneurship is defined as the establishment of new enterprises by small groups or by individuals, with entrepreneurs taking the role of main agents of change (Kent et al. 1982). As entrepreneurship is essentially grounded on courage, perception and action, entrepreneurs are individuals who make judgmental decisions, for taking responsibility that can have impacts on the use of resources, goods, or institutions (Hébert and Link, 1989). Related to these definitions, Thompson et al. (2000) underscore the need for social entrepreneurs, individuals who can a) identify opportunities to satisfy unmet needs that state welfare systems cannot meet, or b) localise resources, particularly volunteering individuals, premises, or money, and employ these resources to make an impact.

In this context, the motivations of individuals engaged in SE initiatives and activities are essential to its effective operationalisation. Contemporary research conducted among social entrepreneurs is in agreement with various elements characterising these individuals. As Kickul and Lyons (2016) found, social entrepreneurs are influenced by morally based values, and that these trigger a unique level of passion. Along these lines, Bacq, Hartog and Hoogendoorn's (2016) study revealed that the intention to create social value, thereby serving collective interests, represented a unique feature of social entrepreneurs.

Christopoulos and Vogl (2015) identified social responsibility as a key driver; however, they also noticed 'iconoclastic' motives, such as disdain for hierarchy, which illustrates their desire "to redefine the world based on their own values" (p. 24). Consequently, social entrepreneurs are perceived as actors simultaneously playing civic, economic and political roles while aiming to increase general welfare through their services or products (Christopoulos and Vogl, 2015). Finally, Yitshaki and Kropp (2016) noticed the prevalence among social entrepreneurs of such pull factors as coping with problems in their own lives and helping others to solve similar ones, and push factors, including the opportunity for career development or job dissatisfaction.

Martin and Osberg (2007) present SE in the context of three main components. First, SE helps identify a stable yet unjust equilibrium, which causes several social shortcomings, such as marginalisation, exclusion among segments of the population, who lack political clout or financial means to accomplish transformational benefits on their own. Second, SE helps identify opportunities in such an unjust equilibrium, to influence creativity, fortitude, courage, inspiration, direct action, or the development of "a social value proposition" (Martin and Osberg, 2007 p. 35). Third, SE helps forge a stable, new equilibrium that helps alleviate suffering of targeted groups or unleash their trapped potential (Martin and Osberg 2007), contributing to a better future of these targeted groups or even for society. Thus, by pursuing material aims and goals, SE can contribute to profound changes in society (Rey-Martí, Ribeiro-Soriano, and Palacios-Marqués, 2016).

Similarly, Mair and Martí (2006) consider SE in three different dimensions, the first conceptualising SE in terms of a value creation process, which combines "resources in new ways" (p. 37). Second, one objective in combining these resources is to discover and maximise opportunities that could generate social value by meeting social needs or "by stimulating social change" (Mair and Martí 2006, p. 37). As a process, SE comprises offering products and services, or even creating new organisations (Mair and Martí 2006). Third, Seelos and Mair (2005) point out that SE "combines the resourcefulness of traditional entrepreneurship with the mission to change society" (p. 241).

*Weber's types of rationality*

The links between this study's aims, namely, between SE and the studied organisation's key motivations to engage in SE justify the consideration of Max Weber's types of rationality as its theoretical paradigm; this rationale will be further elucidated in the following discussion.

Max Weber's types of rationality represent a theoretical framework to facilitate analysis, for instance, of institutional change (Townley 2002). Stark and Finke's (2000) work discussing human rationality suggests that, within the limits of humans' understanding and information that are guided by their tastes and preferences, and "restricted by available options... humans attempt to make rational choices" (p. 38). In doing so, they try to gain or maximise the most, by incurring the least cost (Sharot 2002). The notion of rationality also underlines the existence "of subjective efforts to weigh the anticipated rewards against the anticipated costs" (Start and Finke 2000, p. 37), even when these efforts are frequently casual and inexact.

Furthermore, in referring to research by Stark and Finke (2000), Sharot (2002) concludes: "rationality [sic] is a matter of effort and intention" (p. 429). Humans attempt to make rational choices, and in this process, their efforts are geared towards maximising rewards over costs (Sharot 2002). In essence, following Mody and Day's (2014) interpretation, Weber's framework on rationality allows for propositions suggesting the rationality for entrepreneurs "to be motivated by both profit-oriented and social concerns" (p. 235).

