Hybrid Organizations with Social and Business Goals. Ethnographic Analysis of a Young Mother Supporting Café from Budapest

working paper

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Henriett Primecz

Corvinus University of Budapest

Abstract

Social inequalities are present in capitalist economies, which are moderated by welfare states: socially and economically vulnerable social groups are supported by state benefits. Social enterprises ideally combine social aims with entrepreneurial spirit, and provide financially sustainable solutions for social problems with enduring enterprises. Social enterprises are supposed to be win-win solutions: they provide care for people in need, while they also operate as small or medium-sized enterprises within capitalism. However, there is growing criticism towards social enterprises, as they may replace state support and this way reinforce neo-liberal ideology. While it is obvious that social problems can only partially be solved by well-intentioned social entrepreneurs, not only because of their size and the fact that their social impacts tend to be local and limited, but also because the supportive mechanisms from governments and from supranational bodies (such as the EU) push the large majority of these social enterprises towards neo-liberal operation. The paper presents a highly successful social enterprise which aims to support young mothers by providing a mother-friendly and child-friendly space in order to reduce social isolation. A four-month field study, including participant and non-participant observation, interviews with guests, the founder, and a manager constitute the empirical base of the analysis. The main research question is how and to what extent the social enterprise improves the target group's everyday life and what limits are inherent to this model. Can this social enterprise contribute to solving social problems connected to motherhood? Does the market-imperative (the neo-liberal discourse) decrease the social impact or not?

Introduction

Social innovation gains its space in the social world. Large part of social innovation is organized by social enterprises. This unique solution is a double-aim business entity: a business enterprise which has positive social impact. Although there are different schools of social entrepreneurship (e.g. earned income school, social innovation school, EMES) the business requirements are gaining their importance (Kiss, 2018). Social enterprises are created to solve or at least improve the lives of vulnerable social groups or environmental issues. Social enterprises ideally combine social aims with entrepreneurial spirit, and provide financially sustainable solutions for social problems with enduring enterprises. The original aim of social enterprises is usually to reach certain social goals, and its business side is added later to create a long-lived entity, which has the economic basis to provide support for the target group. Target groups can be any vulnerable social groups, such as young mothers, people with disabilities or minority ethnic groups. This study presents a case about a social enterprise which operates a café and community place for young mothers. This social group is isolated from other adult groups, and it is especially problematic in countries, where the length of maternity leave is long (such as in Hungary: 2-3 years/ child), and the gender regime does not support fathers to take part in parenthood in the expense of reduce their work outside of home. Fathers are allowed to take paternity leave, but the social practice - often due to gender pay gap or simply social pressure to maintain the traditional bread winner men and caring women gender roles -, push mothers to stay at home, and fathers to work more after child birth.

The first part of the paper presents the theoretical basis of this study. First, it discusses the phenomenon of social enterprise from an ideological level: how it reinforces neoliberal market ideology by depriving parts of the welfare system from the state and relocate them to social enterprises. The theoretical part also discovers the inner tension of the double aim (social and business) and points out the hybrid form of organizing. While this theoretical problematization is in focus, it shows what might be the issues of the everyday operations of business organizations like that. This is followed by the presentation of the methodology. Organizational ethnography was employed for four months, and this generated a single case study. Participant and non-participant observation with field notes, in-depth interviews, short interviews and conversations were conducted beyond investigating publicly available websites and social media posts. The article draws a conclusion that the highly successful enterprise is viable for long-term, which is due to its marketable service and its being in a

market niche. Although the profitability of the enterprise might not reach similar size of small and medium sized enterprises, it is still within the viable territory. At the same time, it has moderate and locally limited positive influence on the lives of its target group: young mothers, it has almost no chance to influence gender regime in Hungary.

Theoretical background

Social enterprise is considered as a relatively new concept, and Fougere et al. (2017) shows that large number of articles and public policy discourse often gave the impression that it is a panacea for many of the severe problems caused by capitalist system. They also point out that Godin (2012) proves that idea of social innovation emerged already 150 years ago, and it was first associated with socialism and social reform, while today it is more associated with possible solutions of social problems through individual voluntary and entrepreneurial initiatives, which are in line with practices of new public management (Fougere et al.,2017). While the debate goes on about the novelty of the concept, some publications concentrate on the controversial expectations built in the concept: social aim and business logic (Driver, 2017, Fougere et al. 2017, Smith and Besharov, 2017). Influential social enterprise theory builders describe the concept as a natural combination of the two forces, or at minimum it worth taking the challenge to pursue two compatible goals (Defourny and Nyssens, 2017, 2013), other researchers problematize the essence of the concept. Critics are at two different levels: (1) ideology critiques (Fougere et al., 2017), and (2) organizational level problems and conflicts (Smith and Besharow, 2017, Driver, 2017, Nicholls and Cho 2006: 105-16, Dey and Steyaert 2010: 91-92, Young, 2009: 33).

