

Profit generation or community resource?

Studying attitudes to the operation of a post office by a charity

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Outline Argument

- Few studies evaluate the potential of sub-post offices as sites for social enterprise
- This study of six ‘charity-backed’ sub-post offices (POs) found that they focus on preserving post offices as community resources by articulating *profitability* in three distinctive ways.
- On this basis we contest Liu and Ko’s view a key task in charity retailing is to “to install market-oriented managerial beliefs and values into the charity retailer’s decision-making”.
- We offer a counter view that trading represents a diversification of the innovations used to support charitable endeavours.

Research Question:

‘Do those involved with charity-backed POs prioritise profit generation or community resourcing?’

Context of the study

- The PO network in the UK is under growing pressure because many PO transactions previously done face-to-face can now be done online.
- However, a significant proportion of any community is disadvantaged, either because it lack internet access, or fails to understand and/or mistrusts modern technology (Choi and DiNitto, 2013).
- Community-run POs operated by charities, social enterprises or co-operatives have begun to emerge in parts of the network where suitable commercial operators are not forthcoming (Locality, 2014: 2)
- This study focusses on 'charity-backed' sub-post offices (POs) to examine and interpret attitudes to running post office counters as social enterprises.

'Charity-backed' post-offices

- Charity-backed POs fall into a special category. Alongside conventional retailing of 'attached goods' (such as groceries or stationery) income can be earned by providing PO counter services.
- Many sub-postmasters receive "a fixed 'core tier' payment" (similar to a salary) plus commission based on products and services transacted over a PO counter (NFSP, 2012: 12). Core tier payments are being eroded as a result of the introduction of a new scheme.
- A telephone survey in 2010 estimated there were 140 community-run post-offices across the UK. While all expected to be open in a year's time, 25% were loss making.
- A 2011 survey of 121 community-owned village shops found that 58% hosted PO facilities (Perry and Alcock, 2011). Whilst shops averaged £3,654 in profits, their PO counters were not investigated.

