

## **Social enterprise, social innovation and self-directed care: lessons from Scotland**

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## 1                   **Social enterprise, social innovation and self-directed care: Lessons from Scotland**

2

3   **Purpose:** This study aims to explore the opportunities and challenges SDS policy has presented to  
4   Scottish social enterprises, thereby increasing understanding of emerging social care markets arising  
5   from international policy-shifts towards empowering social care users to self-direct their care.

6   **Design/methodology/approach:** This study used guided conversations with a purposive sample of  
7   nineteen stakeholders sampled from frontline social care social enterprises; social work; third sector;  
8   health; and government.

9   **Findings:** An inconsistent social care market has emerged across Scotland as a result of policy  
10   change, providing both opportunities and challenges for social enterprises. Social innovation  
11   emerged from a supportive partnership between the local authority and social enterprise in one area  
12   but elsewhere local authorities remained change-resistant, evidencing path dependence. Challenges  
13   included the private sector ‘creaming’ clients and geographic areas, and social enterprises being  
14   scapegoated where the local market was failing.

15   **Research limitations/implications:** This study involved a small purposively sampled group of  
16   stakeholders specifically interested in social enterprise, and hence the findings are suggestive rather  
17   than conclusive.

18   **Originality/value:** This paper contributes to currently limited academic understanding of the  
19   contribution of social enterprise to emerging social care markets arising from the international  
20   policy-shifts. Through an Historical Institutionalism lens, this study also offers new insight into  
21   interactions between public institutions and social enterprise care providers. The insights from this  
22   paper will support policymakers and researchers to develop a more equitable, sustainable future for  
23   social care provision.

24 **Keywords:** Social enterprise; social innovation; social care; self-directed support; historical

25 institutionalism

26

## 27 **1. Introduction**

28 For social enterprises in Scotland delivering social care services through local authority contracts, the  
29 introduction of the Social Care (Self-directed Support (SDS)) (Scotland) Act 2013 (henceforth referred  
30 to as the Social Care Act) has provided both opportunities and challenges. The policy entrenches the  
31 rights of state-funded social care consumers to have choice and control over their own care. Before  
32 the policy was implemented in April 2014, social enterprises in Scotland had already begun  
33 proactively adapting their services and commercial activities to make their services sustainable in  
34 this new personalised market (Henderson et al, 2018). However, a decade after the first pilot studies  
35 of this transformative social care policy, there remains little academic evidence of the experience of  
36 social enterprises operating in this personalised social care landscape. This paper therefore responds  
37 to this gap by exploring the opportunities and challenges that self-directed care has presented to  
38 social enterprises in Scotland.

39 The principles of empowering social care users to direct their own care which are inherent in the  
40 Social Care Act have been reported across Europe, Australia, Canada and the USA (e.g. Needham and  
41 Dickinson, 2018; Pearson et al, 2018; Power, 2014). Since the 1990s, policy makers in the UK have  
42 increased opportunities for social care users to have greater control over their own care. However,  
43 the scope of such *personalisation* policies has accelerated since the 2008 recession and, while such  
44 policies are 'impossible to disagree with' (Pearson and Ridley, 2017, p.1055), the widespread  
45 introduction of similar SDS policies across recession-hit countries suggests such policy initiatives were  
46 driven at least in part from a political cost-efficiency agenda.

47 Social enterprise is a contested concept (Teasdale, 2012) and in the UK it has been argued to be the  
48 latest manifestation of principles already existing within Western social economies and exhibiting  
49 practises that date back to the 19<sup>th</sup> Century (Sepulveda, 2015). Since the 2008 recession, social  
50 enterprises have become increasingly prominent in the UK's politically-driven austerity agenda as an  
51 alternative form of public service delivery (Hazenbergh & Hall, 2016), leading to the suggestion that

52 the UK is undergoing a 'social enterprization' of its' welfare system (Sepulveda, 2015). Yet in Scotland  
53 there remains a lack of evidence from social enterprises themselves to demonstrate whether such a  
54 shift is occurring, and whether it is successful. Limited evidence from upstream Scottish public sector  
55 stakeholders has shown that anticipated transformative change in the social care market as a result  
56 of the Social Care Act has yet to emerge in response to SDS policy (Pearson et al, 2018), despite social  
57 enterprises positioning themselves to exploit the policy (Henderson et al, 2018).

58 Early anticipation that the Social Care Act's personalised budget system (SDS) would generate social  
59 innovation has yet to be academically supported. What little evidence exists is anecdotal and focused  
60 only on those organisations that are highly successful (Vickers et al, 2017). Greater academic  
61 understanding of the emergence of social innovation in social enterprise as a result of the Social Care  
62 Act is therefore needed, particularly around the influences and interactions between public  
63 institutions, social enterprise and Scotland's social care sector quasi-market (Vickers et al, 2017). This  
64 study offers the beginnings of an academic evidence base addressing these multiple gaps in current  
65 understanding, and demonstrates the need for a more systematic investigation of social enterprise,  
66 social innovation and Scottish self-directed care. It aims to explore the opportunities and challenges  
67 that SDS policy has presented to social enterprises in Scotland, using the lens of Historical  
68 Intuitionism to explore whether SDS has enabled or stifled innovation in social enterprises.

69

## 70 **2. Literature Review**

71 Social enterprises are market-driven organisations that balance their commercial trade of goods and  
72 services with their underpinning social mission to benefit society (Henderson et al, 2018; Gras &  
73 Mendoza-Abarca, 2014). The social purpose of social enterprises are wide ranging in the UK, and can  
74 include the reduction of inequalities, for example through providing social housing (e.g. Fitzpatrick &  
75 Watts, 2017), increasing opportunities for marginalised populations (e.g. Gidron & Monnickendam-  
76 Givon, 2017), and providing social services (e.g. Henderson et al, 2018). In Scotland, social

77 enterprises are supported and promoted by the devolved Scottish Government through a 10-year  
78 Government-led Social Enterprise Strategy (Scottish Government, 2016). The Scottish Social  
79 Enterprise Census (Social Value lab, 2017) found Scottish social enterprises ‘...often fill a market gap  
80 that the private sector cannot (profit margins too low and risks too high) or that is beyond the  
81 statutory responsibilities of public authorities’ (2017, p. 34). The Social Care Act devolved  
82 responsibilities for managing care to individuals (reducing the statutory responsibilities of public  
83 authorities) in an austerity-led climate of budget cuts and reduced profit margins, leaving the market  
84 ripe for social enterprise to fill gaps and generate social innovations in response to demand.