Ideology level criticism address the issue that it is possible to solve social problems by business enterprises. European welfare capitalism proved to be expensive, as the state had high expenditures on solving or at least decreasing social problems, and the possible loss of competitiveness compared to other countries motivated European states to reduce taxes and social expenditures. This change in public policy was combined with emergence of neoliberal discourse in EU policy making and market and civil society was increasingly under pressure to address social problems. State was – at least partially – replaced by enterprises reinforcing neoliberal ideology (Fougere et al.,2017, Young, 2009, Dey and Steyaert 2010). Beyond that large part of social problems were created by the neoliberal capitalist system, e.g. low level of employment of vulnerable social groups, such as mothers with children, people with

disabilities and minority ethnic groups, as they were considered less competitive than a mainstream employee. Young mothers with children lose their competitiveness due to their time constrains (especially in contexts characterised by a lack of child institutions and family support). People with disabilities might lose their competitiveness due to discrimination or lack of certain skills and limited work experience. Minority ethnic groups face discrimination from early childhood, which makes even more challenging and in some cases impossible to reach competitive education (segregated schools system) and necessary employment track record.

The organizational level criticism addresses the fact that contradictory organizational goals may create paradoxes. One argument is simply states that social impact costs diminish competitiveness or financial pressures force entrepreneurs to compromise their social mission (Smith and Besharov, 2017). The existence of incompatible demands within an organization creates hybrid forms, which might be successful in a short-term, but it is questionable if they can survive in the long-term (Smith and Besharov, 2017). Very often distinct values and beliefs are held by different subgroups within the enterprise which might perpetuate irresolvable conflicts (Smith and Besharov, 2017). Until these subgroups hold relatively equal power within the enterprise, both missions can be kept, but when the fragile equilibrium collapses, the survival of the enterprise is questioned. Driver (2017) explored the experiences and struggles of social entrepreneurs who had a mission to work for higher purpose, but they had to subjugate themselves to an expanding entrepreneurial ideology, and this created "heroes" in their identity work. It is unsustainable to expect to became "heroes" for any work, not only for social entrepreneurship. Interestingly, this leads back to the ideology critiques which advices that the concept of social entrepreneurship as a whole should be rejected, as it promotes seductive and powerful ideology or offering a decaf resistance (Contu, 2008), which means that it does not solve the social problems of capitalist societies, but it creates further problems at individual level (e.g. burnout), undermine non-profits at organizational level, and reinforce capitalist ideology at societal level.

On practice level, it leads to difficulties in the enterprises, when they had to prove their financial sustainability after initial financial injection. The entire supporting system to social entrepreneurs is to help them to learn the business logic and trainings are provided on business planning, entrepreneurship and market knowledge; and if the enterprise fails to maintain their activities on the market, the enterprise will be disbanded. It is not even possible to participate in the supporting mechanisms, when the entrepreneur fails to prove the business

idea's marketability. This results that ideas which are valuable in social terms might not even get a chance to get started, but even more the ideas which are selected by supporters (projects, investors, state) are forced in a way, which might be less helpful for the target problem, but financially sustainable. Consequently, only those enterprises will be started which are eventually might be able to survive as normal enterprises. On everyday level, enterprises with strong social aims struggle on the market, and their main difficulties will be defined as demand of those with money to spend, reaching their customers and beneficiaries, maintain their everyday cash flow, and pay for the employees. Salaries are rather low at social enterprises, and they often require volunteers.

The financial sustainability makes it very difficult to grow, and the social innovations remains at small scales. It means that micro enterprises and small and medium businesses are included among social enterprises. This has consequences on their social impact. This can be limited and local. To solve social problems at large scale might become a futile endeavour. So while states and supranational bodies intend to replace welfare system with social enterprises, they will fragment and debilitate social support to vulnerable groups. For example, state and supranational bodies have the means to change gender regimes by introducing supportive mechanism to emancipate women (e.g. childcare institutes, parental leave schemes, gender quotas for corporate boards and universities to break horizontal and vertical segregation of jobs, etc.), a social entrepreneur can only operate within the given gender regime, it may only amend oppressive gender practices, and a small social enterprise cannot replace it. Even when the entrepreneur understands the social problem at larger scale, she has no means to influence it beyond her market. This limited social impact reinforces the harm of the uncontrolled capitalist system.

