



This work has been submitted to **NECTAR**, the **Northampton Electronic Collection of Theses and Research**.

Conference or Workshop Item

Title: Public service mutuals: partnerships, collaboration and service-user outcomes

Creators: Hazenberg, R. and Hall, K.

Example citation: Hazenberg, R. and Hall, K. (2014) Public service mutuals: partnerships, collaboration and service-user outcomes. Paper presented to: *International Society for Third Sector Research (ISTR) 11th International Conference: Civil Society and the Citizen, University of Muenster, Germany, 22-25 July 2014.*

Version: Presented version

<http://nectar.northampton.ac.uk/6831/>



Public Service Mutuals: Partnerships, collaboration and service-user outcomes.

ISTR Conference Paper, University of Muenster, July 22nd- 25th 2014

Dr Kelly Hall, University of Birmingham, UK &

Dr Richard Hazenberg University of Northampton, UK

Abstract:

The provision of public services in England has undergone numerous reforms and a process of marketisation over the last few decades. This marketisation of public services has been led by a desire to create more cost-efficient services that are also responsive to service-user's needs and is being driven by government through funding and legislation. In doing so, the government have encouraged the transfer of Local Authority staff into new provider and employee-owned mutual organisations (also known as 'spin-outs'). This paper builds upon prior research that developed a theoretical overview of organisational change in the spin-out process, which was grounded in both policy-formulation and partnership theory. The research reported in this paper refines and develops this model, focusing in particular on the 'outcome' phase of the spin-out process. It draws on semi-structured interviews with senior managers at four spin-out organisations in order to develop a deeper theoretical understanding of what the outcomes are for spin-out staff and their service-users. In addition, it draws on survey data gathered from 66 spin-outs that allows the research to refine the partnership model by highlighting the differing importance of partners at different periods of the spin-out process. The research is ongoing but early analysis of the data reveals that service management and local authority senior managers and elected officials are the main arbiters of power at the start of the spin-out process, but that this importance reduces over time as the spin-out becomes more independent and service staff and users develop more strategic input. The data also suggests that outcomes for service beneficiaries improve following the spin-out process. The results are discussed in relation to our model of 'organisational change in the spin-out process' and the prior literature on partnerships, collaborations and policy-formulation.

Overview

The post-war consensus around the delivery of public services in the UK lasted for over three decades post-1945, until a combination of shifting political ideologies, the declining health of Britain's economy and the changing demographics of Britain's population led to policy frameworks centred upon constraining public spending (Hills, 2011). This focus on spending restraint also led to policy initiatives that were designed to make public services more efficient and responsive to the beneficiaries that they were aimed at (Hall et al, 2012), through the introduction of 'marketising' reforms that aimed to create more entrepreneurial governments and less risk-averse, dynamic public services (Osbourne and Gaebler, 1992). In the UK such arguments in part paved the way for the creation of Housing Associations and New Leisure Trusts in the late 1980's and early 1990's, as well as the increase in third sector organisations providing services in the 'third way' mode of welfare delivery (Haugh and Kitson, 2007). Over the last decade this continuing reform of public service delivery has increasingly looked towards the transformation of public services into employee-owned mutual organisations (also known as 'spin-outs') (Hazenberg and Hall, 2014). 'Public service mutuals' have been defined as '...organisations which have left the public sector i.e. spun out, but continue to deliver public services and in which employee control plays a significant role in their operation' (LeGrand and Mutuals Taskforce, 2012:9). They usually take the form of a social enterprise, which are self-reliant, independent organisations that use market mechanisms to deliver non-economic

outcomes (Nicholls, 2007; Dart *et al.*, 2010). However, despite this complex and large-scale transformation of public services, there has been little research conducted that explains the process of spinning-out or the outcomes of this process for service staff and users (Simmons, 2008; Hazenberg and Hall, 2014).

This lack of a theoretical understanding of the spin-out process has recently been partially filled, with Hazenberg and Hall (2014) theorising the process in relation to policy-formulation and partnership theory. This research identified that the spin-out process takes place in four phases: the 'Trigger Phase' in which social, environmental and political factors provide the contextual environment for spinning-out; the 'Catalyst Phase' in which a social entrepreneur(s) within the public service partners with stakeholders to drive the spin-out process; the 'Spin-out Phase' in which the spin-out goes through a recurring cycle of adaptation and change; and the 'Outcome Phase', in which the spin-out either succeeds or fails (Hazenberg and Hall, 2014). However, whilst making a valuable contribution to the field this theoretical model is limited as whilst it explains the development of spin-outs and the partnerships that drive this development, it does not fully explain the flux in the importance of different stakeholders at different periods of the process. In addition, it also does not explain the specific outcomes of the spin-out process over and above arbitrary categorisations of 'success' or 'failure' (i.e. a spin-out goes ahead or does not). The research reported in this paper makes an original contribution to knowledge by expanding this theoretical model to provide a more detailed overview of the longitudinally varying importance of different stakeholders throughout the spin-out process. Furthermore, it also refines the model by providing a more nuanced understanding of the different sub-outcomes for potential spin-outs (whether they ultimately spin-out or not) and the impact of this process on service-users.

An overview of the English spin-out sector

Growth in the number of public service spin-outs in England over the last two decades has been steady and continuous. The process began in the late 1980's and early 1990's with the creation of New Housing Associations and New Leisure Trusts and has since spread from the housing and leisure sectors to the health and social care sectors, as well as the non-statutory local authority service sector. Indeed, at the present time there are now well over 100 New Leisure Trusts in the UK (Sporta, 2014); over 1000 sizeable housing associations (Focal, 2014); and at least 38 new health and social care spin-outs (Miller *et al.*, 2012a) operating in England. The English government is further investing in the spin-out sector through the creation of the £10 million 'Mutuals Support Programme' (LeGrand and Mutuals Taskforce, 2012) and its' predecessor the 'Mutuals Pathfinder Programme' (Cabinet Office, 2011), as well as legislating to promote localism and reward social organisations through the Localism Act 2011 (that has provided opportunities for community groups to take over and run their local services) and the Social Value Act 2012 (which requires local authorities to consider non-financial outcomes in procurement/commissioning processes) (Department for Communities and Local Government, 2012; Teasdale *et al.*, 2012). Finally, the creation of the 'Any Qualified Provider' policy in 2012 sought to encourage provider diversity in the health and social care sectors, with the aim of improving services by increasing competition (Department of Health, 2011b).