### 85 *2.1 SDS budgets and social enterprise*

86 The uptake of SDS remains low across Scotland, with a national average uptake of approximately  
87 40% (Scottish Government, 2018a), suggesting the market is taking time to mature. Demand for  
88 services continues to grow, regardless of whether they are paid for privately or through the welfare  
89 system. This demand is driven in large part by an increasingly aged Scottish demographic (Audit  
90 Scotland, 2017a).

91 SDS is a direct payment policy with four options<sup>1</sup> which intends to encourage individuals to exercise  
92 more choice and control over their care (Audit Scotland 2017a). The core SDS principles empower  
93 people to have choice and control over the services they receive, so it was expected that the social  
94 care market would become driven by the needs of the individual consumers rather than dictated by  
95 local authority contracts. Consequently, the influence of local authorities on the market would  
96 lessen. However somewhat counterintuitively, despite a growing number of social enterprises  
97 delivering health and social care, Audit Scotland found that changing from state provision to SDS has  
98 in fact generated *less* choice and control amongst some budget holders, particularly those who don’t  
99 have personal support from carers (e.g. Personal Assistants, friends or family) and those aged over

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<sup>1</sup> The four SDS Options are: Option 1) the individual manages their own budget; Option 2) the individual decides the care they want and who from whom, and the local authority arranges it; Options 3) the local authority discusses what care the individual requires then arranges the support itself and 4) a combination of the above three options (Scottish Government, 2013).

100 85 (Audit Scotland, 2017a). As yet no academic evidence has been gathered to explain the processes  
101 that created this unexpected effect.

102

### 103 *2.2 SDS and Social Innovation*

104 SDS has created opportunities for social innovation in social care and this has been actively  
105 supported by the Scottish Government through the Self-directed Support Innovation Fund. In 2015-  
106 16 (Year 1) it granted £1.25million to 21 projects, most of which were social enterprises/third sector  
107 organisations (Scottish Government, 2015). Whilst some of these newer social enterprises are  
108 offering 'traditional' care services, such as support with household tasks, shopping services, and  
109 'meals on wheels', other new social enterprises are also emerging in response to an increased  
110 demand from SDS budget-holders for non-traditional activities. These new social enterprises may  
111 offer socially innovative activities e.g. language classes to improve cognition amongst people with  
112 dementia and daytime discos for older people. Participating in these more innovative activities offers  
113 opportunities for increased social connections, physical activity and self-worth (Henderson, 2018).

114 Evidence of the emergence of social innovation amongst social enterprises delivering social care in  
115 Scotland does however continue to be largely anecdotal and focused only on those enterprises that  
116 are highly successful (Vickers et al, 2017). There remains a gap in academic understanding of how  
117 social innovation emerges in the public domain, especially in relation to SDS policy, and particularly  
118 around the interplay of public institutions, social enterprise and quasi-markets like Scotland's social  
119 care sector (Vickers et al, 2017).

120

### 121 *2.3 Historical Institutionalism and social care*

122 Third sector organisations have long been involved in supplementing the state's provision of welfare  
123 services to vulnerable communities (Esping-Anderson 1990) particularly in times of recession, so it is  
124 unsurprising that UK governments have promoted social enterprise as a sustainable socially-driven

125 alternative for the provision of some welfare services (Henderson et al, 2018; Sepulveda, 2015;  
126 Featherstone et al., 2012). This shift to promoting social enterprise as a solution to social need has  
127 been both swift and explicit under austerity, leading to some attributing the increased *marketization*  
128 *of social care* to a neoliberal agenda (Henderson et al, 2018). The shifting of responsibility away from  
129 the state towards the individual through new policies like the Social Care Act has been described as a  
130 manifestation of neoliberal ideology (Power, 2014; Ferguson, 2012).

131 However, a shift from state provision to individual responsibility also requires public authorities to  
132 evolve their processes and procedures as they relinquish some control over budgetary decision-  
133 making. Yet as Historical Institutionalism theory explains, generating change at institutional level is  
134 complex as attempts to respond to contextual change in a timely and efficient manner are  
135 vulnerable to continually shifting social and political structures (Cappocia, 2016; Thelen, 1999).

136 Public institutions are fundamentally change-resistant (Pierson, 2000) and designed to remain stable  
137 regardless of changes in prevailing politics or policies (Cappocia, 2016). As a result, they will maintain  
138 a similar pattern of decision-making and governance that repeats across time, demonstrating *path*  
139 *dependence* i.e. the persistence of organisational behaviour over time regardless of its efficacy or  
140 efficiency (Vergne and Durand, 2011). Path dependence can impact on quasi-markets like social care  
141 because the market is largely governed and operated by public institutions. Pierson (2000) notes  
142 ‘...institutions are hard to change, and they have a tremendous effect on the possibilities for  
143 generating sustained economic growth. Individuals and organizations adapt to existing institutions.’  
144 (Pierson, 2000, p.256). Scottish local authorities are therefore embedded in their political and social  
145 context, and ‘cannot be understood in isolation’ (Thelen, 1999, p.384). While these institutions may  
146 attempt to evolve in response to policies like the Social Care Act, their development is constrained  
147 by ‘past trajectories’ (Thelen, 1999, p.387). Clients, service providers and markets relying on Scottish  
148 local authorities for care services, funding and stewardship of the social care market will therefore  
149 adapt to the local authorities requirements. This adaptation might in turn curtail innovation and  
150 prevent approaches which challenge the existing operational structure.