Part of the foundation of Weber's work rests on various types of social action he proposed. These types, known to organisational researchers, include means-end-rational, or 'zweckrational', which is based on calculation; value-rational, based on values; traditional, based on habit; and affectual, based on emotion (Townley 2002). Essentially, Weber's work led to the following four types of rationality:

1) *Substantive rationality*. This type, which emphasises non-economic needs (Boley et al. 2014), "informs value-rational action" (Townley 2002, p. 165), and, irrespective of the means used, underscores "the achievement of task performance" (Phelan 1960, p. 49). One overarching assumption of substantive rationality is that, in the process of making decisions to engage- or not- in various economic transactions, people consider different possible morals and values (Strzelecka et al. 2016). Furthermore, substantive rationality exists as a demonstration of people's "inherent capacity for value-rational action" (Kalberg 1980, p. 1155). Substantive rationality has strong associations with SE, particularly with motivations of social entrepreneurs, who perceive an inherent need to engage in action to alleviate socioeconomic issues, for instance, out of altruism, passion, or empathy (Braga, Proença and Ferreira, 2014; Ruskin et al., 2016). At the same time, and as previously indicated, social value creation has also emerged as a unique characteristic of social entrepreneurs (Bacq et al., 2016).

2) *Formal rationality* is applicable "...to structured business decision-making in a market system" (Olson 2012, p. 217) where maximising returns is the main goal; thus formal rationality focuses on maximising economic gains (Boley et al. 2014; Kalberg 1980). This type of rationality informs means-end, instrumentally rational action (Townley 2002, p. 165). Furthermore, means-end action is guided by "conscious weighing of ends" (Townley 2002, p. 165), different likely means to achieve these ends, and likely consequences of using such means. Formal rationality also denotes predictability and rational calculation based on observance of particular procedures that lead to task performance (Phelan 1960).

Furthermore, it represents "the purposeful calculation of the most efficient means to an end" (Cockerham et al., 1993, p. 413), legitimising such calculation by referring back to universal laws, regulations, or rules (Kalberg 1980). Whimster and Lash (2014) interpreted

formal rationality as “the strategy of adapting one’s own conduct of life to the predetermined purposes of the kind that the capitalist system has imposed on modern man, whether he wanted or not” (p. 43).

In the context of SE, while research identifies that social entrepreneurs are mainly driven by their conviction to contribute to society (Boluk and Mottiar, 2014; Rey-Martí et al., 2016), there is also evidence that generating profit represents an important motivator. Indeed, Boluk and Mottiar (2014) found that social entrepreneurs recognised the essential role that profitability played in securing the viability of their socially entrepreneurial activities. Thus, Boluk and Mottiar (2014) acknowledge a link between ethics and profitability, notably, in that being ethical represents an initial motivator, which then should be followed up with profits.

3) *Practical rationality* exists as a demonstration of people’s capacity to engage in “means-end rational action” (Kalberg 1980, p. 1152). Practical rationality can help guide actions in daily procedures, and provide “patterns of action for the expedient means of dealing with immediate practical difficulties” (Townley 2002, p. 165). Practical rational ways of life both accept realities, and calculate the most practical means to deal with difficulties (Kalberg 1980). However, practical rationality also comprises legitimation and choice of ends relating to values (Goldkuhl 2004). Furthermore, it considers “intrinsic value principles in the performance of action” (Goldkuhl 2004, p. 62).

Finally, practical rationality means integrating both value and purposive rationality, which in turn infers “multi-functionality of action” (Goldkuhl 2004, p. 62), and involves intended purposes and intrinsic values.

In interpreting Weber’s (1978) literature, Goldkuhl (2004) found that practical rationality comprises of three sub-rationalities: 1) Instrumental, which relates to “the appropriateness of the means to given ends” (p. 62), 2) Rationality of choice, essentially, “setting of ends in relation to values” (p. 62), and 3) Normative rationality, namely, the application and evaluation “of ethical principles in action” (Goldkuhl 2004, p. 62). The first two types are associated with “purposive-rational action”, while the third with “value-rational action” (Goldkuhl 2004, p. 62). Normative rationality, which emphasises ethical principles (Goldkuhl, 2004) can also be aligned with SE. Indeed, both the vision and ensuing actions among social entrepreneurs are frequently linked to broad ethical considerations (Waddock and Steckler, 2016). Moreover, apart from Kickul and Lyons’s (2016) inferences, Waddock and Steckler’s (2016) research revealed the aspirations of social entrepreneurs concerning social welfare, equity, sustainability, justice, or fairness.

4) *Theoretical rationality* infers the conscious mastering of reality by constructing gradually accurate abstract concepts (Kalberg 1980). Theoretical rationality is therefore more deep-rooted in cognitive processes as opposed to action; indeed, it is the only rationality type that is not based on value-rational or mean-end rational action (Kalberg 1980). In Townley’s (2002, p. 165) view, it “is a cognitive template” which helps increase understanding of “how the world works”, informing “action on this basis.”