These policies and initiatives have provided public sector workers with the rights to take possession of the strategic and day-to-day operations of their service. The rationale behind this was based upon the aforementioned theory of entrepreneurial government (Osbourne and Gaebler, 1992), which would lead to greater service efficiency (fiscal and provision), as well as improving the quality of services through greater user-choice (Birchall, 2012). The growth in spin-outs has been underpinned by this argument, with proponents of spin-outs arguing that they lead to increased staff involvement in strategic decisions and hence greater commitment (Cabinet Office, 2011); lower staff turnover and absence (Social Enterprise Coalition, 2011); and increased efficiency (Addicott, 2011; Hall et al., 2012; Alcock et al., 2012). However, the long-term impact of marketisation on public services, in particular the juxtaposition between public service/social values and the entrepreneurial ethos of the market, remains unclear (Simmons, 2008; Hall et al., 2012). In addition, the long-term sustainability of spin-outs remains uncertain due to private sector competition and the difficulties of transitioning out of the public sector (Cabinet Office, 2011; Miller and Millar, 2011; Hall et al., 2012), although research by Hazenberg (2014) suggests that spin-outs increase their turnover, staffing and profit levels after spinning-out. However, perhaps most pertinently to this research is the impact that the 'spinning-out' of a service has on service-users in relation to their experiences related to service quality, accessibility and the outcomes that are delivered for them (Simmons, 2008; Hall et al., 2012). This paper seeks to address this by exploring these outcomes from both the perspectives of service management and staff, as well as those of the service-users themselves.

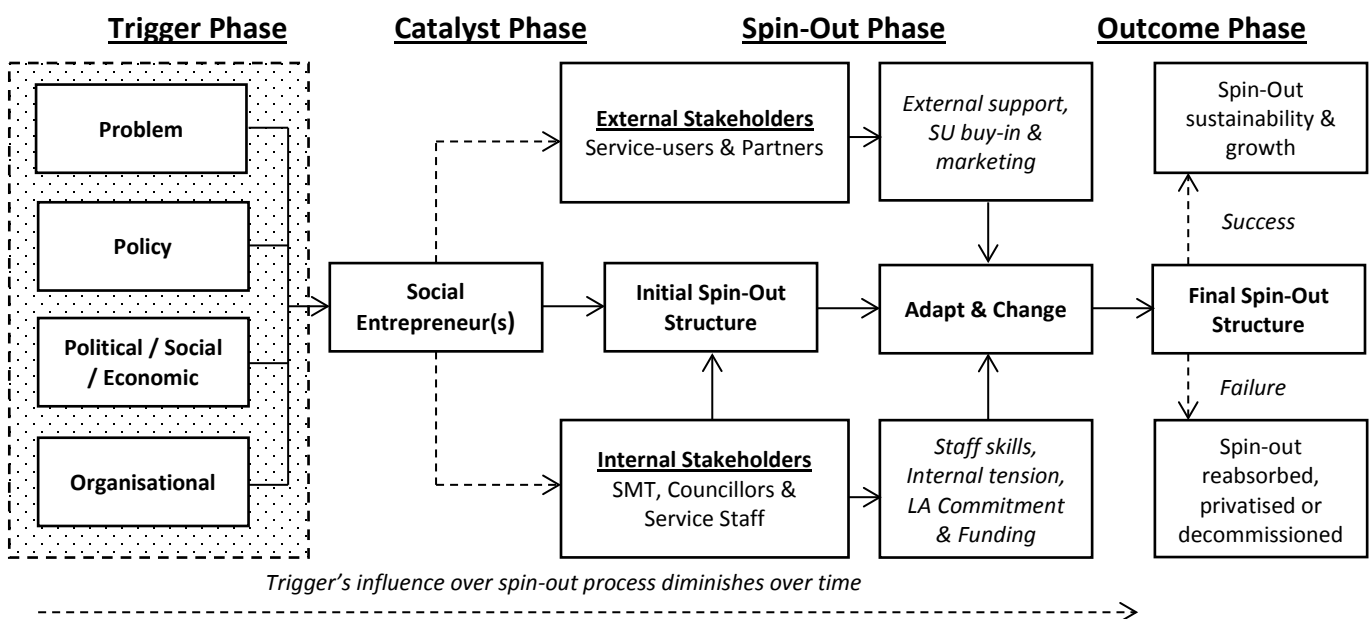
Theorising the spin-out process: Policy windows, partnerships and outcomes

In theorising the spin-out process, Hazenberg and Hall (2014) utilised policy formulation and partnership theory in order to explain the progression from public service to mutual, and in doing so drew on the previous theoretical work of Takahashi and Smutny (2002) and Cornforth, Hayes and Vangen (2014). The formation of policy occurs in what Kingdon (1995) termed 'policy windows' (the opportunity for policy development). The 'windows' are opened by three streams in political life: the problem stream (a problem requiring a solution); a political stream (the role of political institutions); and a policy stream (policy development processes). Policy windows are similar to 'political opportunity structures' (Kitschelt, 1986), in which institutions, resources and historical precedents interact to produce social innovation. Policy windows produce various strategies that are proposed by stakeholders to solve the problem in question and the successful strategy is selected based upon feasibility, contemporary political attitudes and anticipated future constraints (e.g. spending cuts) (Kingdon, 1995). The formulation of decisions to spin-out public services occur in such policy windows, with macro- and micro-level triggers providing the final impetus for a service to leave the public sector. These triggers include political (elected officials favourable to spin-outs), economic (need for budgetary restraint) and social (public desire for more control over services) streams, although the most important trigger is the organisational stream (the attitudes and actions of senior management within a local authority) (Hazenberg and Hall, 2014) (see Fig. 1). However, whilst all of these streams impact within the policy window upon the decision to form spin-outs, the policy window itself remains the fundamental element that allows such processes to occur. For instance, in England the Right to Request and subsequent 'Right to Provide' policy programmes (Department of Health, 2008; 2011a), gave community health workers the *opportunity* to 'spin-out' their service (Department of Health, 2009). Without such policy frameworks the triggers

outlined above could not have led to spin-outs as such ‘policy windows’ and hence ‘opportunity structures’ would not have existed (Kingdon, 1995; Kitschelt, 1986).

In theorising the spin-out process however, policy-windows and the triggers that operate within them only explain the initial decision to spin-out (the trigger phase) (Hazenberg and Hall, 2014). Following on from this the process enters the ‘catalyst phase’ in which a social entrepreneur(s) drives the process onwards acting as a ‘critical catalyst’ (Lober, 1997). It is not the focus of this paper to explore social entrepreneurship or its role in the public sector in detail (for a good account of this see: Parkinson and Howorth, 2006; Haugh and Kitson, 2007; Dey and Steyaert, 2010; Hazenberg and Hall, 2014); however, it is important to define social entrepreneurship which “...encompasses the activities and processes undertaken to discover, define and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organisations in an innovative manner” (Zahra, Gedajlovic, Neubaum and Shulman, 2009:519). In developing the spin-out the social entrepreneur(s) engage in partnerships and collaborations with relevant stakeholders (i.e. elected officials, parent authority senior management, service management and staff, service stakeholders and external experts i.e. consultants) (Hazenberg and Hall, 2014). A partnership can be defined as a non-hierarchical relationship (at least formally) that involves common ownership over problems and a commitment to improve the efficiency of the organisations involved (Coulter, 1999; Gallant et al., 2002); whilst collaboration involves the action element (what we do) when engaged in a partnership (Carnwell and Carson, 2008). Again, it is not our intention here to explore in detail the partnership and collaboration literature (for a good account of these concepts see: Coulter, 1999; Gallant, Beaulieu and Carnevale, 2002; Carnwell and Carson, 2008). It is the manner in which the social entrepreneur(s) engage in these partnerships and collaborations with stakeholders that defines the success or failure of a spin-out as it goes through the ‘spin-out’ phase, in which the public service transforms through a process of adapting and changing (sometimes more than once) (Cornforth et al., 2014), before finally entering the ‘outcome phase’ in which the spin-out either succeeds or fails. Figure 1 below (Hazenberg and Hall, 2014) provides an outline of this process.

