

Foundational Economy Research

The precarity of community benefiting innovation

**Report by
Foundational Economy Research (FERL)
and People's Economy**

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FERL **PEOPLE'S
ECONOMY**



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“The forces of inertia or resistance to change are very deep-seated, well-resourced and system wide while those of change are episodic, often fleeting, and usually small scale - particularly in Wales which, despite its reputation, has a deeply conservative culture.”

Verdict of a former Welsh Government minister and health board chair,
now leading a local innovation in home care

Introduction

This report is an interim output from our Community Benefitting Enterprises project, funded by the Lottery, and running from March 2024 to March 2026. The purpose is to set out initial findings from year one which will be drawn on for the second phase of the project to inform practical facilitation of community benefitting innovation.

This report shares learnings from interviews in Wales with contemporary innovators working for community benefit². It starts by identifying the problem of precarious innovation before setting out what we mean by ‘community benefitting innovation’ in part 2 in relation to the idea of foundational liveability. The report then explores the preconditions for sustaining such innovation in part 3.

The scope of our project is set out in part 4, including details of the (anonymised) interviewees and innovations. Finally, in part 5, we offer interpretation and practical recommendations both for innovators and those supporting innovations, to support more favourable conditions for successful community benefitting innovation in Wales.

1. The manifest problem is the precarity of innovation for community benefit.

At any one moment in Wales, we have a ferment of creative ideas about how to change communities and the experiences of community members for the better; and there are many innovators who are active doers with ‘shining light’ organisations which show the possibilities. But the shining lights are too often quickly extinguished. There are laments about little learning from individual cases and no scaling-up or transfer of innovation across systems; as well as some reflection on the causes of high failure rates, which have not changed the innovation funding and support system.

This outcome relates to broader disappointment about ‘social innovation’. Since the 1990s, this has been promoted by an international industry of gurus - from Geoff

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² Our thanks to Keith Edwards and Professor Kevin Morgan for facilitating some interviews.

Mulgan to Roberto Unger - and institutions - from Nesta to Stanford Business School. By the early 2020s, disappointment is everywhere. Here, for example, is the depressing verdict from three radical academics, including Frank Moulaert who has been the leading European academic advocate of social innovation: 'Despite thousands if not millions of socially innovative initiatives that have materialized across the world over the previous decades, virtually no democratic political change is occurring' and these initiatives have had 'lilliputian impact'.³

2. What is community benefiting innovation?

There are many different confused and confusing definitions of social innovation (buttressed with endless illustrative examples from repair cafés to emissions trading). They all one way or another highlight the potential of action to better meet social and environmental needs. But there are many differences about whether or not-for-profit firms are included or excluded as innovators (see, for example, Stanford Centre for Social Innovation vs Geoff Mulgan⁴), and about whether the aim of strengthening civil society is integral to the idea of social innovation.⁵

Our foundational definition of community benefiting innovation (CBI) overlaps with many of the definitions of social innovation but is doubly framed.

First, 'community benefiting' means changes that enhance foundational liveability. From the direct household perspective, the notion of foundational liveability has three dimensions so that the aim is to improve:

- a) basic services (usually collectively organised or consumed, like health or public transport).
- b) residual income and time, i.e. what income and time are left after covering the costs of on-market essential like housing, food and utilities; and
- c) social infrastructure of places and activities for individual and collective enjoyment.⁶

From the supply side, improved liveability can be the result of increasing the stock of locally grounded capable and resourceful firms and organisations which have agency.⁷ And, if we move from the short to the medium term, liveability can only be achieved by combining climate change mitigation with urgent local adaptation to

³ Moulaert F. *et al.* (2022) *Political Change Through Social Innovation*, Elgar, p.1, p.137.

⁴ Stanford Centre

<https://www.gsb.stanford.edu/experience/about/centers-institutes/csi/defining-social-innovation>;

Mulgan G. *et al.* (2007) *Social Innovation*, Said Business School, p.8.

<https://www.youngfoundation.org/our-work/publications/social-innovation-what-it-is-why-it-matters-how-it-can-be-accelerated/>.

⁵ As in Wikipedia's synthetic definition: https://en.wikipedia.org/wiki/Social_innovation.

⁶ Calafati L, Froud J, Haslam C, Johal S and Williams K (2023) *When Nothing Works. From Cost of Living to Foundational Liveability*, Manchester University Press.

⁷ Foundational Alliance website, <https://www.foundationalliance.wales/rhaglen-agenda.html>

climate change, recognising our global failure to keep production and consumption within planetary limits.