151 Historical Institutionalism theory also suggests policies which require institutional change can be  
152 ineffective if the timing of their introduction is wrong (Cappocia, 2016; Pierson, 2000). The  
153 introduction of the Social Care Act demanded local authorities change multiple systems to enable  
154 clients to be offered choice and control over their own care. However Scottish local authorities were  
155 simultaneously enduring significant cuts to their budgets (Audit Scotland, 2017b). In addition,  
156 existing procurement legislation meant the Social Care Act was immediately "...in opposition to  
157 current procurement practice where the individual's choice would be secondary to the requirement  
158 to (re)tender in line with public procurement regulations" (CCPS, 2018; Kettle, 2012). The timing of  
159 the introduction of the policy was therefore made more challenging by the simultaneous cuts to  
160 Scottish local authority budgets and a lack of resources to swiftly evolve procurement legislation.

### 161 *2.3 Local authorities' role in implementing the Social Care Act*

162 Local authorities have been slowly evolving from care providers to managers of social care since the  
163 introduction of Direct Payments across the UK in the 1990's. Since the Social Care Act was first  
164 proposed, Scottish local authorities, like their UK counterparts, have been forced to rapidly increase  
165 their role and responsibilities in co-ordinating public, private and third sector social care providers in  
166 the market (Land and Himmelweit, 2010).

167 Traditionally Scottish social care clients could expect their care package to cover some personal  
168 needs e.g. administering medication (known as registered care), and homecare services such as  
169 shopping and cleaning. However the implementation of the Social Care Act changed the expectations  
170 of social care clients and service providers as individuals were now given a budget which the Scottish  
171 Government suggested they could choose to spend on the social care activities they wanted (Scottish  
172 Government, 2018b). However local authorities implementing SDS under austerity had to manage  
173 such high expectations and so, following policy implementation, some local authorities began  
174 producing lists of 'permitted' or sanctioned activities only which clients could purchase through their  
175 SDS budgets. Scottish local authorities are able to exert this control over individual's SDS decision-

176 making and spending as, to minimize risk, all services and activities must be approved by the local  
177 authority before SDS funds are released. This control over permitted spending in turn impacts upon  
178 and differentiates local social care markets across each of Scotland's 32 local authorities, as service  
179 providers reliant on SDS payments will therefore adapt (Pierson, 2000) to the local authority's  
180 requirements.

181 In the UK, social work departments have traditionally been resourced and managed by local  
182 authorities and hence have not been immune to austerity cost-cutting. Personalisation policies  
183 across the UK home nations have challenged these social workers to work in new ways with reduced  
184 resources to ensure positive outcomes and maintain good practice whilst minimising risk (Stevens et  
185 al, 2018). In Scotland, the timing of the implementation of the Social Care Act has been challenging  
186 for social work, and when coupled with 'past trajectories' (Thelen, 1999), have added to the failure  
187 of the policy to generate transformative change in the social care market (Pearson et al, 2018).

188 The following study aims to explore the opportunities and challenges that SDS has presented to  
189 social enterprises in Scotland through examining the experiences of a cohort of social enterprises  
190 providing activities and services paid for through clients' SDS budgets. To investigate the influence of  
191 local governance systems upon these social enterprises, additional insight is captured through the  
192 narratives of public institution stakeholders, social enterprise network representatives, and  
193 organisations which advocate for SDS clients. This study then examines the participants' narratives to  
194 explore the emergence of social innovation in local care markets.

195

### 196 **3. Method**

#### 197 *3.1 Sample*

198 This study sought the perspectives of a range of stakeholders to give insight into the current social  
199 enterprise social care landscape, including nine social enterprise representatives who deliver  
200 frontline social care; four public sector representatives from social work, the National Health Service

201 (NHS), and SDS procurement governance; four stakeholders from regional and national third sector  
202 social care advocacy organisations; and two social enterprise network stakeholders who are in  
203 regular contact with hundreds of social enterprises across Scotland. Participants came from  
204 seventeen different organisations and were sampled from seven of the thirty two local authority  
205 regions across Scotland including areas in central, western, northern and eastern Scotland. In  
206 addition, five stakeholders represented national organisations that worked across all Scottish regions  
207 (see Table 1). Participants were purposively sampled. Six participants were recruited initially through  
208 the research team’s professional networks, and through the snowball technique those six  
209 participants recruited a further 13 stakeholders.

210

211 [Insert table 1 about here]

212

### 213 *3.2 – Measures*

214 All participants were interviewed once using a guided conversation technique (Rubin and Rubin,  
215 2005). The guided conversation approach allows the interviewer to ensure the participant remains  
216 on-topic by using broad thematic prompts while allowing the emergence of unexpected themes  
217 during the participant’s open narrative (Henderson et al, 2018). The interviews were therefore  
218 structured around four broad themes, namely 1) the participants’ role and their experiences of the  
219 Scottish social care market; 2) their experience/perceptions of social enterprise operating in the  
220 current social care market; 3) their experience/perceptions of local authorities’ role in the  
221 implementation of the Social Care Act; 4) their awareness of social innovation emerging in social  
222 enterprises as a result of the Social Care Act.

223 The interviews were open-ended and participant-led, ranging in duration from 45 minutes to 120  
224 minutes depending on the individual. Two of the authors conducted the one-one-one interviews.

225 The location of the interview was chosen by each participant, and took place either in University

226 meeting rooms or in the participants' workplace. All participants completed consent forms prior to  
227 interview, including indicating whether they gave permission for their interview to be audio-  
228 recorded. Due to sensitivities around the research topic, four stakeholders did not wish to be audio-  
229 recorded but still consented to participate in the research. Where interviews were not audio-  
230 recorded, the researcher took extensive notes of responses during the interview. Ethical approval  
231 was granted from the University's Ethics Committee.

### 232 *3.3. Analysis.*

233 The interviews and noted conversations were organised in QSR Nvivo using the four broad guided  
234 conversation themes. Each member of the research team then conducted their own review of the  
235 data and coded it using deductive manifest themes, for example polarity i.e. positive or negative  
236 statements, before running a second analysis in which they coded inductive emergent themes such as  
237 explanations of challenges within the SDS-funded social care market (Braun and Clarke, 2006; Joffe and  
238 Yardley, 2004). The team then came together to discuss and reflect upon their findings before  
239 comparing them with relevant literature (McKeever et al, 2015). The results of this analysis are  
240 presented in the following sections.