#### *Case study: Homebaked, Anfield, Liverpool*

The case of Homebaked has attracted the interest from various authors, particularly from a community development perspective (Doherty, 2015; Jones, 2015; Southern and Whittam, 2015; Thompson, 2018; van Heeswijk, 2017). Homebaked is both a community land trust and a cooperative bakery, which evolved through an initiative, 2Up 2Down, supported by artist Jeanne van Heeswijk and Liverpool Biennial (Doherty 2015). The Liverpool Biennial “is

underpinned by a year-round programme” (Southern and Whittam 2015, p. 94), which includes educational, commissions, residencies and research. Alongside with Granby, Homebaked is one of the first community land trusts in the UK (Thompson, 2018). Homebaked is part of an initiative which grew around van Heeswijk’s early art-inspired activism, bringing together a group of individuals who shared a vision of how their decline of their neighbourhood could be changed (Southern and Whittam 2015).

The origins of Homebaked date from 2010, and while primarily a bakery, its management has ambitions to build social housing close to where the bakery is located, only yards from Liverpool Football Club stadium, north Liverpool (Southern and Whittam 2015). The principle of the Homebaked initiative is to create both monetary and social value; this value is to stay within the local neighbourhood and to be invested back into the community (Jones, 2015).

The coming together of a group of likeminded stakeholders keen to ensure the survival of a previous family business (Mitchell’s Bakery), led to the establishment of Homebaked as both as a cooperative and social enterprise (van Heeswijk, 2017). Since its earlier days, Homebaked has also grown into a café and pie shop. Overall, Homebaked’s involvement in for-profit activities to address social issues within the community points towards it embracing work-integrated SE. The SE field emphasises the commitment of social enterprises to become less reliant on public funds while maintaining a strong focus on market dynamics (Borzaga and Defourny, 2004). Indeed, for the group of catalysts of such change, it was paramount to create a viable business, which would also have important ramifications for the local community, creating jobs and skills, while also generating its own resources (van Heeswijk, 2017). In addition, work-integrated SE organisations vie to ensure that disadvantaged individuals earn incomes equivalent to those of other workers, and/or that they receive training so that they can integrate into the job market (Borzaga and Defourny, 2004). In the case of Homebaked, regular training events are conducted, including for individuals with learning difficulties and other special needs (Thompson, 2018). Importantly, by working with Homebaked, these individuals are less dependent on special support allowances (Thompson, 2018).

## **Method**

The present study is concerned with the motivations and operationalisation of SE, based on the case of Homebaked, in Anfield, Liverpool. The chosen methodological approach to guide the research is aligned with recent SE research (Mody et al. 2016), which highlights the value “of a constructivist approach to inquiry” (p. 1098), whereby meaning can be co-created by both researcher and participant. Ponterotto’s (2005) point complements that of Mody et al.’s (2016), in that a fundamental characteristic of constructivism is the significance of interactions between the subject of the investigation and the researcher. Therefore, separating the researcher or investigator (subject) and the phenomena being investigated (object) is unfeasible (Mir and Watson, 2000). Furthermore, according to a constructive methodology, reality is based more on the minds of knowers, and on how they construct knowledge (Jonassen, 1991). Moreover, how individuals construct knowledge is dependent, among other factors, on prior experiences, including by “interpreting perceptual experiences of the real world” (Jonassen, 1991, p. 10). Based on these premises, constructivism aligns strongly with the study’s objective to gain a deep understanding of entrepreneurial motivations into SE from the perspective of individuals engaged in this philosophy.

The research implements a case study research approach, which can also include single-case studies (Yin 2009). The case study approach focuses on the in-depth examination of a contemporary phenomenon “within its real context” (Yin 2009, p. 18). Case studies allow

researchers to retain holistic and meaningful features of real-life events (Yin 2009), including managerial and organisational processes, or small group behaviour. As Levy (2008) explains, even a small number or a single case can be quite valuable in testing certain types of theoretical propositions. Levy's (2008) point suggests that the use of Homebaked as a single-case study aides in this research's endeavour to contribute to the theoretical development of Weber's types of rationality within the sphere of SE.

This study utilises a purposeful sampling methodology, which refers to the selection of sites and participants "because they can purposefully inform an understanding of the research problem and central phenomenon in the study" (Creswell 2012, p. 300). A review of the existing literature, specifically, reports, news, and academic literature (Doherty 2015; Jones 2015; Southern and Whittam 2015) helped clarify the Homebaked's SE-related initiatives. Likewise, the experience and input of the organisation's management and non-management team was perceived to help illuminate the research problem (Creswell 2012), and answer the proposed research questions. Based upon the fulfilment of the criteria of purposive sampling methodology (Creswell 2012; Teddlie and Yu 2007), Homebaked was selected for this study.

Communication was subsequently established with Homebaked's management through email and telephone. The objectives of the research were communicated to Homebaked's management, and a positive response followed to meet and allow the research team to study this organisation. Utilising a purposive sampling methodology, a set of criteria was drawn to ensure that respondents selected were not only best placed to provide a holistic interpretation of SE, but also, and importantly, that robust data would be collected (see Table 1).