Second, 'innovation' means adaptation, drawing on David Edgerton and Jean-Baptiste Fressoz's insights. These authors break with the traditional idea of innovation as diffusion of a new technical discovery which, if successful, shifts us to a different stage (as with energy from coal to oil/ gas and then to renewables). Instead, innovation for Edgerton is a process of adapting the old and what is to hand through creative bricolage in response to local circumstances.⁸ Fressoz has added the argument there will be messy symbiotic outcomes from such adaptation, with bits of the old mixed in with the new at larger scales; and the notion of 'transformation' is impossible and unhelpful.⁹

On this basis, successful innovation combines:

- a) something of substance delivered, contributing to one or more aspects of foundational liveability and
- b) a process through time so that it delivers sustained adaptation.

From this point of view, the key question is what are the conditions of *sustained* community benefiting innovation given that innovation is a protracted, complicated process, not an event nor a sequence of replicable adoption events where the new simply displaces the old.

The measurement of success – the community benefit created over time - adds to complications. In some of our interview cases, the innovation was about self-evident goods. Thus, in our cases we have flexible, shorter working weeks, and provision or maintenance of infrastructure facilities like a community centre or theatre or playground. But it is harder to measure the value of a new wellbeing service or a change in the form of home care provision for older people.

Individual stories and testimonies can be powerful, and it is possible to impute financial returns on each pound of social investment, and this is often a requirement of funders, but this privileges financial values (such as savings for public service providers) over other kinds of value for individuals and communities. Such calculations of the benefits of innovation may not convince sceptics who are emotionally or materially invested in the status quo and resist making changes, despite the positive evidence.

⁸ Edgerton D (2006) *The Shock of the Old*, Profile Books.

⁹ Fressoz J-B (2024) *More and More and More*, Allen Lane.

3. Analysis: the conditions of sustained innovation

What needs to be in place for a sustainable community benefiting innovation? We can identify four preconditions which allow delivery in one or more of the dimensions of foundational liveability discussed above.

1. Analysis with robust, creative and actionable ideas for how practices could be different.
2. Resources, including finance, and a business model that allows the recovery of costs as a minimum, and in some cases the generation of a surplus.
3. Management capability to organise, coordinate people and processes and control costs.
4. Co-production and accountability so the process is about supporting people to innovate for their communities or is about doing innovation with (not to or for) communities.

The first three preconditions apply universally to all kinds of innovation inside medium or large organisations, with a few exceptions round the edges as when tech start-ups are funded by venture capital on the understanding they lose money now but make money later. The fourth precondition is designed specifically for CBI as a social safeguard against top-down imposition of ‘improvements’ which are not received as such by recipients. This fourth condition generally requires the innovator to be grounded and connected with a constituency or place.

The four conditions have to be lined up like lemons on a fruit machine for sustainable innovation. Few innovators large or small will be able to line up all four preconditions and in many cases, we have innovation with internal weaknesses which undermine sustainability. Precarity is, therefore, inbuilt and internally overdetermined in many cases. The problems are then compounded by external environments which are hostile to CBI. Here we distinguish between (a) organisations which have their own stream of revenue and management resources and (b) those which are clients, in that they are dependent on external finance in the form of competitively awarded contracts or government grants.

If we ask why so few for-profit firms do social innovation (and why much of what they do turns into greenwashing and such like), the answer is in the ‘for-profit’ descriptor. In competitive markets ordinary profits are slim and shareholder value or private equity expectations are high. For-profit firms have to allocate funds to activities, and in all kinds of businesses will routinely choose the more profitable activities, shunning innovation which reduces overall returns. Thus, as Brett Christophers argues,¹⁰ renewable energy is cheaper per kwh generated than other sources but energy firms will not invest when (as has been the case) renewables do not generate

¹⁰ Christophers, B (2024) *The Price is Wrong. Why Capitalism Won't Save the Planet*, Verso pp.ix-xxxiii.

an acceptable return and relatively easy profits can be made by investing in fossil fuels.

Foundational welfare services are a different case, because many of these taxpayer funded activities are not provided on a for-profit basis. There is great potential here because innovation can reach out to many households if and when system change can be achieved. But welfare systems are delivered by managed systems of networks and branches (e.g. health, education and care) where each branch has a revenue stream and internal management resources from which, in principle, innovation can be sustained (or impeded). In practice, this is as much handicap as advantage. One of the fundamental differences between 1870-1950 foundational economy system construction and 2020s renewal of those hard infrastructure and welfare systems is that innovation now takes place in a field cluttered with existing systems. These operate through siloed structures, system wide practices, routines, incentives and risk averse behaviours.