Methodology

The research aim was co-defined by the founder and owner of the enterprise and the researcher, in line with the principles of critical action research (Alvesson & Deetz, 2000, Johanson & Lindhult, 2008). The owner and founder supported the researcher to participate in the everyday functioning of the café, special events and programs, and she was open being interviewed. She also encouraged to interview visitors of the café, and made it possible to make further interviews with other staff members. Being a small enterprise there are only a few employees, most of them work in part-time bases, and they were not interviewed. Above

all, the founder and owner asked the researcher to fill out a tally sheet about visitors, when the researcher observed the everyday operations at the café. The following categories were expected to be recorded: female, male visitors, children under age 3, children above age 3, grandparents. Any time when the researcher observed minimum one hour, she was expected to make notes about the participants. Beyond that the researcher made notes on observable behaviour, parts of conversations, and she also made short conversations with visitors. The visitors were informed about the researcher on social media, where the researcher photograph and the aim of the research was also announced.

The research took place from September 2018 until December 2018 while establishing the research relationship by an initial interview and discussion with the owner and founder was carried out during the summer of 2018. The researcher spent at least a 2-3 hours each week in the café at different time slots, including mornings, around noon, afternoon, late afternoon and weekends (Saturday). All observation was recorded by field notes. Three open discussion with the owner, and two other interviews with the manager were done before the in-depth interview, which was recorded and fully transcribed. Eight short interviews were recorded and fully transcribed with the visitors, and several other short informal conversations were not recorded but notes were taken in the field notes. Formal interviews, and informal conversations, observational filed notes are the basis of analysis. At the same time, no quotations are included in the paper which was not recorded. Furthermore, the website and social media of the café were investigated. The researcher signed up for the social media of the café during the research, and she was informed about programs, menus, events and further news about the social enterprise. The owner and founder used the social media mainly to communicate with the visitors.

Empirical findings

The owner and the founder was interested in societal issues before starting the enterprise, she graduated as a cultural anthropologist and she had a chance to live abroad. The first idea about a café inclusive for young mothers with children came when she became a mother. "This young motherhood resulted outsiderness." She was surprised by several reactions from the society, and felt isolation and hardship connected with transport with children. It was difficult to reach one point to the other with a pram and a toddler. She felt excluded from several facets of the adult life. She compared her experience with living abroad. She stated that although she

was not mother when she lived abroad, but it was obvious that young mothers were integrated into the society. Hungarian society being less inclusive, the difficulties increases when somebody has children. She also highlighted that she as able bodied person had difficulties to do the everyday shopping, crossing the street in downtown with pram and a toddler, how difficult it might be for a person with disabilities, who e.g. has to move in a wheelchair. With these ideas in mind, she was thinking about how it would be possible to improve better the life of parents with small children.

First, she was not considering an enterprise, rather only to ease her life, in which "it seemed to be hopeless to have a coffee with friends." She reported to be isolated from the rest of the society. Everything was different with children. She first started to cooperate with other mothers in order to make their lives more liveable outside of the playground. The first idea was to cooperate and go to swimming pool together and they could do some sport while other mothers took care of the children while one mother went to swim for an hour or so. Later they visited each other, and one mother might have some free time to do whatever she wanted to do without her children, e.g. do some cleaning, shopping or simply to have some free time without the child. The cooperation among mothers gave birth to the idea of a café. She did not think about being entrepreneur herself, just to establish a more stable cooperation among mothers, so instead of hiring a babysitter, other mothers could help and, in return, at another occasion she can give back the favour. The original idea was a reciprocal system among young mothers, and this system would give some freedom to mothers which also helps to interrupt the societal isolation.

The idea of a place where adult people can go with children and nobody wants to discipline small children who cannot behave properly, means they are loud, they run and sometimes disturb adults. She dreamt about a place where it is possible to breastfeed without other clients complaining, it is possible to change diapers, and it is a safe place for small children, and still comfortable for adults.

Since babysitters for Hungarian middle and lower middle class families are unaffordable on a frequent basis, the place is also a response to economic restriction beyond social isolation. While upper class families in Hungary and middle class people in wealthier countries prefer to employ regular babysitters or nannies, it was out of choice for most mothers in Hungary. Grandmothers and other female family members provide the most frequent help for young

parents in Hungary, but those whose family lives far away or employed or too old, it is not a choice, they remain alone with their children.