The data collection process involved visits to and observations of Homebaked's facilities, meetings with the management team, as well as with other individuals working and/or volunteering in this organisation, some of whom have been involved in the organisation since its inception (2012). The approaches utilised are also aligned with Yin (1981, 2009), who explains that case studies can include direct observation of events under study, interviews of individuals involved in such events, archival records, or verbal reports.

During September and December of 2016, six different visits were undertaken to Homebaked's operation, and face-to-face interviews with nine Homebaked members (Table 1) were conducted. Questions were asked to gather participants' demographic information, including their professional background, and their experience volunteering/working at Homebaked. Other questions sought to identify Homebaked's main objectives, and participants' motivations for being involved in this social enterprise. These interviews, which were recorded with participants' agreement, ranged between forty minutes and two hours.

Interviews were semi-structured in nature, building upon some of the prevalent issues within current discourse while providing opportunities for the study to delve into other topics that were emergent. While this provides structure it does further allow through "the interviewer's keen sensitivity to the relationship and a continuing flexibility" the opportunity for respondents to supply "far richer and more illuminating views" (Gergen 2014, p. 50).

Members of the research team transcribed the interviews verbatim. Qualitative content analysis was employed to analyse the resulting data. This research method entails subjective interpretation of text content, whereby the identification of patterns and themes are an intrinsic part of a "systematic classification process" (Hsieh and Shannon 2005, p. 1278).

To enhance reliability and trustworthiness of findings, constant review of coding was undertaken to ensure that the emergent issues identified were reflective of the commentary provided by interviewees. Similarly, coding was often discussed and crosschecked to ensure consistency across different members of the research team. Reflecting considerations made by Lietz and Zayas (2010), this checking for consistency was also undertaken to mitigate the potential of researcher bias as well as aid in building understanding of researcher reflexivity.

In this study, these patterns and themes are reflected in the summary of motivations illustrated in Table 2, as well as in participants' ways of operationalising SE and associations with Weber's types of rationality (Table 3). The emerging themes, which had no prior influence by the literature and were known prior to coding, were identified by the research team and discussed by its members throughout the content analysis process. This analysis was supported with NVivo (Version 9), a computer-assisted qualitative data analysis software (CAQDAS). The software further allows the examination of coding patterns undertaken by members of the research team, thus further ensuring consistency. Recurrent interview results were identified during the analysis of the eighth interview, with a saturation point achieved during examination of the final transcript. With no new data emerging, it was deemed that saturation point had been reached (Houghton et al. 2013).

### *Demographic characteristics of participants*

Table 1 illustrates that the majority of participants have been involved in Homebaked since its original launch in 2012, though P5, a retired educator, recognised starting her involvement, baking and volunteering, in 2011. Overall, participants have an extensive professional background, which clearly suggests their potentially significant contribution in supporting and adding value to the long-term sustainability of the social enterprise. For example, the corporate experience and industry exposure of two members of management (P1 and P2), and a now retired businessperson and board member (P3) equated to a combined business experience of over 75 years. In addition, P4 has extensive experience running community development projects in various cities. Furthermore, and P8 has experience as a restaurateur, having owned his own restaurant overseas, while P9 has been trained at Homebaked and progressed to become a chef, and P6 has previously worked in another social enterprise. This case further demonstrates the nature of work-integrated social enterprise (Borzaga and Defourny, 2004) which appears to be one of the foci of Homebaked.

At the time of the study, and depending on the time of the year and the activities, at least five individuals volunteered at the social enterprise, for instance, baking, sales, training or in providing business management, or marketing advice. Finally, participants from both genders were almost equally represented.

Table 1 Here

## **Results**

### *RQ1: Key motivations behind Homebaked members' SE initiatives*

The interviews and content analysis employed revealed various themes and patterns regarding participants' motivations to be involved in SE and directly contribute towards Homebaked community-related initiatives. Indeed, 'contribute to community revival', 'apply skills for a good cause', or 'interested in community development' were acknowledged by several participants (Table 2). First, and as would be expected, an emotional attachment among those who had grown up in Liverpool became apparent, in their desire to become active promoters of their neighbourhood regeneration and rebuilding. For P1, one of Homebaked's managers and board members, growing as a child in the area and experiencing the rituals of football watching and pie consumption at the local bakery, Mitchell's, now Homebaked, created a connection and memories that merited continuation:

*I lived as a young lad 80 yards from the [football] ground, 50 yards from the bakery, and I used to come here and buy my pie before I went to the game... when the bakery closed down... it was probably the end of the local community because a lot of the houses were being knocked down... the bakery had to go... so when I*



*heard the bakery was reopening and it was being owned by the community I thought 'That is pretty cool.'*