Figure 1 – Organisational Change in the Spin-Out of Public Services:



Key: SMT = Senior Management Team; LA = Local Authority; SU = Service-users; [dotted box] = Policy window.

The theoretical model articulated by Hazenberg and Hall (2014) does provide an interesting overview and explanation of the spin-out process and how a public service transitions from the public sector to independence. By identifying the crucial importance of partnerships and multi-stakeholder collaborations it provides both a theoretical account of 'spinning-out', whilst at the same time providing practitioners with a 'road-map' on how to navigate the spin-out process. However, the model does have limitations that the authors acknowledge and that necessitate further academic exploration. The sample that the research utilised consisted of 11 senior managers within four public service spin-outs, and hence the perceptions of the service staff and service-users (and to a lesser degree external consultants) were not captured and used in building the model. In addition, as the public services in question were still transitioning out of the public sector, the research could not explore final outcomes for these services. This means that the 'spin-out' phase and the 'outcome phase' of the model lack descriptive detail (and therefore to a certain extent descriptive validity). In particular, the description of spin-out outcomes as a binary result (success or failure) fails to capture the nuanced outcomes that public services going through such transitions can encounter (for example: service decommissioning; privatisation; competitive tendering or spin-out sustainability). All of these outcomes (and others) will have differing impacts upon service quality and performance, as well as on service staff and users. Whilst the model acknowledges that the 'triggers' and 'policy windows' that led to the spin-out will have a diminishing impact over time as the public service becomes more independent, which in turn will lead to a flux in the importance of the different stakeholders, it did not capture data that would allow for the importance of triggers in the trigger phase or the relative importance of stakeholders across the four phases to be assessed. Therefore, further empirical research is required in order to improve the theoretical validity and explanative power of the model. The research reported in this paper therefore seeks to fill this gap by exploring the triggers, partnerships and outcomes for public service spin-outs from the perspectives of all stakeholders involved in the process. We do this through the combination of two data sources; a survey to spin-outs and interviews with spin-out stakeholders (senior managers, staff and service-users). In doing so, we include those which were successful and unsuccessful in spinning-out.

Research Aims

Based upon the literature and model outlined above, the research reported in this paper sought to answer the following research questions.

1. What are the key triggers for public services spinning-out?
2. How important are different stakeholders on the spin-out process longitudinally?
Particularly in relation to:
 - a. Parent authorities.
 - b. Elected officials.
 - c. Service management.
 - d. Service staff.
 - e. Service-users.
 - f. External experts.

3. What has been the impact of spinning-out on service-users in relation to:
 - a. Service provision.
 - b. Service quality.
 - c. Service design.
 - d. Strategic engagement.

4. What are the final outcomes for public service spin-outs and how does this impact on the different stakeholders?

Methods

Research Design

The research adopted a mixed-methods approach that utilised both quantitative and qualitative research tools. The quantitative element of the research involved the distribution of a survey that was sent to CEOs/senior managers of spin-outs across England. This survey asked a number of questions relating to the spin-out journey, including eliciting perceptions of the key triggers involved in spinning-out; the importance of different stakeholders at different phases of the spin-out process; and the impact of spinning-out on service-users. The qualitative component of the research methodology involved the researchers conducting semi-structured interviews with spin-out senior management, staff and service-users (this phase is currently ongoing) in order to elicit their perceptions of the spin-out process in relation to the four research questions outlined above.

Participants

In order to identify potential participants for the survey an intensive review of secondary data (website, online resources and publications) was conducted in order to identify potential spin-out organisations. In total this review identified 201 organisations that were potential spin-outs, which included those operating in the health and social care, education, children and families, and leisure sectors. An email explaining the purpose of the research and a link to the online survey was sent out to all of these organisations inviting them to participate. Follow-up emails were then sent to organisations that had not completed the survey and these were then followed up with telephone calls in order to further explain the purpose of the survey and to encourage participation. The survey invited the organisations to self-define whether they were a spin-out organisation. In total 66 organisations out of the 201 identified completed the survey, giving a response rate of 32.84%.

In selecting potential spin-outs for the qualitative element of the research, the research team contacted the four spin-out organisations that had participated in the original research study that had led to the publication of the Hazenberg and Hall (2014) paper. This was done so that the journeys of these four public services and the outcomes for the organisation, staff and service-users (whether they spun-out or not) could be identified, and having the same four public services meant that there was consistency with the data from the original study. However, unlike the first study the interviews were held this time with senior management, staff and service-users in order to get a wide-range of perceptions. In addition to this, a further

spin-out organisation was identified through a ‘snowball’ sampling method that was also included in the study. This interview process is ongoing and to date three interviews have been held (all with senior management – two interviews from successful spin-outs and one interview from a service that abandoned spinning-out) with further interviews scheduled. Following this the interview phase will then move on to speaking with service staff and service-users.

Analysis

All questionnaire data was entered into and analysed through Statistical Package for the Social Sciences (SPSS) version 20.0. Descriptive statistics were sought from the data and relationships between the perceptions of stakeholder importance throughout the spin-out process were explored through repeated measures ANOVAs. The interviews used a narrative approach (Reissman, 1993) in order to elicit participant’s perspectives and their understanding of the spin-out process. The narratives were used to gather a rich picture of how change occurred within each organisation, in particular what changes respondents felt ‘enabled’ or ‘inhibited’ the spin-out and what the outcomes of this process were. This allowed the analysis to not only identify commonalities with the prior research, but also allowed the paper to build upon the theoretical model of the spin-out process proposed by Hazenberg and Hall (2014).

Quantitative Data

In relation to the ‘triggers’ for spinning-out, prior literature around spin-outs was consulted, including the paper by Hazenberg and Hall (2014) which identified 13 possible triggers. The participants (spin-out CEOs/senior managers) were asked to rate the importance of each of these triggers on a five-point Likert scale, ranging from 1 (no impact at all) through to 5 (very high impact). The results are presented below in Table 1.

Table 1 – Spin-out triggers			
Trigger	N	Mean	SD
Service put out to tender	62	1.68	1.16
Service facing closure	64	2.27	1.44
Service restructuring	65	2.71	1.38
Budget cuts	63	3.21	1.42
Parent authority decision	65	3.05	1.58
Service management decision	63	3.37	1.38
Service staff decision	63	2.43	1.27
Service beneficiaries decision	65	1.91	1.20
Improve staff conditions	64	1.77	0.97
Policy framework	64	2.83	1.56
Government finance	63	2.63	1.34
Local political support	63	2.95	1.26
Service ineffective	60	2.18	1.21

NB. N < 66 as some questionnaire responses contained missing data. SD = Standard Deviation.