‘Charity-backed’ post-offices

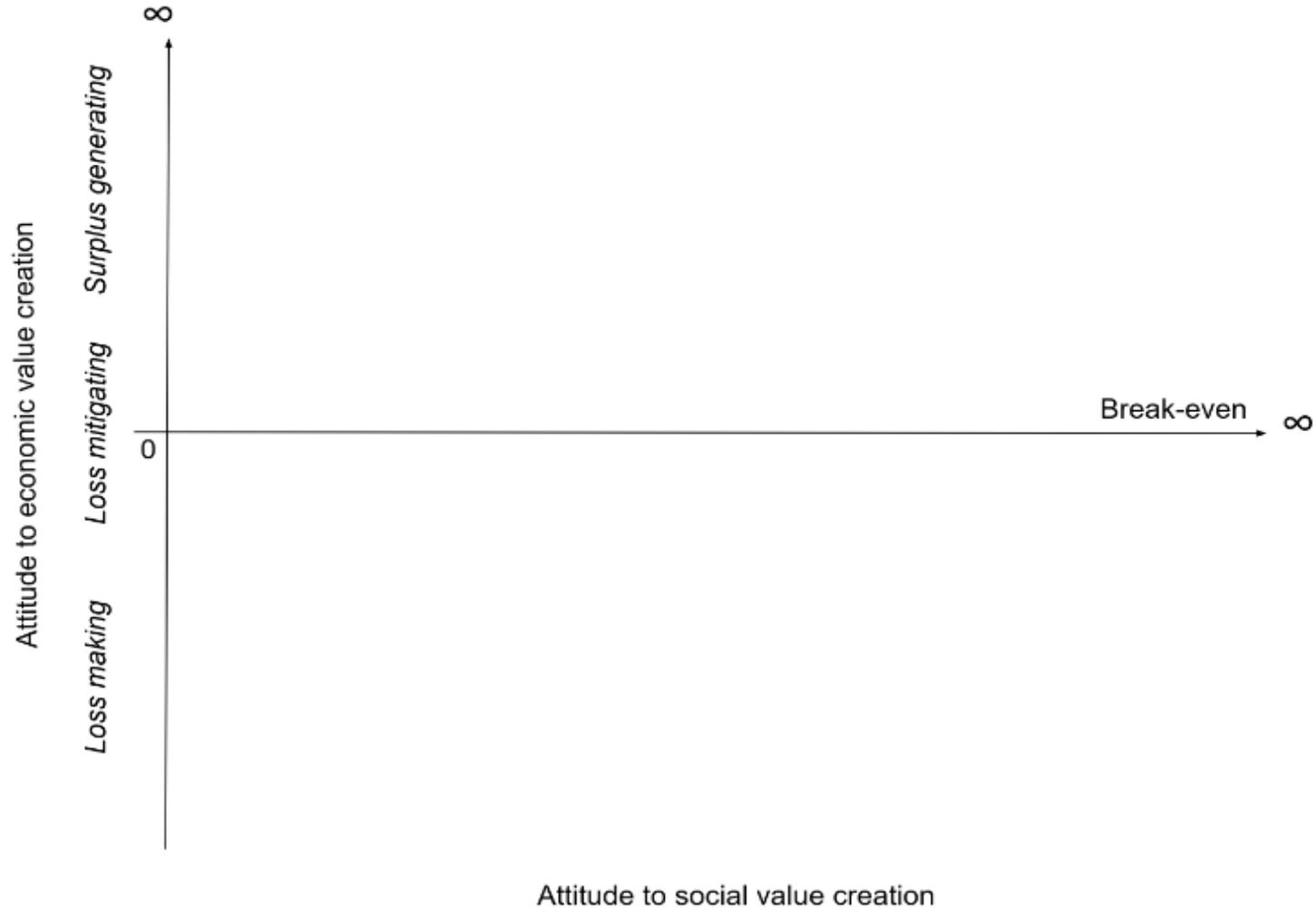
- The POs have a “unique focus” for community life (Locality, 2014: 2) because nationally 32% of all customers use their PO every week, rising to 49% for over 65s, and 59% for small businesses.
- The Charity Commission point out that “the maintenance, improvement or provision of public amenities” is a charitable purpose in urban or rural regeneration (p. 43) because counter services are a public amenity in their own right.
- Options for structuring:
 - Charity providing the space for a PO to be run by a sub-postmaster.
 - Charity taking direct control by hiring staff to run a PO counter.
 - POs as a "community benefit society" (CBS) regulated by the Financial Conduct Authority (FCA, 2015; Plunkett Foundation, 2016). Charitable tax status, but not a registered charity.

We build a framework that acknowledges mixed motives and mixed legal statuses of charity-backed PO services.

Developing a theoretical framework

- Jennings (2013) notes the increasing pressure on charities to generate income and create economic value through trading activity.
- Liu and Ko's (2014, p. 402) content charity retailing must focus on "market-oriented managerial beliefs and values" to operate as "enterprising non-profits" (Dees, 1998; Defourny and Nyssens, 2016).
- However, Broadbridge and Parsons (2003: 730) contend that "voluntary sector organisations can be competent without having to be business-like" by measuring social, not just economic, value creation.
- Goodall (2000: 105) argues that private retailers understand the value of "provid[ing] a warm and happy place" for the socially isolated, based on a "different mixes of values" (p.111). This can increase footfall for other (social and economic) activities.
- Our theoretical framework helps interpret attitudes to economic and social value creation amongst contributors to charity-backed POs.

Theoretical perspective



Studying attitudes: a neo-empiricist approach

- We adopt a neo-empiricist perspective (Johnson and Buehring, 2006). 'Attitudes' are treated as real phenomenon subjectively experienced and concretely expressed in a real world.
- We gathered rich data from interviews in six charity-backed POs.
 - one 'excepted charity';
 - three 'charitable companies' (two owning their PO as a trading subsidiary);
 - one community benefit society (CBS);
 - one CLG with charitable objects, but not a registered charity.
- There were four interviewees per charity
 - at least one charity trustee or director
 - at least one charity manager
 - the person in charge of the PO
 - a committed member / regular customer of the PO (who was either a current or former trustee, member or volunteer of the charity).
- **Goal:** develop *verstehen* through interpretation of qualitative, non-statistical data (Johnson and Buehring 2006, pp. 132-3).