Similarly, living away from Anfield for much of his life, P3's family and his personal links to this neighbourhood led to a desire to become involved in SE at this stage of his life: *"I was brought up in the area... My parents and grandparents are all buried in the Anfield cemetery. I... then moved away, and then just found out about this place. I wanted to volunteer, to put something, no matter how small it is... back into the community."* In contrast, P5 had lived through and experienced first-hand the constant decline of the neighbourhood and area, and perceived the re-launch of the former Mitchell's bakery as an opportunity to make a direct contribution to achieve a significant turnaround. Indeed, in the various visits made to Homebaked, P5 was actively involved in volunteering activities, primarily baking foods for retail on-site:

*...for the last 15-20 years it [the neighbourhood] has been gradually going down and down for many reasons. Funding from the government, which was going to regenerate housing was then taken away, houses were left empty... lots of vandalism. We were surrounded by empty properties, which was really, really difficult... one of the things that attracted me to this project... was the fact that it was something that was going to grow as opposed to be destroyed.*

Table 2 Here

A second group, which represented the majority of participants, was not local to the Anfield neighbourhood and to Liverpool. However, despite the lack of a physical connection with the city and neighbourhood, selected comments clearly underscored empathy and commitment to become active in developing the local community. With over 25 years of corporate experience, P2 had found new ways to implement her expertise and address the challenges affecting Homebaked. Such involvement, according to P2, was reciprocated by the 'feel good' factor: *"I am interested in social enterprise... I was asked to come and help with the cash flow modelling, and it interested me... and once you are here, you realise that actually you are using your skills in a different way that does have an impact... I think all of us would say that we get more back from the bakery than we give..."*

Ethical considerations were clearly strong among participants. P6, for instance, perceived his role at Homebaked as directly contributing to the local community. Moreover, the participant had grown disillusioned with the apparent disconnect between organisations, particularly of a corporate nature, their practices and their earnings, in that little or no investment flowed back into the community where they conducted business:

*I worked in fast food, and I saw how you can make good money out of catering, and what was going into the pockets of an individual or a corporation, and it was almost soul-destroying to see that it was almost like skimming money out for community that was deprived anyway. So when I left university, I only looked at the kind of ethical jobs... because I was not interested in... making money for a third party who has no interest in the community.*

With over 15 years of work experience, both in the UK and overseas, P8 was motivated by principles of fairness and egalitarianism: *"I worked in a lot of restaurants and there is always a bit of exploitation in it [sic]... So, I was always looking for... something completely*

*different... For me, it is more about creating a feel that works for everyone on an equal basis... something I was missing in my working life."*

These findings resonate with contemporary research (e.g., Braga et al., 2014; Yitshaki and Kropp, 2016) concerning the significance of various key elements behind individuals' involvement in SE, including altruism, passion, willingness to create and innovate, or, as the case of P8 suggests, dissatisfaction with previous employment. More recently, Ruskin, Symour, and Webster (2016) also noticed the role of emotions, for instance, entrepreneurial passion, which, together with frustration resulted in self-oriented drives. At the same time, both empathy and sympathy were found to be antecedents of other self-oriented motives, notably, altruism, as well as social justice (Ruskin et al., 2016).

#### *Operationalisation of Homebaked's SE initiatives*

Based on news reports and participants' comments, the history of the former bakery dates nearly a century. The last family to own the business, the Mitchells, developed an iconic business known by local residents. According to P2, after decades of operation, the Mitchells decided to retire from it in 2010, partly due to *"the housing market renewal initiative, where houses were bought out, and people moved out of the area. The family members were getting older, so they closed it."*

As illustrated in the professional background of all participants, the revival of the former Mitchell's bakery in 2012 rests on business knowledge and expertise. Such foundation has also helped determine Homebaked's business model. While the enterprise still partly relies on the traditional SE model of competing for grants or donors (Sullivan Mort et al. 2003), all participants expressed their conviction concerning the need to depart from such model, to embrace instead one based on a for-profit business philosophy. Thus, a key finding transpiring from the interviews was the clear objective to maximise revenues in order to become much less dependent on grants and other forms of subsidies.