The results identify that the main triggers for spinning-out were budget cuts, a decision made by the parent authority and/or a service management decision. The need to restructure a

service, the existence of policy frameworks and local political support also all scored highly. This therefore indicates that external factors are most prominent in initiating a spin-out, with decisions being made at a ‘top down’ level with minimal involvement from service staff or users.

In relation to the longitudinal importance of stakeholders in the spin-out process the participants were asked to rate the involvement of the parent authority, elected officials, service management, service staff, service-users and external stakeholders (e.g. consultancy firms) during the decision to spin-out, in the design of the spin-out service, and in the strategic management of the spin-out. This allowed data to be captured in relation to the theoretical model proposed by Hazenberg and Hall (2014). This was done utilising a five-point Likert scale that ranged from 1 (not involved at all) through to 5 (fully involved). Repeated measures ANOVAs were conducted to assess changes in the involvement of various stakeholders throughout the spin-out process in relation to strategic decision-making and the results are presented below in Table 2.

Table 2 – Stakeholder engagement					
Stakeholder	N	Decision to spin-out	Design of spin-out	Strategic operation of spin-out	F
Parent authority	64	4.16	3.67	1.81	109.52 ***
Elected officials	64	3.16	2.64	1.87	26.29 ***
Service management	64	4.17	4.49	4.77	10.38 ***
Service staff	64	3.58	3.73	4.45	20.08 ***
Service-users	65	2.71	2.78	3.42	14.52 ***
External stakeholders	62	3.45	3.52	2.32	36.47 ***

NB. N < 66 as some questionnaire responses contained missing data. *** = $p < .001$. The scores at each stage are mean average values.

The results identify that the involvement of individual stakeholder groups throughout the spin-out process varied over time. During the decision to spin-out the parent authority and the service management were the most involved stakeholder groups. Whilst, the parent authority’s involvement in the spin-out declined over time ($p < .001$) the service management remained very involved throughout the whole process ($p < .001$). Service staff ($p < .001$) became quite involved in later stages of the spin-out (although their relative involvement was not as high as the service management) and similarly service-users were primarily involved once the initial decision and design of the spin-out had been made ($p < .001$ - although their involvement was less than the service staff). Finally, the involvement of external stakeholders such as consultancy firms also declined over time ($p < .001$). As above, this also suggests that decisions to spin-out are made at a ‘top down’ level, with service staff and users only being consulted once the spin-out becomes operational. In addition, service-users remain less engaged than staff even in the later stages of the spin-out process.

In exploring the impact of spinning-out on service-users the survey respondents were asked to rate on five-point Likert scale that ranged from 1 (very negative) through to 5 (very positive) their perceptions of impact relating to: service provision (the breadth of provision provided to service-users); service quality (the quality of provision provided to service-users); service design

(the involvement of service-users in the design of services); and strategic engagement (the involvement of service-users in strategic decision-making). Descriptive statistics were sought from this data in relation the mean value for each element of service-user interaction and the results are presented below in Table 3.

Table 3 – Perceptions of impact on service-users			
Impact	N	Mean	SD
Service provision	65	4.54	.663
Service design	64	4.52	.617
Service quality	65	4.25	.613
Strategic engagement	64	4.13	.845

NB. N < 66 as some questionnaire responses contained missing data. SD = Standard Deviation.

The data gathered suggests that in all four areas the impact on service-users has been positive or very positive, which suggests that spinning-out provides overall benefits for service-users. However, some caution should be applied to these findings, as the survey only targeted spin-out CEOs/senior management, who would have a vested interest in producing such findings. It will be interesting to see whether these findings positively triangulate with the staff and service-user interview data when it is analysed.

Qualitative Data

The preliminary qualitative data analysis conducted offers support to the survey findings outlined above. The analysis revealed six nascent themes that were interpreted by the researchers as: ‘service improvement’; ‘community engagement’; ‘independence and entrepreneurship’; ‘parent authority relationships’; ‘systemic impact’; and ‘partnering for sustainability’. An overview of these six themes including representative quotes is provided below. These themes were derived from both the successful and unsuccessful spin-outs.

Service improvement

This theme was characterised by participants articulating the positive impact of spinning-out on service provision and service-users. Whilst it is too early to know the outcomes for service-users in the youth service (as it has only been operational for a short time), there had been notable positive outcomes for the library service, including greater use of the facilities, increased satisfaction levels and a growth in service provision:

“We registered increases in visits, in [book] issues, users of our computers, Wi-Fi and satisfaction with library services has gone up to its highest level really since records began so it’s incredible. And what is amazing is as library services across the country are closing, we have opened one additional community library... and we have plans to do the same to 2 more, so the extent of the reach of the library service in [area] is growing.”
(P1)

Interestingly, for the service that had decided not to spin-out there had been a 12 month period of maintaining the status quo of service provision whilst a traditional tendering process

was explored. This has led to the decision to commission the service out and this process is currently ongoing. However, the participant articulated a belief that this process would improve the service as the process of exploring spinning-out had led the parent authority to identify and include preferred social outcomes in the tender outline, as well as specifying the need for partnerships between the successful tendering organisation and related services:

“So the outcomes that we want is to have some sort of throughput of people coming into the service, gaining some employment skills and then moving on to local employment [this was not a specific end-goal of the service before]..... We are also expecting some partnership working with our employment service and with so-called adult education establishments and other providers, so we want a service that is going to work hand-in-hand with others in the locality.....we want an improvement, an improved service, for a reduced cost.” (P3)

Community engagement

This theme was characterised by the involvement of service-users in the design, delivery and management of services. For some service-users, the key issue was the continuation of the service and many were not interested in the processes involved in spinning-out. However, some service-users were keen to be involved in the projects, including being on the board of the new youth service, and being more actively involved in running the new library service. Spinning-out facilitated a positive dialogue and relationship between the community and service that did not exist when it was part of the parent authority and in some cases empowered local communities:

“What is interesting is that the dialogue is driven by the local community. They are asking resident where would you like this to happen [the location of the new community library]? Where would you like the community centre to be? They are talking to the schools to see if it is possible to use some of their spaces. The library service in reality is sitting back and waiting for that reasoning to happen before proceeding. It is something that is very much driven by residents rather than the Council.” (P1)

However, again for the service that did not ultimately spin-out the previous process of exploring the spin-out option had led the parent authority to include service-user engagement (at a board level) in their tender specification. It remains to be seen how this will occur in practice but there was a desire to increase community engagement in the service:

“What we have said in the specification is that we do expect the organisation to involve service-users and other stakeholders in their strategic decision-making, as well as their day-to-day operational management. So for example, having a board that service-users sit-on and participate in.” (P3)

Independence and Entrepreneurship

This theme was related to participant perceptions of the engagement of service staff and the impact that leaving parent authority control had had on the spin-out organisation. Outcomes for staff were also positive and whilst it was noted by interviewees that some staff did not

support the spin-out, this was only a small number and the vast majority were considered to be 'on board'. For the youth service, breaking down the hierarchical, top down structures that were previously in place in the LA had led to changes in the whole staff culture. This included an increase in staff led initiatives:

"Staff are really grasping it. We couldn't do this in the LA as there are so many structures and processes we are tied into. We wouldn't be allowed so it's great to have that freedom to experiment with new ways of working and to have a whole theory of change around our staff culture. That will start to feel very different for staff and many have grasped it with great enthusiasm which is great". (P2)

Subsequently, losing public sector bureaucracy was something that was seen as a key positive outcome for both spin-outs. Being independent from the local authority led to the freedom to innovate, make changes and resolve issues quickly:

"The other thing we find difficult is that the [parent authority] is like a tanker, very, very, difficult to change course and it happens over time. Whereas if the social enterprise plans to put up an event, they just do. If they need to resolve a particular issue in the building for example, there is somebody that rolls up their sleeves and does it. In the [parent authority], something like that wouldn't happen. There would be reporting and procuring and evaluating and all of that costs money, time, resources and so on." (P1)

It was however also noted that with freedom comes responsibility:

"We get that strange sense of freedom that you can make decisions for yourself and then you get the secondary rebound of not only can you make decisions for yourself but you are fully responsible for them as well. So you think yikes, I preferred it in the [parent authority] where you had someone else to blame but now you only have me to blame. It can feel very different in that respect." (P2)

It remains to be seen what impact the commissioning process will have upon the independence of the service that did not spin-out. The parent authority did wish to see some entrepreneurial behaviour but not at the expense of the service outcomes that they wanted. Therefore, the tender and contractual specifications may limit the winning organisation's ability to operate independently and entrepreneurially:

"We do expect them to get the balance right of having some entrepreneurial skills and experience, but also recognising the need to not run away with that in that it won't then provide the right opportunities for people." (P3)

Parent authority relationships

This theme was characterised by discussions around the central role that the parent authority still had in supporting the spin-out, particularly in relation to legal and contractual issues, as well as relations with commissioners and procurement departments. Indeed, whilst the local authority were key stakeholders in developing the spin-out and were particularly important in the early stages of its existence, an ongoing positive relationship between the social enterprise

and local authority was seen as extremely important. In particular, legal ties still existed between them and there was an ongoing reliance on the local authority for contracts:

“It’s very good and close [relationship between parent authority and spin-out] and it needs to be. Particularly in the early stages as we still have some legal ties that need to be resolved. Again we need to be working together as there are mutual liabilities on the pensions. It’s like the [parent authority] is the proud parent and we are the new kid.” (P2)

Developing and maintaining positive relationships with commissioners was also seen as fundamentally important to both spinning-out and securing new contracts after the spin-out:

“Having the commissioners on your side is important. We were fortunate to have some good creative commissioners who are prepared to look at different business models, not your usual outsourcing to the lowest common denominator which is usually what happens...I think that’s a real problem for the whole mutuals movement.” (P2)

For the service that didn’t spin out there was also a recognition that the parent authority would have to continue to subsidise the service even after it was commissioned out, but that this subsidy would reduce by as much as 30% over a three year period:

“In recognition of that we recognise that the council will need to subsidise this but that the organisation coming in will generate revenue that will reduce the cost to the council...we envisage that the council will reduce that by 30% by the end of year 3.” (P3)

Systemic Impact

This theme explored the impact that the spin-outs had upon the wider local authority, which was viewed as considerable. In particular, the discourse and good practice around spinning-out was beginning to filter down to other departments within the parent authority. Whilst this largely remained at the control of senior managers within the parent authority, a wider range of services were also considering the option of spinning-out:

“We are trying to streamline a lot but somehow one of the things that have changed is that people realised that some local services could function in a much more efficient way if they were not in the [parent authority]. And this is one of the reasons why some people are looking at options for the future much more flexibly.....That means that the library service, as with every other services is being pushed to come up with creative solutions that would make it sustainable. And obviously the experience we have has with the [area] model is going to inform how we look at options for the future.” (P1)

“There has been a great deal of interest in other parts of the [parent authority] now and I have talked to 2 managers across the tri-borough area and there is a lot of interest of interest and enthusiasm for other managers who are keen to develop along the same lines. I think from the policy staff and commissioners who were involved in the project management there was a bit of an oh God not another one attitude because they are very complex and time consuming and the benefits are much further down the line and

not necessarily immediately realisable. So it can feel like a lot of effort for not a lot of immediate gain. But in terms of a lot of service heads, there is enthusiasm.” (P2)

Even for the service that did not spin-out, the parent authority’s increased awareness of the spin-out process had led to the spinning-out of another service (Children and Education Services), which had become fully independent in April 2014. This suggests that even exploring a spin-out can act as a ‘trigger’ to other services spinning-out, both through increased knowledge of spinning-out and the resultant awareness of what other local authorities are doing in this area:

“It is quite a big spin-out and it is a joint venture with [other local authority] and it is the Children and Education Services...It is very similar to what [other local authority] has done with their youth service.” (P3)

Sustainability through partnership

This theme was based upon the recognition by participants that future sustainability was a key issue and that partnerships and income diversification were important in enabling sustainability. This included the wider impact of funding cuts to public and third sector organisations which would impact on the nature and availability of new and existing contracts. In addition, a weakness in the spin-out model is the ongoing reliance on public sector contracts, without which the new social enterprises would cease to exist. A key priority for the social enterprises was therefore the diversification of income streams away from a single LA contract:

“Yes our contract is for 5 years. 75% of our income comes from the primary contract with the [parent authority], the other 25% is with other commissioners and public bodies, mainly health and sport. And we have some training income as well. You can see there is a high reliance, particularly in our early years, on our single contract, and seeing that obviously as a potential business weakness and our business plan is to reduce the reliance on that contract and increase income from other sources over 5 years.” (P2)

Another way in which the spin-outs were developing their sustainability was through the creation of external partnerships. This includes partnerships with other social enterprises to develop a very large ‘prime’ organisation that would have the ability to compete with other large private sector providers:

“I am in talks with social enterprises about developing a social enterprise ‘prime’ for [area] so we can come together as a collaborative and strategic partnership to compete for some very, very big contracts and offer alternatives for the endless round of [private sector contractors] who deliver pretty much nothing. That’s the big plan. There are a few like-minded individuals, who whilst they are CEOs of large organisations, they don’t feel big enough to take on the primes. What they tend to do is buddy up with the primes and regret it later.” (P2)

This also indicates that the nature of partnerships for these new social enterprises was towards other social enterprises or third sector organisations. Partnerships with private sector organisations was something that at this stage they were not considering and as the above

quote indicates, the private sector was considered in a fairly negative light and something to avoid. Interestingly, Hall and Hazenberg (2014) indicated that whilst private sector partners (e.g. consultants), were key to establishing a spin-out, they were not involved once the social enterprise had been established.