Case Characteristics

	Case 1	Case 2	Case 3	Case 4	Case 5	Case 6
Charity hosts PO counter	X	X			X	
Charity owns PO counter			X	X		X
Charity provides attached retail 'offer'	X	X	X	X	X	X
Excepted charity	X					
Charitable company / social enterprise with charitable purposes		X		X	X	X
CBS (Bencom)			X			
Charity covers some / all PO overheads	X	X	X	X	X	X
Charity carries out some key functions for the PO	X		X	X		X
PO income depends on commission rather than a fixed payment			X	X		X

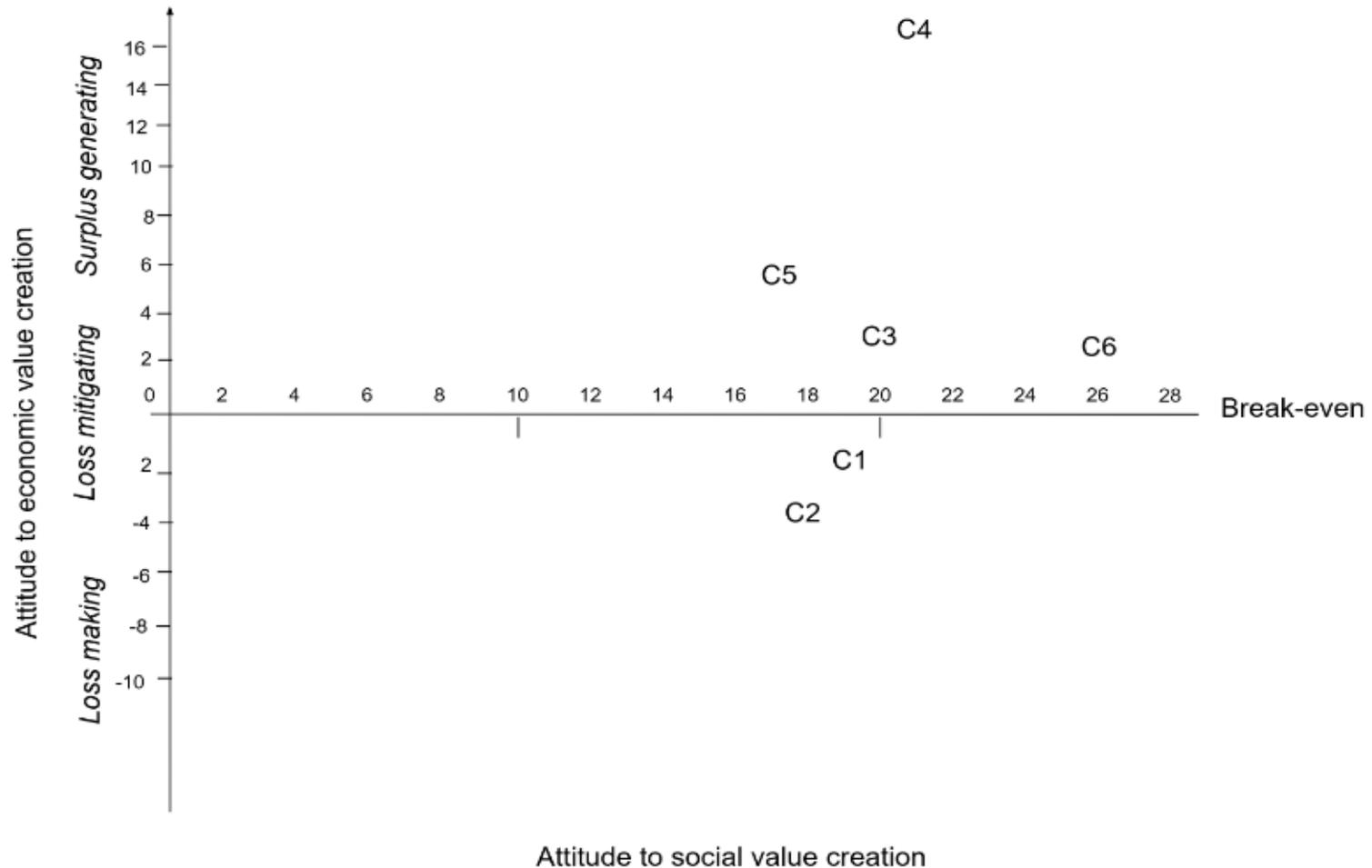
Some case highlights...