After considering possible solutions for young mothers to break out from social isolation, it became obvious that an enterprise is needed, which requires capital. This was the first obstacle, since the founder and owner was not wealthy and she did not have money to invest. She did not have the expertise and experience to run such a place, so she decided to consult with people who might have this knowledge. She went abroad, where she lived before, and searched for places similar as her imagined place. She talked with owners of cafés. Although there were several rather similar places, but she also realized that the social context is different in Hungary. The lack of money (e.g. for babysitters) and the huge obstacles to return back to the employment market for young mothers are significant differences between the two countries. Above all the tolerance level of the two places are different: while it seemed less problematic for young mothers in the investigated country to go to public places with small children, adults in the same situation in Hungary often met disapproval and even discrimination. It was obvious that the place should not be only a café where adults with children can enjoy themselves, but also work integration support programs are needed for young mothers.

The skeleton of the business model was given: a tolerant place for adults with children, which provides programs for children and their parents, and above all work integration programs organised for parents who spent 2-3 and sometimes 6-10 years out of employment. The strong societal pressure on families, which expects mothers to stay home with children for years, and fathers to work more to provide the financial basis of the families, separates female and male career paths, and women needs additional support to return the employment market. In this social and personal situation, the owner and the founder read a call for application for social enterprises. She learned about the nature of social enterprises and she realized that it is exactly what she plans: support a socially disadvantaged group (young mothers), and provide services to them in a financially self-sustaining manner. The combination of social aim and financially sustainable business seemed to be feasible and desirable as well. She applied for an open call together with two other similar young mothers, and they won a starting capital. They found a place provided by the local government and huge amount of voluntary work helped to start the café.

The place could survive because they received further supports from individuals and enterprises and they also received very positive publicity as they won several prizes. The place became popular among young mothers and this indicated further positive publicity. Many articles were written about the place in popular media, the owner/founder was interviewed in various programs, several research was done about the place. This attracted further investments and non-refundable capitals. The owner and founder was active in finding new people and enterprises who can help to develop the place. Today, it is rather crowded on every day, and the most popular programs are full within a few minutes after it is possible to sign up. It is mainly young mothers with children who visit the place, but there are some fathers and some other adults who are free to attend the programs or simply the café. This is due to the fact that the owner and the founder of the café is very active on social media. The most popular program is music for children. Many mothers visit the place to have lunch, which is environmentally friendly, and it is designed in a way which is also appropriate for small children, while not so expensive.

Visitors of the café praised the place, it is unique in the town, and more similar places would be needed. The most popular program is designed for small children, and it is difficult to sign up, as the program is feasible with only a few participants (children and their parents). The enterprise also offer work integration supports, free coaching for women who want to return to the employment market, CV development, career advice, legal advice and preparation for job interviews are also available. These services are designed for work integration as this is the most significant social and economic problem for women with young children, but less popular among visitors, even though these services provide important social support for the disadvantaged group, young mothers to fully integrate to the society. Visitors had diverse future plans. Some felt relieved that they do not have to work, and they did not plan to return similar posts as they worked before maternity, they rather planned radical career changes, which would enable them to spend more time with their families (either being an entrepreneur in the future or simply different employment status such as freelancer). Some others had secular jobs, so they planned to return their previous position without much help. Finally, some have already worked as a freelancer with flexible work schedule, and they did not need further help in work integration.

Conclusion

The inner tension between competing goals of social enterprises (social and business) is embodied in everyday conflicts and struggles within the organization. Market demand for the service of the enterprise exists, but visitors of the café mainly do not possess own income, and consequently cannot afford to pay high prices. This results in low profitability of the enterprise, and the inner tension to provide services to the desired social group and marketability are immediately present. The shortage of workforce in catering industry also complicates the situation: the pays for employees are steadily growing. The enterprise provides good quality cultural programs, environmentally-friendly food selection, the business model is at the marketable section theoretically, but the social and economic context of young mothers in Hungary, among whom the majority is financially dependent or deprived, this is why they cannot afford market prices. The services are popular among young mothers, and media also helped to the enterprise became popular. Moreover, the idea and the enterprise itself was awarded by several prizes. While the usefulness of the service is unquestionable, its social impact reaches only limited number of people who needs support, and consequently it leaves untouched the strong conservative the gender regime in Hungary. It is not because the owner and founder does not see the societal status of women in contemporary Hungarian society problematic, rather because the enterprise provides only restricted effect on the society as whole.

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