Discussion

The research reported in this paper seeks to further develop the model of spinning-out proposed by Hazenberg and Hall (2014), by identifying the main triggers for spinning out, the importance of different stakeholder groups during the different stages of the spin-out and the outcomes that spinning-out produces. In attempting to deliver these research aims the research engaged with the four spin-out organisations that had participated in the original research study, as well as surveying the wider spin-out sector. The results of this research, as outlined above, provide both interesting qualitative (albeit preliminary) and quantitative findings that help us to improve our understanding of these areas of enquiry and hence further develop the theoretical model of the spin-out process. This paper is part of an ongoing study and therefore only early indicative findings are presented based on the survey and three interviews.

In exploring the ‘trigger phase’ of the spinout process the survey data revealed that the key ‘trigger reasons’ for spinning-out were budget cuts and decisions made by service and parent authority senior management (driven by the changing financial reality i.e. reduced government spending). The global economic crisis and cuts to Local Authority budgets in the UK make these findings unsurprising and provide a powerful impetus to senior management teams to look for alternative models of service delivery as a way to deliver these savings. In addition to this, policy frameworks (e.g. mutuals pathfinder or Right to Provide) and local political support (from elected officials) were also seen as being important triggers in the decision to spin-out. Previous research has also indicated the importance of policy-frameworks as triggers (Hazenberg and Hall, 2014; Kingdon, 1995; Kitschelt, 1986). Furthermore, it could be argued that there are significant links between these two triggers, as policy-frameworks emerge and/or are shaped by exogenous factors such as recessions and budget cuts (Gray, 1989). Conversely, in times of economic austerity, stakeholders and local political actors actively search for and engage with such policy frameworks as they require innovative solutions to the budgetary problems that they face. It is therefore reasonable to posit that budgetary cuts and policy-frameworks provide the motivation to action for service and parent authority management, as well as elected officials. In this situation the decision to spin-out can therefore primarily be seen as one resulting from ‘push’ factors as opposed to ‘pull’ factors (Addicott, 2011; Hall et al., 2012) and one that is management rather than service staff or community-led.

However, whilst budgetary and policy triggers provide the reasoning behind management decisions to spin-out, the involvement of other stakeholders (most notable service staff and service-users) does increase as the spin-out process continues. The survey data identified that across the remaining spin-out phases of the model (catalyst; spin-out; outcome) the role of service staff, and to a lesser degree service-users, increased in relation to strategic decision-making processes. This increased involvement comes at the expense of the direct involvement of parent authority management and especially elected officials, both of whose influence wanes as the spin-out moves towards independence. This offers support to prior research by

the Cabinet Office (2011) that identified that spinning-out provides staff with greater involvement in strategic decisions, but also suggests that this involvement also includes service-users. It also offers support to research by Hazenberg (2014) that identified that nearly two-thirds of spin-outs had staff and/or service-users involved at board-level. This finding is also supported by the qualitative data gathered to date that identifies staff and service-users are involved at board-level in spin-outs (when they wish to be).

The interview data also suggests that spin-outs deliver positive impacts for staff and service-users, including greater engagement, increased service provision and the freedom to innovate. This data is particularly interesting when combined with the survey responses from spin-out senior management which also indicated that service provision, design, quality and engagement had all improved since spinning-out. Whilst caution needs to be exercised when interpreting this data due to potential respondent motivations for bias, it does suggest that spinning-out is largely beneficial. This provides some answers to researchers that have stated that there is inconclusive data to date on these outcomes (Simmons, 2008; Addicott, 2011; Hall et al., 2012). However, the validity of these findings will be improved with further interviews with staff and service-users at the spin-out organisations.

One of the indicative findings from the interviews was that whilst spinning-out led to largely positive outcomes for service-users, staff and the wider parent authority, this did come at a cost. As has been previously noted by other commentators (Hazenberg and Hall, 2014; Hall et al., 2012), spinning-out takes considerable hard work and determination from an individual or public sector entrepreneur. Spin-outs inevitably take longer than anticipated and face a range of unexpected challenges, particularly around achieving sustainability (Miller and Millar, 2011). In addition, whilst spinning-out does bring greater organisational freedom and therefore the ability to socially innovate, it also means that the organisation and its staff are faced with increased responsibility and the pressure to ensure income and contracts. This means that unlike public sector organisations, spin-outs share the same difficulties of balancing the triple-bottom line of aims (economic, social and environmental) that other third sector organisations face (Ruebottom, 2011).

One interesting finding that emerges from the data relates to the wider impact of spin-outs. The interview participants articulated that the positive results achieved by the services and the best practice models that this provided led to the emergence of spin-outs (or at least plans to spin-out) in other services across the parent authority (or even beyond). This suggests that successful spin-outs can act as a trigger to spin-out for other services by operating as a 'pull' motivation (Addicott, 2011; Hall et al., 2012) in drawing service management, staff and service-users towards models that offer the potential for the positive outcomes outlined above. In so doing successful spin-outs can also act as exogenous factors (Gray, 1989) in shaping both 'policy windows' (Kingdon, 1995) and 'political opportunity structures' (Kitschelt, 1986) at a national and local level, as evaluations of existing policy frameworks utilise them as examples of best practice (for instance see the 2011 on the Mutuals Pathfinder policy by the Cabinet Office). Such a finding suggests that the 'outcome' phase of Hazenberg and Hall's (2014) model should feedback into the 'trigger' phase in a continuous loop.

Finally, the importance of partnerships and wider networks (i.e. outside of the parent authority) was also articulated by the interviewees as a means of delivering sustainability and reducing

dependence on the parent authority. This signals a shift in partnership seeking/formation that mirrors the changing importance of stakeholder groups throughout the spin-out process. In the initial phases of spinning-out the parent authority remains a key partner, and this interdependence continues well into the 'outcome' phase, as the spin-out seeks support and common ownership over problems (Coulter, 1999; Gallant et al., 2002). However, in the long-term the spin-out cannot remain overly reliant on the parent authority (particularly when they are operating in a competitive tendering environment) and so they increasingly seek other partners to trade/work with in order to pursue diverse income streams and sustainability. Interestingly, the interview data collected thus far suggests that these partnerships are with other third sector organisations and even involve potential strategic partnerships in creating 'primes' that can compete with large private sector organisations for public contracts. This suggests that whilst the spinning-out process is one of partnerships and collaborations mainly with internal stakeholders (Hazenberg and Hall, 2014); the post spin-out process (i.e. outcome phase and onwards) is one of partnership plurality as an expression of organisational independence. This pluralistic approach could also be viewed as a continuation of the 'socially entrepreneurial' and 'socially innovative' characteristics identified in the 'catalyst phase' of Hazenberg and Hall's (2014) model. This pluralistic approach to partnership can be viewed as the means to collectively enhancing the 'power resources' and 'economic and social performance' of the spin-out (Heisala, 2007:59) by discovering and defining opportunities through organisational innovation and cooperation (Zahra et al., 2009). In essence, spin-outs use diverse partnerships and socially entrepreneurial processes to deliver social innovation in the delivery of public services.

'Organisational Change in the Spin-out of Public Services': Re-shaping the model

The research findings outlined in the discussion above offer interesting insights into the efficacy of Hazenberg and Hall's (2014) model and allow us to develop a more complex and nuanced understanding of the spin-out process. This can be done by providing an overview of the key triggers (the most important six have been included in the model) in descending order of importance; the relative importance of the different stakeholders longitudinally throughout the process; a more nuanced understanding of the outcomes associated with spinning-out; and how these outcomes can create triggers for the spinning-out of other public services. Figure 2 below provides an outline of this revised process.