241

## 242 **4. Results**

243 The following results section considers four deductive themes. Firstly, the analysis of social  
244 enterprises' experience and perception of SDS and the current social care market is presented.  
245 Secondly, social enterprises' experience and perceptions of local authorities' implementation of the  
246 Social Care Act are described. Thirdly, the influence of SDS and the Social Care Act on social  
247 enterprise-led social innovation in social care is explored before fourthly, the perception of social  
248 enterprise as the 'last resort provider' is examined.

249

250 4.1 Experience of the Social Care Act

251 The participants in this study all stated that the implementation of the Social Care Act and the SDS  
252 system was problematic and uneven across Scottish regions. A representative of social enterprises  
253 providing social care across Scotland noted:

254 “It just seems very messy everywhere, from one area to another...I’m working nationally  
255 so I’m kind of dipping in and out of what folk are saying in different areas...(but) nobody  
256 seems happy with it...it’s all coming back to me through (social enterprise) members and  
257 what their experience is.” (GC, national social enterprise network)

258 This ‘messy’ picture was reported to have arisen from the timing of the Social Care Act’s introduction  
259 in 2014, when annual significant cuts to Scottish local authority budgets were already challenging  
260 service provision:

261 “...they did it at the worst possible time.....(putting) pressure on local authorities to  
262 deliver it according to legislation at a point where services would be strapped for  
263 cash...because they did it at the same time, it meant that everyone was blaming Self-  
264 directed Support on cutting budgets which is ridiculous...(had they)...waited until there  
265 was money available you could have had a far greater perception of Self-directed  
266 Support as something which truly enables people to have a choice.” (DR, national  
267 disability advocate)

268 The timing of SDS’s introduction had generated a tense relationship between social enterprise and  
269 frontline social work staff who were responsible for implementing the policy:

270 “...because of the nature of SDS and how it was implemented...local authority staff  
271 didn’t always take to it from the start because it was a completely different way for  
272 them to work...I think there was often a feeling that we were encroaching on what they

273 were doing, rather than working harmoniously alongside them.” (AD, social enterprise  
274 SDS lead)

275 Social enterprises not only had to negotiate with social work staff but also navigate the local  
276 authority procurement system. Local authorities in Scotland maintain a system of allowing only  
277 through ‘approved providers’ to be paid for delivering care. Approved providers are organisations  
278 which have been vetted by the local authority and have demonstrated their sustainability e.g. by  
279 their age, size and/or turnover. When the Social Care Act was implemented, local authorities often  
280 continued to rely on existing approved providers to deliver care to SDS budget-holders. This acted as  
281 a barrier to new social enterprise providers entering the market, in particular small new social  
282 enterprises that could not meet the sustainability criteria local authorities required:

283 “...amongst the (national network) members, the big issue for them is just they can’t get  
284 a look in...it’s the big care providers in terms of third sector that take...(SDS)...up.” (GC,  
285 national social enterprise network)

286 Contrary to the suggestion that SDS would give clients’ greater choice and control, participants  
287 reported that service diversity had decreased since the Social Care Act was implemented. BHA, an  
288 urban home care service manager, reported clients were no longer allowed the range of services  
289 they had enjoyed under pre-SDS local authority care contracts, such as care workers delivering and  
290 putting away food groceries for those clients physically unable to do so themselves. She stated the  
291 SDS system had increased the control of the local authority over her clients’ care rather than giving  
292 her clients more choice and control. However, others suggested this change in service provision was  
293 an artefact of austerity-driven financial cuts rather than local authorities’ attempts to control  
294 spending:

295 "I think the failings would be the lack of resources from central government...they're just  
296 not...feeding adequately into the local authority purses to run the services that they  
297 need." (SW, social worker)

298 CL, a Community Links worker based in an urban health centre, agreed the cuts were the cause of  
299 service reduction. She reported an increase in social exclusion amongst her clients as a result of  
300 these financial constraints:

301 "...with people's packages being cut to a minimum one of the first things to go is the  
302 social aspect of it. So the people used to get support to go shopping or they would get a  
303 kind of respite-type thing where they could go to the pictures one day a week. They're  
304 not getting that anymore." (CL, Community Links worker)

305 Money and budget cuts were recurrent themes emphasised by the study's participants. This  
306 manifested itself beyond service provision. SW (social worker) stated the local authority social  
307 care assessment form did not have the 'deep analysis into...day to day life' necessary to  
308 properly assess an individual's care requirements:

309 "...in fact the actual biggest part of the form is usually about the financial bit because  
310 that's going into the nitty gritty to see how much the local authority can save if the  
311 person's got more savings." (SW, social worker)

#### 312 *4.2 Local authorities' implementation of the Social Care Act*

313 Several participants noted that the size and longevity of social enterprises impacted upon their  
314 success when trying to enter the approved provider system in order to access SDS clients. For  
315 example, BB managed a large social enterprise (c.£1.5million turnover) which was well-established  
316 (>20 years). His organisation had operated in the local social care market before the SDS budget  
317 system was implemented, and he reported his organisation already had the business networks, scale  
318 and local authority experience to immediately recruit SDS clients. He reported however that his

319 social enterprise was one of just eight approved providers in his local authority area, and that his  
320 local authority stipulated that those eight providers could only deliver specific care activities which  
321 were pre-determined by the local authority rather than chosen by the SDS budget holders. This was  
322 consistent with evidence from other participants who reported local authorities controlled not only  
323 the organisations that gained approval, but also the type of activities those organisations delivered,  
324 regardless of which SDS Option the budget-holder had selected. BB and other participants stated  
325 social care markets in their areas were continuing largely unchanged from before the Social Care Act.  
326 For those living in remote Scottish rural areas and islands, there was often no social care provider at  
327 all. Where there was some provision, choice was limited. NN, the CEO of a new (<3 years) small  
328 social enterprise, operated her organisation in an urban area and was successfully specialising in  
329 another social care activity without any full-time staff when she was approached by a family to  
330 deliver homecare to a client residing on a remote Scottish island. The potential client had fallen and  
331 couldn't be released from hospital without homecare in place but the island had no social care  
332 provision. The client's family and the local authority agreed that care was best paid for through an  
333 SDS budget. However, the island was frequently cut-off by bad weather, leaving workers stranded  
334 for days, and so had proved unattractive to other social care providers. NN's organisation was the  
335 only social care provider prepared to operate there. This left the local authority with no choice but to  
336 approve this new small social enterprise:

337        "We're not a big large organisation that provides care and that's the mainstay...Just  
338        getting around that took a while for them (*the local authority*) to grasp and release the  
339        money to the client. They (*the client*) needed to get home so I think that sped up the  
340        process and released the bed from where they were in hospital....Local authorities say  
341        they work with social enterprise, but it's not as simple or straightforward as that." (NN,  
342        social enterprise CEO)



343 NN's case study demonstrates that local authorities are able to take the risk and approve new small  
344 social enterprises if they so choose, suggesting legislation and internal local authority procedures  
345 do not inevitably preclude small new social enterprise from entering the market.

#### 346 *4.3 SDS and social enterprise-led social innovation*

347 The emerging evidence in this study suggested that SDS has both promoted and stifled social  
348 innovation, depending on whether the local authority was urban or rural. As NN reported, a rural  
349 local authority granted a new small social enterprise approved provider status despite the  
350 procurement difficulties. While NN did not interpret the social enterprise's SDS-funded social care  
351 delivery as socially innovative, another external stakeholder implied it was:

352        "...the (*island*) nurse approached me and said..."you should try and develop this service  
353        so that you take over the island...there are so many people...(that)...need the  
354        support...nobody can get here."...She pulled me aside as though it was something really  
355        transformational..." (NN, social enterprise CEO)

356 LCB managed social care service provision in a large (60+staff), well-established (over 20 years) urban  
357 social enterprise. Following the loss of their local authority contract to the private sector, the  
358 organisation developed socially innovative registered and homecare services for SDS budget-holders  
359 which involved matching a named worker to each client in a manner similar to matching befrienders  
360 to vulnerable people. Backed by large cash reserves and already advantaged by operating in an  
361 affluent urban area, the social enterprise was able to recruit enough private clients to cross-subsidise  
362 clients waiting months for SDS payment decisions. However this model was not without its  
363 challenges, particularly the unexpected high hidden costs involved in signposting, advocacy and  
364 support to ensure clients were able to access their SDS budgets.

365 While LCB reported signposting and advocacy as an unexpected cost, another social enterprise  
366 embraced signposting and advocacy as part of their marketing strategy. CO, the Development

367 Manager of a rural social enterprise, explained the organisation's business strategy involved  
368 campaigning for a wider interpretation of SDS policy amongst local authority staff, and that this  
369 repeated contact had led to the creation of a supportive positive relationship between the social  
370 enterprise and the local authority. Two other participants in this study, both of whom were  
371 unconnected to CO's social enterprise but knew of its' activities from their national remit across  
372 Scotland (GC, national social enterprise network; SW, social work union representative) reported  
373 that local authority area as being the most supportive of SDS budget-holders in Scotland. Both GC  
374 and SW further stated that this view was based on witnessing an emerging socially innovative local  
375 social care market driven by SDS budget-holders there. This new market was successfully offering  
376 alternative physical and mental health therapies to SDS budget-holders alongside more traditional  
377 care provision.

378 CO reported the local authority's co-operation was a practical solution to recognised gaps in local  
379 provision:

380 "So (*the local authority*), mostly under the Self-directed Support agenda, realised that if  
381 you were in a rural area and you chose Option 1, a direct payment to buy in your care  
382 and support, there was nothing to buy in. So, they gave...a little bit of money to  
383 stimulate small enterprises to start looking at care and support..." CO (social enterprise  
384 development manager)

385 CO's organisation also recognised that this interplay of organisational agenda and local opportunity  
386 also existed in the social enterprise:

387 "...the fact that there was nothing provided created an opportunity for us, and I don't  
388 think we would've got so far so quickly had there been competition or had there been  
389 other people doing what we do. When you've got nothing...you've got need..." CO  
390 (social enterprise development manager)

391 Other social enterprises reported a very different experience when interacting with their local  
392 authority, and that such experiences impacted upon their ability to deliver socially innovative  
393 activities. For example, PA's social enterprise activities were cited by national stakeholders and her  
394 peers as being socially innovative (e.g. DB, national advocacy; GC, national social enterprise network;  
395 NN, social enterprise CEO). However PA (social enterprise CEO) reported that her organisation had to  
396 curtail its socially innovative activities to ensure they fitted the local authority's stipulations:

397        "...they (the local authority) don't like you doing anything that doesn't fit their  
398        boxes...It's a limited resource...there were younger people that wanted to join us but  
399        because my remit was only over-65, they were not allowed to come." (PA, Social  
400        enterprise CEO)

401 Parameters on the delivery of PA's social innovation limited its ability to reach the broadest  
402 possible number of SDS budget holders. Another barrier to the wider adoption of socially  
403 innovative activities was the approved provider system. As demonstrated by BHA (social enterprise  
404 service manager) and NN's (social enterprise CEO) case studies, approved provider status was  
405 difficult to obtain for new, innovative and small social enterprises.

406 GV, the national procurement stakeholder, reported a potential solution to such constraints is  
407 under development, namely a national Scottish approved provider database funded by the Scottish  
408 Government. He stated 22 of the 32 Scottish local authorities had already agreed to this national  
409 procurement framework and more were expected to join. GV suggested the framework will allow  
410 SDS budget holders greater choice and control through expanding the pool of approved  
411 organisations available to them, including social enterprises. However, whether this database  
412 would resolve the issue emerging earlier of service homogeneity or embrace nascent socially  
413 innovative activities is unclear. As noted earlier, BHA (social enterprise service manager) and CL  
414 (Community Links worker) observed the provision of services was currently homogenised and  
415 focused on 'traditional' homecare services in some regions, undermining attempts by innovators

416 like PA (social enterprise CEO) to widen access to new innovative activities. Discussing such  
417 constraints led AA (regional social enterprise network manager) to reflect upon the relationship  
418 between social enterprise and local authorities:

419 “One of the challenges that I think a number of the social enterprises face, probably a  
420 most difficult challenge actually, is not necessarily about direct market competition...but  
421 actually in the dealings they have with...the local authority.” (AA, social enterprise  
422 network manager)

423 This difficulty in managing the relationship between social enterprise and the local authority is  
424 explored in more detail in the following section.

