Chapter 8

Relationship Between Mission Drift and Financial Strategies in Social Enterprises

Ramon Bastida
Universitat Internacional de Catalunya, Spain

Marta Mas-Machuca
Universitat Internacional de Catalunya, Spain

ABSTRACT

Social enterprises (SEs) have an important role in the social services provision. Many of those enterprises provide services, such as care services to elderly people and young people at risk of exclusion, work integration services, mediation, etc. In European Union (EU) countries, public administrations are obliged to provide these services to the citizens, although they externalize the provision to SEs. In this chapter, the financial strategies of SEs are analyzed in order to assess if they have any impact on mission drift. The analysis is based on the experiences of three SEs that provide social services in Catalonia, Spain. Several interviews with managers and board members of SEs were done. The results indicate that there is an important financial dependency of these SEs on the public administration. Therefore, SEs have problems to remain mission-focused, and a mission drift into market positions has been observed.

INTRODUCTION

In recent years, social enterprises (SEs) have increased their role in business. Such type of companies tend to be born to cover social or environmental needs. Their main mission is usually related to the provision of social services, such as attention to people at risk of social exclusion, labour integration of disabled people, etc. SEs have become providers of services that historically had provided the public sector, but due to the economic crisis, have been externalised.

SEs have some unique characteristics that make them different from commercial companies. One of these features is that they are considered hybrid companies, given that they are born with a social mission; therefore, their mission is focused on providing services or commercialising products with a
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social impact. At the same time, however, they must be economically sustainable while competing in a market with companies whose main objective is to maximise their benefits. This means that in certain situations, tensions can arise between the social mission and the need to remain economically sustainable.

As we already stated, some decades ago, there was a very important change in the model for the provision of care services to people in various European Union (EU) countries. The model went from an internalised provision of the public sector, to an outsourced provision in which the public sector hired external companies to provide such services. This change meant that there was a large number of companies dedicated to providing services to people financed by the public sector.

In recent years, there have been two events that have had an important impact on the social services sector, in which a significant part of SEs operates. Firstly, the economic shortcuts in the public budgets, as a result of the economic crisis, have contributed to the reduction of resources allocated to policies of social welfare and social services. Consequently, social companies have had to continue providing services contracted by public administrations, with worse economic conditions than they had before the crisis. Secondly, the approval of a new legislation on services that the Spanish State had to provide to citizens in 2008 forced Spain to provide care services to people with different types of dependency. This fact caused an appealing effect of large companies that, historically, had operated in the public works sector, which had a large financial capacity and a deep knowledge of the public tendering model. As a consequence, the social services sector became a much more competitive sector, where the economic factor gained more weight in the processes of public tenders.

In this context, we believe that there is an important risk of mission drift in SEs that provide care services to people. For this reason, the main objective of this study is to analyse the impact of the financing strategy on the mission of SEs. In this regard, the research questions are: (1) Does the financing strategy have an impact on the mission of SE? (2) Can SEs be economically sustainable and, at the same time, maintain their mission?

To carry out this analysis, we will use a qualitative methodology, based on the study of three cases of SEs – two cooperatives (Alpha and Beta) and an association (Gamma) – that develop their activity in the social services sector. All of them are constituted as non-profits. The information of these companies has been obtained by conducting face-to-face interviews with managers and employees of each company. Data from their annual reports and web pages have also been obtained.

This chapter is divided into five sections. After the introduction, a second section is included with the literature review. The third section explains the methodology used to carry out the study. The fourth section includes the results of the analysis. Finally, the fifth section describes the conclusions obtained and the future lines of research in this subject.

BACKGROUND

A mission statement is a declaration of an organisation's reason of being, and it reveals what the organisation wants to be and who it wants to serve (Bart, Bontis, & Taggar, 2001; David, 1989; Noy, 1998). Literature suggests its relevance and importance to define the mission and purpose of the firm (Canals, 2010). The mission statement indicates the unique nature of the organisation and its enduring purpose. Also, it is commonly used as a powerful strategic tool. Numerous benefits can be derived from their definitions: enhanced motivation, sense of common direction, orient daily decisions, improved organisational climate and reinforce the organisational identity, among others. As shown by several studies,