Figure 2 – Stakeholder Importance, Organisational Change & Outcomes in the Spin-out:

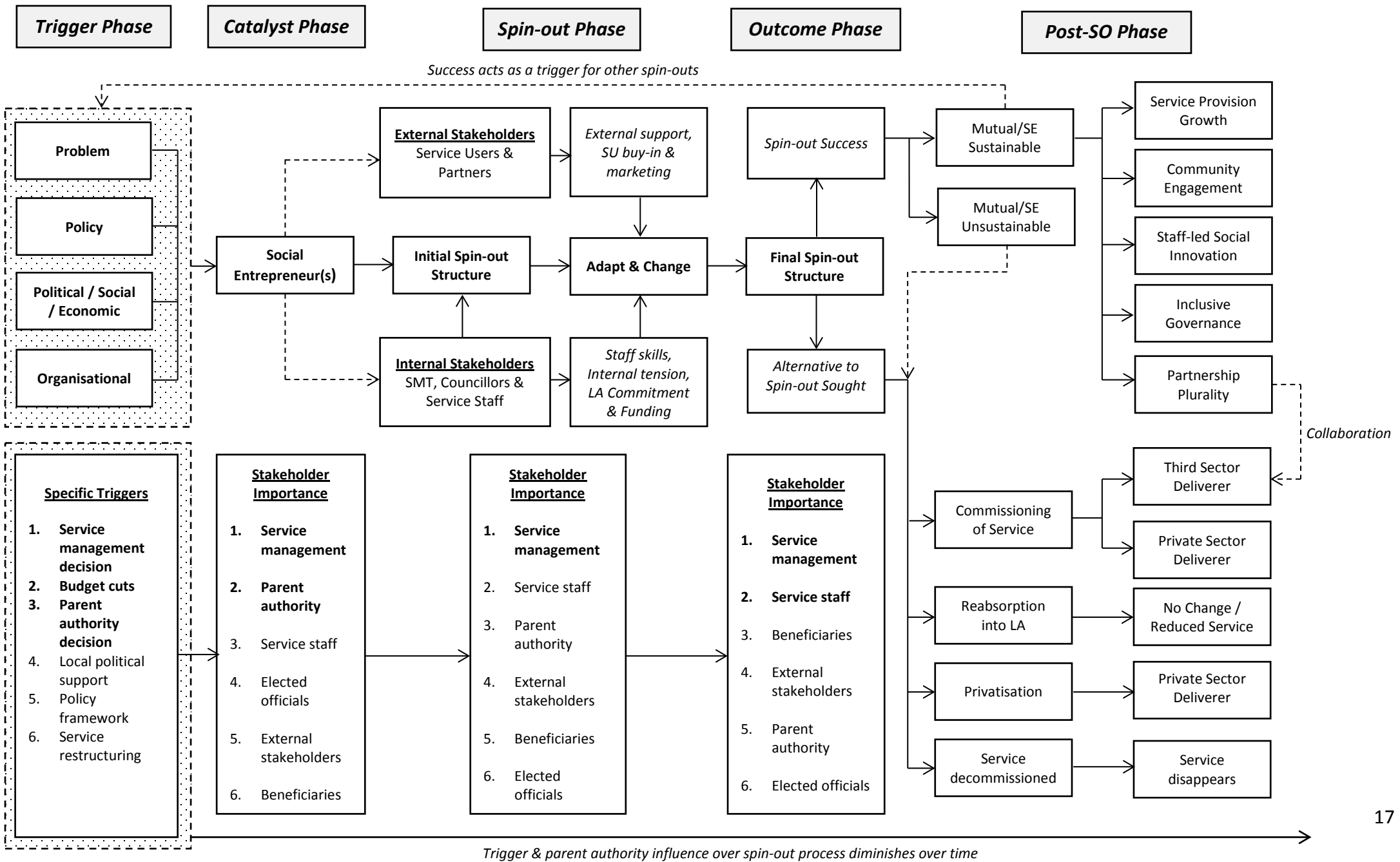


Figure 2 identifies the importance of the differing triggers in the spin-out process, with service management decisions, budget cuts and parent authority decisions being the key triggers. It also details the changing role of stakeholder throughout the process, with the service management and the parent authority being the crucial arbiters of the decision to spin-out (catalyst phase), particularly as the social entrepreneur who acts as the critical catalyst (Lober, 1997) usually emerges from the service management team. However, as the process develops and moves into the 'spin-out' and 'outcome' phases the parent authority becomes less important and the staff and service beneficiaries gain increasing prominence. Perhaps most interestingly, the model details the differing outcomes that can be associated with successful and unsuccessful spin-outs (post spin-out phase). The former can see service provision grow; more inclusive governance structures adopted; greater staff and community engagement; and the emergence of plural partnerships. This offers support to prior research that suggested these outcomes (Simmons, 2008; Addicott, 2011; Alcock et al., 2012; Birchall, 2012; Hall et al., 2012; Hazenberg, 2013, 2014). Successful spin-outs can also act as beacons of best practice and actually become a trigger for another public service to spin-out. However, spinouts can also fail either because the local authority decided not to pursue the decision to spin-out or because the spin-out organisation is unsustainable (Miller and Millar, 2012), which can lead to service commissioning, privatisation, status-quo provision (reabsorption into the local authority) or even service decommissioning. Interestingly though, the data from one of the participant LAs that did not spin out suggests that even when the service is commissioned out, the process of exploring spinning-out means that the LA designs tenders that are more focused on social value. This can lead to the service being delivered by a third sector organisation as opposed to private sector commissioning or full privatisation.

Summary

This paper has sought to build upon the prior research by Hazenberg and Hall (2014) that developed a theoretical model of the spin-out process that was based in partnership and multi-stakeholder collaboration literature. This paper has sought to build upon this research by extending the model into the post spin-out phase in order to identify the differing outcomes for services that pursue spinning-out and that are then ultimately successful or unsuccessful in doing so. Through the combination of a survey of spin outs and qualitative interviews, the research has also provided a more nuanced understanding of the original four stages of the spin-out process in relation to the triggers for spinning-out and the longitudinal involvement of stakeholders in delivering this. The qualitative element of the research is ongoing and the outcomes element of the model will develop as the researchers engage with service staff and beneficiaries. However, the preliminary results suggest that the outcomes for successful spin-outs are positive and lead to wider partnership working across sectors. They also suggest that even if the process only leads to a traditional commissioning tender that this can still shape the tender specifications to be more aware of social value creation. In doing so the paper offers a tentative contribution to knowledge by enhancing our theoretical understanding of the spin-out process and expanding knowledge in relation to the outcomes that it produces.

References

Addicott, R., (2011), *Social Enterprise in Healthcare: Promoting Organisational Autonomy and Staff Engagement*, London: The Kings Fund.