#### 425 *4.4. Social enterprise – the last resort in a ‘messy’ market?*

426 Difficult relationships between local authorities and social enterprises were reported by several  
427 stakeholders, including concerns about ongoing access to local authority funding. This made  
428 speaking truthfully or making demands of the local authority challenging:

429 “...there are a few organisations that are funded...to support people with SDS and I don’t  
430 think that they (*social enterprises*) would be open with them (*the local authority*) about  
431 their concerns or some of the negative stories that they hear because they worry that  
432 that will impact on their continued funding.” (HP, regional advocacy)

433 A power imbalance was referenced whereby social enterprise providers are viewed as ‘less’ than the  
434 public or private sector providers:

435 “...we (*social enterprise*) are just at the bottom of the pile...some of them go to us  
436 directly because they see they can palm them (*difficult clients*) off onto us and they  
437 don't have to worry anymore. And I think some of them see us as a last resort, or they  
438 don't think of us at all.” (HC, social enterprise development manager)

439 In addition, HP (regional advocacy) reported an expectation amongst the public sector that social  
440 enterprises could deliver services more cheaply or even for free. She noted a failure to appreciate  
441 the high level of expertise in social enterprise and the wider third sector, and the public sector's  
442 assumption that social enterprise has lower expertise than the private sector. HC supported this:

443 " ...I would go and see social workers and...they all thought I was 'just' the third sector  
444 volunteer...they kept telling me that they were professional social workers. I never said I  
445 was one, but I never said I wasn't. What I said was, "As you are a professional, so am I,  
446 and we're sitting here on equal partnership." Now the word got around that I was a  
447 social worker...I've never changed that view. I'm not!" (HC, social enterprise  
448 development manager)

449 BB (social enterprise manager) reported that his organisation was perceived to be 'a provider of last  
450 resort' and he felt this was in part due to the organisation's social mission, which required his  
451 enterprise to support all clients, regardless of their vulnerability or the cost of doing so. He stated  
452 this commitment to deliver care to everyone that needed it meant his organisation cannot refuse a  
453 potential client. BB witnessed private providers 'cherry picking' clients while his social enterprise was  
454 being sent particularly difficult clients that other providers had refused or abandoned. This was also  
455 noted by AZ (social enterprise CEO), who reported that his highly successful rural social enterprise  
456 was invited to work in an urban local authority's area. On arrival the organisation found the provision  
457 of services in that area was dominated by the private sector. His social enterprise also became the  
458 provider of last resort and was allocated the 'hardest' clients that private providers had either  
459 abandoned or refused to take. AZ's organisation's social mission prevented it from refusing any  
460 client if it had capacity. This aligned with NN's (social enterprise CEO) experience of providing a  
461 service on a remote island, where weather stopped the ferry leaving and the costs of service  
462 provision made it unattractive to the private sector:

463 “We need to have the flexibility of allowing a carer to stay if they can’t get off the island  
464 and somebody else can’t swap. That sort of thing is difficult to manage...it also makes it  
465 very difficult to recruit because not many people want to lose that freedom of getting  
466 home when they want to.” (NN, social enterprise CEO)

467 The private sector’s reluctance to enter such geographically difficult and hence potentially costly  
468 rural areas was clear:

469 “Some of the providers in the central belt and some of the national providers would not  
470 come into our area because it’s not viable.” (AZ, social enterprise CEO)

471 Yet several stakeholders reported that such difficulties did not prevent the private sector from  
472 bidding for contracts in those areas. In three rural regions, stakeholders reported examples of  
473 private sector organisations that were given contracts for a geographic area only to withdraw  
474 provision from unviable areas despite contractual obligations:

475 “...his health condition was deteriorating, and the family had been assessed by social  
476 work and were waiting for six months for support to come in...There was a contract to  
477 provide homecare in that area but the contractor had no staff for that area and were  
478 unwilling to send someone out...” CO (social enterprise development manager)

479 CO reported that in remote areas in her region, clients were being given an SDS Option 1 budget to  
480 control and purchase their own care despite none being available. This effectively removed any  
481 legislative responsibility of the local authority to ensure the client had adequate social care  
482 provision. HC (social enterprise development manager) also reported the SDS system was used in  
483 this way in her region. In both these areas, the finance for a social care market was made available  
484 by the respective local authorities for those particular remote rural sub-areas CO and HC cited, but  
485 there was no provider to exploit that.

486 A circular problem in the relationship between the local authority and social enterprise emerged in  
487 the narratives of rural social enterprises that successfully delivered social care through SDS budgets  
488 in areas where previously no social care had been available. This new provision inadvertently created  
489 an unexpectedly high local demand for the new services, as a new client group of individual residents  
490 emerged that urgently required care but who had not previously presented their needs to the local  
491 authority. The consequence of these pressures was difficult relationships between the social  
492 enterprise sector and their respective local authority in some areas:

493 “...(the local authority was)...trying to get people out of hospitals, so they delayed  
494 discharges and they were contacting (social enterprises) who were unable to take them  
495 on. The (local authority)...were implying that (social enterprises) were responsible for the  
496 delayed discharge because of their delays in recruiting enough workers.” (HP, advocacy  
497 network)

498 One new social enterprise was struggling to cope with its’ success in the face of the unexpected  
499 demands from previously-unknown residents, combined with the urgent care demands of those  
500 about to be discharged from hospital: :

501 “They've done an amazing job...everybody sees them as the answer...It (the social  
502 enterprise) could end up folding because it's just too much. Or getting a bad reputation  
503 because they won't be able to keep up within what they're given. And I think that would  
504 be a real shame, because...they are very good.” (HP, advocacy network)

505 HC (social enterprise development manager) suggested that local authorities attempted to transfer  
506 both responsibility and blame to the social enterprise sector:

507 “They're (the local authority) seen as the baddies because they can't provide it, (so they  
508 say) “If we give it to (social enterprise) it's (their) problem and it's down to them!” (HC,  
509 Advocacy/SE development manager)

510 Despite these tensions, one national stakeholder was particularly optimistic that the landscape was  
511 changing for the better:

512 “...you have a mixed market. You have third sector provision. You have big  
513 organisational provision down to very, very local provision...that segmentation I think  
514 has made the social care market...much more powerful and much more responsive to  
515 individual need...I think that provides a fertile landscape for a social innovation or a  
516 social innovator.” (DQ, national disability advocacy)

517 DQ’s enthusiastic optimism was not shared by the majority of participants, particularly those  
518 working in the frontline of social care, who reported concerns about the sustainability of social care  
519 in Scotland. HC held a particularly bleak belief about the current Scottish social care market’s  
520 sustainability:

521 “...if I really want to be honest, I think euthanasia will come in and that will be the way  
522 to solve it....I don't see how they can do it any other way.” (HC, social enterprise  
523 development manager)

## 524 **5. Discussion**

525 This study explored the experiences of social enterprises delivering social care in Scotland, and found  
526 mixed evidence of transformation in the Scottish social care market. The Social Care Act has led to  
527 increased opportunities and greater organisational sustainability for some social enterprises, but for  
528 others it has created fragmented regional social care markets and maintained the ongoing tense  
529 relationships with local authority and public sector staff. While there is some evidence of social  
530 enterprise-led transformation in the market, e.g. new social care provision where previously there  
531 was none, it is not transforming at the pace or with the consistency across geographic regions  
532 anticipated by the Scottish social enterprise social care sector.



533 Explanations for the delay in transformation comes in part from barriers to social enterprises' market  
534 inclusion, including size and scale precluding approved provider status, and an attitude in the public  
535 sector that social enterprise care providers are somehow 'less' specialised or skilled than other  
536 organisational forms. These attributions, and the misconception that social enterprises can deliver  
537 services free or more cheaply, were found to undermine the place and importance of social  
538 enterprise in the market, regardless of the promoted and well-publicised political enthusiasm  
539 supporting social enterprise in Scotland (Scottish Government, 2016). Yet despite such  
540 misperceptions, some rural Scottish local authorities were found to rely entirely on social enterprises  
541 to deliver social care in difficult-to-reach areas and to small, isolated communities, while some urban  
542 local authorities allocated social enterprises difficult clients who had been rejected by private sector  
543 providers.

544 Under the Social Care Act, the SDS budget system offered new opportunities for clients to gain  
545 control of their care budgets and make greater choices over their care and support, and evidence of  
546 this occurring emerged in this study. However, there was also strong evidence of local authorities  
547 controlling social care provision to people who received SDS through their management of the  
548 approved provider process. This in turn hampered social innovation in the market.

549 The timing of the Social Care Act was recognised elsewhere as challenging due to budget cuts in local  
550 authorities (e.g. Stevens et al, 2018), and in this study social enterprise staff and other frontline and  
551 strategic stakeholders highlighted the impact of fiscal constraints on the social care market.  
552 However, one local authority used the opportunity presented by the new policy to reduce its role in  
553 the market, freeing organisations to develop activities which responded to local needs. More  
554 commonly, local authorities remained faithful to traditional types of social care services like  
555 homecare, manifesting their change-resistant path dependence (Pierson, 2000). This is consistent  
556 with previous evaluation evidence that concluded changing from state provision to individual  
557 budgets through the SDS system was generating less choice and control amongst some budget

558 holders (Audit Scotland, 2017a). Drawing on a lens of Historical Institutionalism helps us to  
559 understand how local authorities may be slow to change and adapt to new circumstances and  
560 policies even under favourable conditions, and instead remain biased towards ‘past trajectories’  
561 (Thelen, 1999).

562 The national procurement framework is still under development but offers the potential to remove  
563 some barriers to social enterprises’ involvement in the social care market through its nationalising of  
564 the approved provider process. Should this happen, social enterprise could play an important role in  
565 transforming the social care market through providing services that address local needs, developing  
566 social innovations, and harnessing the power of local volunteers. The introduction of the national  
567 procurement framework could act as a systemic ‘shock’ to current local authority processes and  
568 circumvent the ordinarily slow pace of institutional change identified by Historical Institutionalism  
569 theory (Cappocia, 2016).

570 This study extends theoretical understandings of how social innovation emerges in the public domain  
571 and the interplay of public institutions, social enterprise and quasi-markets like Scotland’s social care  
572 sector (Vickers et al, 2017). The findings demonstrate that where there are already existing gaps in  
573 social care provision, then a change in policy, in this case the Social Care Act, can combine with other  
574 contextual factors i.e. austerity and increasing demand, to generate an internal shift in a local  
575 authority’s historic approach to the provision of social care. This was particularly well-evidenced in  
576 one region where a social enterprise worked closely with their local authority to co-produce a new  
577 social care quasi-market. The local authority supported social enterprise and small providers as the  
578 solution to pre-existing need in the area following proactive campaigning by local social enterprises  
579 at a time when social care needs in that area could no longer be met by the local authority, and the  
580 local authority was aware some communities in the region were without any social care provision.  
581 The introduction of the Social Care Act presented a timely opportunity to interpret the policy and  
582 use its associated budgetary innovation (SDS) to achieve better social care coverage. The absence of  
583 any competitive market therefore created a vacuum which became a landscape of opportunity.

584 Contextual factors i.e. policy change, new budgetary systems, fiscal constraints, emerging social  
585 enterprise advocates, the absence of a competitive market) combined to drive a shift in the local  
586 authority's procurement and approval process, resulting in the emergence of socially innovative  
587 social enterprise structures, activities, and social care provision.

588 In other regions, however, social enterprises reported that they did not have the relationship with  
589 their local authority to enable them to work together to co-produce the local social care quasi-  
590 market. This was regardless of the success or failure of social enterprise providers operating within  
591 those regions, as demonstrated by the very successful social enterprise that was at risk of failing  
592 through overwhelming demand.