Indeed, while one initial goal was to produce affordable bread for local residents, eventually management identified that production costs far outstripped revenues. Consequently, other revenues streams had to be created to not only subsidise affordable bread, but also, and crucially, generate income to achieve the social enterprise's vision. As P7 recognised: *"...it is not a cost problem: it is a price problem because our prices are lower than in other areas... and the same is with our staff costs, which are high because we are training people on the jobs... so we are starting to quantify something we have really understood as a social narrative..."*

Over the last four years, the original Mitchell's bakery has diversified into a café with menu, and a pie manufacturing and sales operation. All participants agreed that pies represent the biggest financial potential. At the time of the study, the pies were sold retail on-site, and increasingly wholesaled in various strategically designated outlets. During the interviews, comments also revealed a recently established partnership with a local professional sports organisation, which has created much-needed synergies, and commercial impetus for Homebaked to become a financially sustainable operation. In this context, and despite being a social enterprise, all participants once again acknowledged the vital importance of having a for-profit business philosophy in order to achieve socially orientated goals. Profitability in this study is defined as the difference between revenue and costs (Gummesson 2006; Novy-Marx 2013). Regarding such strategy, P1 indicated:

*P1: Our supply is outstripped by our demand. So we need to make the biggest profit we can... therefore, we will sell to people who will give us the biggest margin... £20,000 rather than £30,000 means that we cannot run the courses that*

*we were planning to run... give internships or apprenticeships... It means we cannot achieve something in the community... So, on that level... profit is not a dirty word; we need profit.... I do not criticise the commercial world... we need to be a part of it, and... act in the same way.*

In addition, as the operations manager, and a passionate advocate for maintaining financial benefits within the local community, P6 reflected on the implications from instilling and engraining a profit-philosophy within Homebaked's activities:

*...the profit, which may take us a long time [to achieve]... is beginning just to turn a bit, and it is employing local people, it is putting money back into the community because people live here. The wages that we pay are above the living wage. We try and source ingredients [locally] as we can, and again, that is money going back into the community; it is not going into a conglomerate...*

This comment again underlines Homebaked's focus on work-integrated approaches (Borzaga and Defourny, 2004) to help remedy social inequalities in the local community. More importantly, the emphasis the organisation places on financial profitability as a medium to combat socioeconomic issues in its neighbourhood is in line with earlier findings in SE research, for instance, Boluk and Mottiar's (2014) point regarding the need for financial viability to continue social entrepreneurial activities. Furthermore, Bagnoli and Megali (2011) explain that, in comparison to non-profit voluntary foundations or organisations, social enterprises are fundamentally enterprises. Hence, any social objectives are to be achieved by following financial and economic efficiency (Bagnoli and Megali, 2011).

Going forward, and despite the clear focus in running the operation in a more corporate style, there was recognition of various challenges ahead (P5): "*... it has taken five years to where we are now, and it [Homebaked] has been open as a business for three years.*" In addition, P7 underlined the current heavy dependence on football game days, which also forces the social enterprise to find alternative ways to generate revenues: "*There are 300-odd days when there is no match, so you have to think ways... there are plans to open on Sundays...*" While financial outcomes are already visible, after decades working in the corporate world, P2's nevertheless emphasized the need to continue focusing on essential entrepreneurial principles: "*We have to be much more risk averse than a normal business... and much, much tighter on how we manage our money and what we do with it.*"

These comments emphasise the continuous need for what Thompson et al. (2000) refer to as SE 'champions', individuals "who understand which initiatives are most appropriate, feasible and desirable" (p. 328).

Having run his own restaurant in Germany, and worked as a chef in UK for several years, P8 had a very pragmatic, entrepreneurial view of the direction in which Homebaked needed to move forward: "*this place is a business, and it has to be run as a business. At the same time, we want to sell to the local community, so we have to subsidise our shop, providing prices [the local] people can afford. But we have to think additional ways to subsidise this shop...*" One way participants unanimously agreed upon was increasing the focus on wholesales of pies, even outside Liverpool. Continuous experimenting had led to the development of various types of pies, and increasing acceptance and positive word of mouth was perceived as a key selling point (P9): "*Just look at next door. They sell pies, we sell pies. We sell them at £3; they sell them at £1.80, but they sell them at this price because they are*

*cheap, mass-produced pies. We make the pies homemade, wholesome, professionally made, with special ingredients... We always try to use local suppliers."*

All participants recognised that the increasing demand for Homebaked's products, particularly its pies, would contribute financially to management's long-term goal to build affordable accommodation units, approximately 20, in a near-by ground. These findings also align with Bugg-Levine, Kogut, and Kulatilaka (2012) who argue that, by providing services or goods that have a socially beneficial objective, some customers are prepared to pay a premium. As a result, some social enterprises can earn profits while being funded by investors (Bugg-Levine et al., 2012). In addition, there were negotiations and discussions to establish small shops and a market to provide opportunities for local residents to open their own businesses. Doing so would help instil a sense of entrepreneurship, where people could learn a new trade and accumulate business acumen.

## Discussion

An important contribution of this study is the proposal of a theoretical framework, which seeks to explain SE in the context of Homebaked. Yin (1999) suggests that, even in exploratory research, a good case study should include an operational framework. However, while such operational framework is to be proposed "ahead of time... to define what is to be studied" (Yin 1999, p. 1215), theoretical propositions need not "follow a rigid research design (p. 1216). Instead, making discoveries while conducting the research is "an invaluable feature of the case study method" (Yin 1999, p. 1216). Following this interpretation of Yin's (1999) work, the present study proposes a conceptual framework (Figure 1). A preamble of this framework is provided in Table 3, which illustrates the associations between participants' motivations for being involved in SE with Homebaked, and the Weber's types of rationality.