Alcock, P. et al., (2012) *Start-up and Growth: National Evaluation of the Social Enterprise Investment Fund (SEIF)*, Report submitted to Department of Health Policy Research Programme.

Birchall, J., (2012), The Big Society and the 'Mutualisation' of Public Services: A Critical Commentary, *The Political Quarterly*, 82(S1), p. 145–157.

Cabinet Office, (2011), *Mutual Pathfinder Progress Report*, London: Cabinet Office.

Carnwell, R and Carson, A. (2009) The concepts of partnership and collaboration in Carnwell, R. and Buchanan, J. *Effective Practice in Health, Social Care and Criminal Justice*, (2nd Edition), Open University Press.

Cornforth, C., Hayes, J.P. & Vangen, S. (2014), Non-profit public collaborations: understanding governance dynamics, *Non-profit and Voluntary Sector Quarterly*, available online at <http://nvs.sagepub.com/content/early/2014/05/01/0899764014532836>

Department for Communities and Local Government (2012) *Community Right to Challenge: Statutory Guidance*, London: Department for Communities and Local Government.

Coulter, A., (1999), Paternalism or Partnership? *British Medical Journal*, 319, pp. 719–720.

Dart, R., Clow, E. & Armstrong, A., (2010), Meaningful difficulties in the mapping of social enterprises, *Social Enterprise Journal*, 6(3), pp. 186-193.

Department of Health, (2008), *Social Enterprise – Making a Difference. A Guide to the Right to Request*, available online at: www.dhcarenetworks.org.uk (accessed 13/12/2012).

Department of Health, (2009), *Transforming Community Services: Enabling New Patterns of Provision*, London: The Stationery Office.

Department of Health, (2011a), *Making Quality your Business: A Guide to the Right to Provide*, London: The Stationery Office.

Department of Health, (2011b), *Liberating the NHS: Greater Choice and Control - Government Response, Extending Patient Choice of Provider (Any Qualified Provider)*, London: The Stationery Office.

Dey, P. & Steyaert, C., (2010), The politics of narrating social entrepreneurship, *Journal of Enterprising Communities, People and Places in the Global Economy*, 4(1), pp. 85-108.

Focal Research, (2014), *How many Housing Associations are there in England?* Stats & Facts, available online at <http://www.focalresearch.co.uk/news-stats-facts/social-housing/stats-facts/106-how-many-housing-associations-are-there-in-england>

Gallant, M.H., Beaulieu, M.C. & Carnevale, F.A., (2002), Partnership: An Analysis of the Concept within the Nurse-client Relationship, *Journal of Advanced Nursing*, 40(2), pp. 149–157.

Gray, B, (1989), *Collaborating: Finding Common Ground for Multiparty Problems*, CA, Jossey-Bass Inc. Publishers.

Hall, K., Miller, R. and Millar, R., (2012), Jumped or Pushed: What Motivates NHS Staff to Set Up a Social Enterprise? *Social Enterprise Journal*, 8(1), pp. 49–62.

Haugh, H. and Kitson, M., (2007), The Third Way and the Third Sector: New Labour's Economic Policy and the Social Economy, *Cambridge Journal of Economics*, 31(6), pp. 973-94.

Hazenberg, R. & Hall, K., (In Press), Public Service Mutuals: Towards a theoretical understanding of the spin-Out process, *Policy & Politics*, The Policy Press.

Hazenberg, R., (2014), Public service spin-outs 2014: Needs and wants, Transition Institute Starting Point Paper, available online at <http://www.transitioninstitute.org.uk/public-service-spin-outs-2014-needs-and-wants/>

Heiscala, R., (2007), 'Social innovations: structural and power perspectives'. In [Hamalainen, T.J. & Heiscala, R. (Eds.), *Social Innovations, Institutional Change and Economic Performance*, Edward Elgar, Cheltenham, pp. 52–79].

Hills, J., (2011), The changing architecture of the UK welfare state, *Oxford Review of Economic Policy*, 27(4), pp. 589-607.

Kitschelt, H., (1986), Political opportunity structures and political protests: Anti-nuclear movements in four democracies, *British Journal of Political Science*, 16, pp. 57-85.

Kingdon, J., (1995), *Agendas, Alternatives & Public Policy*, Harper Collins, New York.

LeGrand, J. and Mutuals Taskforce, (2012), *Public Service Mutuals: The Next Steps*, London: Cabinet Office.

Lober, D.J., (1997), Explaining the Formation of Business-Environmentalist Collaborations: Collaborative Windows & the Paper Taskforce, *Policy Sciences*, 30, pp. 1-24.

Miller, R. and Millar, R., (2011), *Social Enterprise Spin-Outs from the English Health Service: A Right to Request but was Anyone Listening?* Birmingham: Third Sector Research Centre, Working Paper 52.

Miller, R., Hall, K. and Millar, R., (2012a), Right to Request Social Enterprises: A Welcome Addition to Third Sector Delivery of English Healthcare? *Voluntary Sector Review*, 3(2), pp. 275–285.

Nicholls, J., (2007), *Why measuring and communicating social value can help social enterprise become more competitive*, Cabinet Office – Office of the Third Sector, November 2007, available online at (<http://evpa.eu.com/wp-content/uploads/2010/09/Why-measuring-and-communicating-social-value-can-help-social-enterprise-become-more-competitive1.pdf>).

Osborne, D. & T. Gaebler, (1992), *Reinventing Government: How the Entrepreneurial Spirit is Transforming the Public Sector*, Addison-Wesley, Reading: MA.

Parkinson, C. & Howorth, C., (2008), The language of social entrepreneurs, *Entrepreneurship and Regional Development*, 20(3), pp. 285-309.

Riessman, C.K., (1993), *Narrative Analysis*, Sage, Newbury Park, CA.

Ruebottom, T., (2011), Counting social change: Outcome measures for social enterprise, *Social Enterprise Journal*, 7(2), pp. 173-182.

Simmons, R., (2008), Harnessing Social Enterprise for Local Public Services: The Case of New Leisure Trusts in the UK, *Public Policy and Administration*, 23(3), pp. 278–301.

Social Enterprise Coalition (SEC), (2011) *The Right to Run: A Practical Guide for Public Sector Staff Thinking about Setting up a Mutual or Social Enterprise*, London: Social Enterprise Coalition.

Sporta, (2014), *About Us*, available online at <http://www.sporta.org/about-us> (accessed on 5th April 2014).

Takahashi, L.M. & Smutny, G., (2002), Collaborative Windows & Organisational Governance: Exploring the Formation & Demise of Social Service Partnerships, *Non-Profit & Voluntary Sector Quarterly*, 31, pp. 165-185.

Teasdale, S., Alcock, P. & Smith, G., (2012), Legislating for the Big Society: The Case of the Public Services (Social Value) Act, *Public Money & Management*, 32(3), pp. 201-208.

Zahra, S.A., Gedajlovicb, E., Neubaumc, D.O. & Shulmand, J.M., (2009), A typology of social entrepreneurs: motives, search processes and ethical challenges, *Journal of Business Venturing*, 24(5), pp. 519-532.