593 This study found evidence that some staff in local authorities and the public sector viewed social  
594 enterprises as 'providers of last resort'. This misperception supports uneven competition in the  
595 marketplace, enabling the private sector to continue to 'cream' off easier and hence less costly  
596 clients to maximise their profits whilst more difficult clients were 'parked' (Carter and Whitworth,  
597 2015). Due to the commitment to the organisation's social mission, social enterprises in this study  
598 reported they could not refuse even the most difficult clients. In this study, these less 'attractive'  
599 clients were those that cost the organisation more due to travel and logistics, and clients who had  
600 complex needs (e.g. addiction issues; chaotic lives). This phenomenon of 'creaming' has long been  
601 evidenced across a number of quasi-markets, from prisons (e.g. Johnston, 1990) to welfare-to-work  
602 (e.g. Carter and Whitworth, 2015). In social care, the refusal of some profit-driven private sector  
603 organisations to refuse services to some clients, despite being contracted to do so, raises pressing  
604 questions about the governance of the social care quasi-markets in Scotland, and presents a valid  
605 concern about human rights to policymakers.

606 The stakeholders' perception that local authorities' view social enterprises as 'providers of last  
607 resort' requires further exploration, as does the 'scapegoating' of social enterprise for wider market  
608 failures. Poor relationships and lack of co-operation between social enterprises and their local

609 authorities was evident in some regions, allowing scapegoating to flourish. Co-operation between  
610 local authorities and social enterprise is essential to transforming and innovating the social care  
611 market. National and international policymakers must therefore recognise and support such co-  
612 operation while being mindful of the wider context surrounding policy implementation, and ensure  
613 they surmount legislative barriers within any involved institutions and departments before the policy  
614 is introduced.

615

## 616 **6. Conclusion**

617 This study found that the Scottish personalised social care market is 'messy', and a lack of consistent  
618 approaches to the implementation of the Social Care Act was evident across Scottish regions. Local  
619 authorities were found to largely constrain their social care markets through controlling the choices  
620 individuals could make over their care, including the types of activities they could purchase and the  
621 types of organisations they could purchase them from. Such constraint was found to be an artefact  
622 of both existing procurement legislation and internal local authority change-resistance. This  
623 resistance to change also hampered social innovation and the growth of small, new social enterprise  
624 entrants. While the timing of the introduction of the Social Care Act and the pressures of austerity  
625 did little to support local authorities to consistently implement the policy, it could not explain local  
626 authorities' failure to recognise the added value and expertise social enterprises could bring to the  
627 social care sector. The findings presented here are of relevance to policymakers nationally and  
628 internationally, as they offer an increased understanding of emerging social care markets arising  
629 from policy-shifts towards empowering social care users to self-direct their care.

630 This study is limited to the views of a purposively selected group of people currently engaged in  
631 social care in Scotland who have an interest in social enterprise, itself a contested concept (Teasdale,  
632 2012). A larger systematic investigation with a broader range of stakeholders is urgently needed to  
633 give greater insight into the range of issues presented here, including the ongoing lack of social care

634 provision in some areas; the local authority governance of social care quasi-markets; the relationship  
635 between local authorities and the social enterprise sector; the lack of personal choice over care; and  
636 the constraint on social innovation through an overdependence on historic processes and traditional  
637 care activities.

638

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**Table 1: Sample description by pseudonym**

	<b>Pseudonym</b>	<b>Role/Service</b>	<b>Service delivered/central organisational activity</b>	<b>Organisation</b>	<b>Sector</b>	<b>Area</b>
1	BHA	Service delivery manager	Homecare services (managed by BB)	Social care provider	Social Enterprise	Urban (West Central Scotland)
2	LCA	Service delivery manager	Homecare services (managed by LCB)	Social care provider	Social Enterprise	Urban (East Central Scotland)
3	NN	Chief Executive Officer (CEO)	Homecare	Social care provider	Social Enterprise	Rural (North West Scotland)
4	PA	Chief Executive Officer (CEO)	Older people alternative therapy	Alternative therapy provider	Social Enterprise	Urban (West Central Scotland)
5	BB	Social enterprise manager	Registered & homecare services (manages BHA)	Social care provider	Social Enterprise	Urban (West Central Scotland)
6	LCB	Social enterprise manager	Homecare services (manages LCA)	Social care provider	Social Enterprise	Urban (East Central Scotland)
7	AZ	Chief Executive Officer (CEO)	Support and training	Social care provider	Social Enterprise	Rural (North West Scotland)
8	CO	Social enterprise manager	Multiple services including care, befriending and alternative therapies	Social care provider	Social Enterprise	Rural (Northern Scotland)
9	AD	Social enterprise SDS Lead	Personal SDS advocacy services	SDS advocacy service provider	Social Enterprise (Policy)	Rural/Urban (N.E. Scotland)
10	CL	Community Links worker	Medical services & care in the community outreach	NHS/Social Work	Public (Health)	Urban (West Central Scotland)
11	AA	Rural regional social enterprise network manager	Social enterprise support	Regional social enterprise network	Social enterprise (Network)	Rural (Northern Scotland)
12	HP	Regional older people's network advocate	Regional social care advocacy	Regional older people's network	Third (Advocacy)	Rural/Urban (Northern Scotland)
13	HC	Regional carers' network advocate & SE development manager	Personal and regional carers support	Regional disability and social care network	Social Enterprise	Rural/Urban (Northern Scotland)
14	AP	Regional SDS network co-ordinator	Health and social care partnership	Regional network	Public/Third sector partnership	Rural/Urban (N.E. Scotland)
15	GC	National social enterprise health and social care officer	Health and social care sector social enterprise advocacy and support	National social enterprise network	Social enterprise (Network)	National
16	GV	National Procurement Manager	Governance of SDS procurement	National public sector procurement	Public (Governance)	National
17	SW	Social worker; social work Union representative	Social worker; advocacy & support	National social worker network	Public (Social Work)	National
18	DR	National Disability Rights Policy Officer	Disability rights advocacy and support	National disability rights network	Third Sector (Advocacy)	National
19	DQ	Chair, National Advocacy Charity	Disability rights advocacy and support	National disability rights network	Third Sector (Advocacy)	National