Table 3 Here

The framework illustrates participants' motivations for becoming involved in SE in terms of their attachment with the Anfield neighbourhood, as well as their desire to make a contribution to improve its current socioeconomic situation. Motivations are then actioned into different forms of operationalising SE. Moreover, Homebaked's for-profit thrust and philosophy, embraced by both participant groups, determine the ways in which the social enterprise is run, that is, using corporate principles (P1, P2), hands-on, and other forms of expertise (P6, P7, P8, P9). Such for-profit philosophy has various implications, and suggests various outcomes and implications. These are further complemented by Weber's types of rationality, which contribute to the rigour and depth of the analysis and, overall, help inform the research.

### *RQ3: Understanding of Homebaked's SE initiatives through Weber's types of rationality*

Arguably, the significance of entrepreneurial principles to tackle socioeconomic issues, which was revealed in this research, partly diverges from what much of the academic literature suggests. For example, Bacq et al.'s (2016) acknowledge a "taken-for-granted moral portrayal depicted in the extant literature... of the social entrepreneurial hero with a priori good ethical and moral credentials" (p. 703). At the same time, however, there is a more comprehensive view, in that the substantial growth of both SE and socially entrepreneurial ventures demonstrates "that entrepreneurs could be responsible while being profitable" (Zara and Wright, 2016). Thus, a degree of conflict is evident in the literature regarding the fundamental ways in which SE is triggered among social entrepreneurs. The findings of the present study are strongly aligned with Zahra and Wright's (2016) assertion.

By integrating Weber's types of rationality into the proposed framework to study Homebaked's SE-related initiatives, as well as its strategies, the study makes a fundamental theoretical contribution. Strong associations between the findings and the four types of rationality discussed in the academic literature (e.g., Boley et al. 2014; Cockerham et al. 1993; Goldkuhl 2004; Kalberg 1980; Olson 2012; Phelan 1960; Townley 2002; Weber 1968) were revealed. The following sections discuss these associations:

*Substantive rationality:* In line with Strzelecka et al. (2016), a key assumption of this type of rationality is the consideration of values and morals when individuals become aware and decide to engage, or not to engage, in economic transactions. In Homebaked's case, participants exhibited some of the key elements identified by Braga et al. (2004), including passion, empathy, and altruism. For example, P6's perceived links between Homebaked's efforts to become increasingly profitable, and the ramifications that such profitability could have in the local community. P6's case illustrates passion, altruism and the sheer determination to see the financial gains reflected upon clear outcomes, including in paying higher-than-average living wages. Moreover, maximising business opportunities and increased profits would allow the social enterprise to exert more control over its future growth. In addition, completing future projects, which include building affordable housing and shops for local residents to engage in entrepreneurship, will require making additional strategic decisions that will be tied into maximising financial gains. Consequently, substantive rationality also contributes to the understanding of RQ1.

*Formal rationality:* Homebaked members representing both management and non-management positions were clearly in agreement regarding the need to build a financially sound operation as a means to grow as a social enterprise, and achieve various SE-related objectives. This element is intrinsically related to the pursuit of value creation (Bacq et al. 2016). Moreover, these objectives are part of a wider strategic approach, which, based on the organisation's ethos, demonstrates concern for the welfare of the local community. By employing structured business-related decisions that are typical of a market system, management are seeking to maximise economic returns, while minimising dependence on grants and other forms of external funding (P2):

*As time goes on, increase in salaries helps square the business. So, in the last 12 months, we almost doubled our staff hours, as our outputs grow and our demand... all what we earn is invested back for us to pay to run courses... what normally happens with this type of business is that it becomes grant dependent. What we are hoping to do is make enough money that we do not have to apply for grants and be grant dependent."*

Thus, apart from further supporting the usefulness of the theoretical framework (Figure 1), formal rationality also contributes to clarifying RQ2.

*Practical rationality:* Apart from focusing on financial goals to remedy socioeconomic issues, Homebaked's objectives are also based upon both ethical/moral principles and considerations of numerous stakeholders. Furthermore, participants' comments concerning their motivations and their intention to operationalise profit-oriented principles and business strategies is a clear reflection of how they perceive the current realities of the Anfield neighbourhood, its needs, and how they will address those needs. According to Goldkuhl (2004), practical rationality also relates to intrinsic value beliefs in performing actions, which

also helps address RQ1 and RQ2. In fact, participants' knowledge, expertise, and strong motivation guide them through the process of searching for solutions and alternatives to deal with the current challenges they confront. Moreover, they perceive a profitable enterprise, where growth in various fronts, particularly through the plans to increase pie wholesales, is legitimised by the subsequent impact of such business strategies on the local community.