- **Case 1:** an ‘**outreach**’ **PO**, run by the sub-postmaster of another branch. It was a hub in a church hall that became “a community meeting point [that] maintain[s] that sense of identity and community.”
- **Case 2** was a **permanent PO** counter in a **community-owned village shop** run by a sub-postmaster. The PO was a ‘social return’ for a loan to the shop - the funder measured success in terms of social returns.
- **Case 3** a **PO counter in a village pub** owned by a CBS that also ran a a café, and small shop that was “bringing life back into the village,” and becoming “the hub” and “the heart” of the community.
- **Case 4** is a **neo-gothic parish church** in a busy suburb with **four PO counters** regarded as “back to the medieval model of church” when the church “was a meeting point [...] a bartering, trading post.”
- **Case 5** is a building complex hosting a community project, café, pharmacy and **part-time PO** on the edge of a social housing estate.
- **Case 6**, the longest standing was a **charity-operated social enterprise**, seen as unsustainable by a manager, but profitable by the charity’s chair, where all agreed it “gives... kudos” to the charity.

Emergent themes: an interpretation of 'positive' and 'negative' attitudes

Themes	Codes	Case Number					
		C 1	C 2	C 3	C 4	C 5	C 6
Profit Generation / Loss (+/-)		4	4	4	4	4	4
	Generating profit	-1	1/-3	-2	3	4/-2	2/-1
	Generating income	1/-1	2	4	4/-1	2/-2	2/-3
	Operating costs	2/-1	-2	1/-1	2/-2	1/-1	-4
	Subsidy	-3	2/-1	-3	3/-1	2/-1	2/-2
	Sales promotion	2/-1	1/-2	3	4	3/-2	4
	Grants	0	-1	0	2	0	2/-1
	Enterprise	0	0	1	1	2	1
	Competition	0	0	0	2	0	1
Community Resource		4	4	4	4	4	4
	Motivation	4	3	4	4	4/-1	4
	Community values	2	3	3	4/-1	3	4
	Inclusive approach	2	3	2	2	1	4
	Hub	2	2	3	3	2	2
	Friendly	4	3	3	4	3	4
	Amenity	2	2	3	3	3	4
	Networking	3	2	1	1	2	4
Interviews where the two themes and their related codes can be referenced at least once							

Interpretation of dominant attitudes



(Re)framing “profitability”

1. ‘Profit’ as the surplus available to support a charity’s other activities (a ‘bottom line’ amount in an accounting statement triggering the gifting of monies to fund charity objects.”
2. ‘Profit’ as trading that makes ‘a contribution towards the charity’s fixed costs’, by lowering fixed costs necessarily incurred to operate the charity.
3. ‘Profitable’ activities through becoming ‘a driver for increased footfall’ for other (commercial) operations that contribute to the charity’s wider public benefit aims, such as community regeneration.

Whilst none of the POs created profit in the first sense, a number were generating (or were expected to generate) profits in the second sense. All were profitable in the third sense.

Implications for theory

Answering the research question:

‘Do those involved with charity-backed POs prioritise using them for profit generation or to provide a community resource?’

- Both economic and social value creation were important to (almost) all informants. There was broad agreement that charity-operated POs are, and should be, a community resource.
- Some gave the ‘community resource’ perspective a much higher priority. Some felt that focusing on profit generation could be counter-productive and limit their PO’s effectiveness as a community resource.
- We could not see a pattern in the attitudes of those involved with a charity-backed PO and the ownership and governance models used.
- The social value of operating a PO inspired respondents but - like the managers of successful charity shops – they were guided by a mix of values (Liu and Ko, 2014).

Implications for practice

- POs are strategic resources for profitability, rather than direct contributors to an accounting profit. The argument is expressed through three narrative strategies:
 - a PO is profitable if it generates a surplus that can be gifted or reallocated to a charity's other activities.
 - a PO can be presented as profitable if proceeds can offset (lower) a charity's fixed costs. In this case, the argument would be that the PO has a nett value to the charity greater than any additional fixed costs.
 - a PO can be presented as a driver of profitable footfall that enables other community activities to be sustained and/or which increases the profitability of other trading activities.
- We contest Liu and Ko's (2014) view that charity retailing should focus on market-oriented management values. In charity-back POs, trading innovations can support a charity's *primary* purposes.



For references, please refer to
(or request) the paper.

**Questions
and discussion?**