

Social enterprise, social innovation and self-directed care

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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 19th 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 (Hazenberg & 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 options¹ 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

¹ 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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