*Theoretical rationality*, while not directly contributing to the understanding of the outcomes of RQ1 or RQ2, this type of rationality is manifested in the proposed framework (Figure 1). In addition, it offers a complementing element to the three types discussed previously.

Mody et al. (2016) explain that actions cannot be clearly classified "into a particular category of rationality" (p. 1106). The development of abstract concepts among participants, specifically by mastering the realities of the challenges they face in developing a profitable social enterprise, has contributed to the visualisation of plans, strategies and initiatives to pursue and achieve further growth. Strategizing provides a cognitive template (Townley, 2002) for Homebaked's members to understand their new environment and transform strategy into action, re-establishing a previously existing family business, and seeking financial sustainability to benefit the surrounding community. Maximising business opportunities and increased profits would allow the social enterprise to exert more control over its future growth. In addition, completing future projects, which include building affordable accommodation and shops for local residents to engage in entrepreneurship, will require making additional strategic decisions that will be tied into maximising financial gains.

Figure 1 Here

## **Conclusions**

The present research makes several key contributions to the academic literature. First, the study addresses various research gaps identified in contemporary research (e.g., Austin et al. 2006; Boluk and Mottiar, 2014; Miller et al. 2012; Sigala 2016), exploring the motivations for and the operationalisation of SE through the case of Homebaked, a social enterprise operating in Anfield, Liverpool, UK. Regardless of their status (local, non-local resident), participants in the research exhibited strong motivations to utilise their knowledge, experience, and skills to invigorate the community. Fundamentally, these motivations were based on emotional attachment, ethical/moral, and 'feel good' principles. Indeed, it is clear that, regardless of the demographic mix and range of professional backgrounds the participants held previously, there is an intrinsic attachment and value driven ethos towards community endeavour. The importance of corporate principles, illustrated by a for-profit philosophy, emerged as a key finding. This philosophy was perceived as the main way to become financially sound, and being able to achieve socially responsible objectives to reinvigorate the local community. Therefore, the findings are in agreement with Peredo and Mclean's (2006) notion that profitability is in harmony with SE principles.

Second, this study considered Weber's types of rationality as a lens through which a more rigorous reflection could be facilitated, and a deeper understanding of SE gained, thus making an important theoretical contribution. In contrast to previous studies that only consider substantial and formal types of rationality, in the present research, all four types postulated by Kalberg (1980) were found to be strongly associated with the findings.

## **Implications**

From a practical perspective, the emerging findings provide a template that other organisations could consider. Essentially, Homebaked's entrepreneurial philosophy, coupled

with participants' professional business background, their expertise in various areas, and their motivations to make an impact on a community combine to form and structure such a template. Moreover, founding entities of existing or new social enterprises could maximise the potential of SE, recruiting managers, other staff, and volunteers who perceive community development through the lens of revenue and resource maximisation, while seeking to minimise external financial support. This philosophy could not only lead to the achievement of multiple objectives, such as financial stability, long-term sustainability, and adding value to a community, but also help educate local community residents on the importance of being entrepreneurial and becoming financially independent.

From a theoretical point of view, the proposed refinement (Figure 1) demonstrates the value of considering all four types of rationality discussed by Kalberg (1980) in his interpretative contribution of Weber's work. Such consideration, which is aligned with the motivation and business-minded nature of participants, provides an analytical tool for social enterprise organisations to relate to in the process of understanding, developing, executing, and maximising SE-related initiatives. Similarly, for researchers, the application of Weber's theory and the subsequently refined framework could add depth and rigour to future explorations into SE.

### *Limitations and Future Research*

Although multiple visits and interviews with the most significant internal stakeholders, namely, management (executives), and non-management members, such as operations manager, chefs, accountant, and other members involved in advice and food production, this study is not free of limitations. These limitations, however, present research opportunities and could be addressed in future explorations focusing on SE. Fundamentally, the present study is based on the case of one social enterprise organisation only, which does not allow for comparative analysis. In addition, the study was conducted during the course of 2016; no data were collected to make comparisons, for instance, concerning participants' motivations and operationalisation of SE between an earlier point in time and the time of the study. Nonetheless, it is important to note the strength of thematic findings from respondents that not only had robust related experience and understanding of their business, but also were best placed to illuminate issues around SE.

As previous investigations (e.g., Boley et al. 2014; Mody et al. 2016) and this research have revealed, employing Weber's types of rationality can provide rigour, structure, as well as to guide and understand the motivations for- and the operationalisation of- SE. Thus, there is merit as well as potential in further adopting and refining this theoretical framework in future research endeavours, for instance, as a stand-alone proposition, or one complemented by other frameworks.

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