These system practices and business models then work generally as an obstacle to rather than an enabler of innovation. John Seddon¹¹ and Hilary Cottam¹² document obstruction in their overlapping critiques of what Cottam calls the ‘management state’. They show how bureaucratic delivery of welfare services burns out professionals and wastes resource on gatekeeping and managing the demand, as needs increase beyond system capacity.

Siloed systems are also good at reproducing priorities, as with a health system dominated by acute care and unable to focus on preventive care. They are equally good at standardising system-directing practices such as competitive tendering for time and task organisation of home care. The result is that our welfare systems are innovation-rejecting because they work like an immune system rejecting foreign tissue. We see examples of this in the dismal history of successful but discontinued experiments in Kevin Morgan’s book on innovation for better food in schools, hospitals and prisons.¹³

The other limiting condition is grant dependence, especially for many small third sector organisations which do not have a secure revenue stream. This is because, as Moulaert et al. observe, ‘many if not most innovations rely on resources provided by the state and allocated to them by new public management’.¹⁴ This funding channels innovation and subordinates client organisations under a double constraint.

1. As third sector organisations complain, and consultants like Cynnal Cymru confirm, most grants are for short term projects (classically covering 1-3 years of direct salaries for a defined project with defined key performance indicators (KPIs)). There is little support for the carrier organisation to sustain its

¹¹ Seddon, J (2019) *Beyond Command and Control*, Mayfield Press.

¹² Cottam, H (2018) *Radical Help*, Verso.

¹³ Morgan, K (2025) *Serving the Public. The Good Food Revolution in Schools, Hospitals and Prisons*, Manchester University Press.

¹⁴ Moulaert *et al.* (2022) p.143

capabilities, and typically considerable churn of people with little learning possible from a succession of short-term projects. The recurrent cycle is that bottom-up innovation is first encouraged and then frustrated by top-down withdrawal of support.

2. Funder priorities (reflected in the availability of grants) direct innovation towards what is fundable in a top-down way, which is not necessarily the work that service providers and those they serve would choose to fund. In much the same way, facilitation and support by consultancies is limited by effort directed towards teeing up the next contract, which may reward a narrow range of fundable skills.

We are here in the domain of known, knowns. This is certainly so for Welsh third and public sector organisations, and for community groups and organisations dedicated to community development. At a national meeting for and by third and public sector organisations held in Carmarthen in September 2024, they noted that one key barrier was the absence of ‘flexible funds and supportive policy’, because ‘sustainable funding modes were a central concern with calls for funding structures that support long term engagement, skill development and flexible resource allocation based on community priorities’.¹⁵

For well-documented reasons the conditions of sustained innovation are in various ways consistently unfavourable for many different kinds of organisation. If they all operate in environments which are in different ways hostile, the precarity of innovation is not surprising. The depressing fact is that much of this knowledge of the hostile environment is well known and widely shared. But it has not so far led to reform actions that change the conditions in ways that can enable and support sustained innovation. That failure to act opens the issue of whether and how we can do better to support innovation.

4. The scope and role of the project

The above analysis based on standard secondary sources provides a general answer to the question about how and why CBI is precarious. It is confirmed (a) by People’s Economy experience of working with community-based groups and small-scale grant dependent organisations and (b) by FERL’s research on medium and large organisations like local authorities in place-based change.

But the general answer does leave many issues unexplored or underexplored about what, in foundational terms, is an adaptive – not a transformational - problem. If transformative change is not a realistic option (given the above analysis) how do we get more sustainable and secure foundational innovation at single sites, and across systems and places.

¹⁵ Together for Change (2024) *Working Together for a Better Wales*, p.5.

1. What are the internal and external conditions of success for those who manage sustained innovation?
2. How can CBI be made more resilient (a) by toughening the organisation or (b) softening the environment?
3. Is there a role for accelerating change by for example, educating funders, networking change makers and bringing in facilitators with relevant expertise?

To answer these questions, we undertook nine in-depth interviews with service providers backed by analysis of reports and accounts, and other desk research. The provider organisations were all chosen to illustrate a range of different innovations by various kinds of ‘shining light’ firms or organisations, pseudonymously named below with a brief description of the organisation and its innovation.

Organisation	Activity	Key numbers	Innovation
Celtic Food Service	For profit food service distributor with a strong regional presence developing local supply chain for more than 20 years	Revenue >£200 million Employees >750	Supply chain development
Ready Meals	Ready meals with Welsh meat for Celtic Food Service and supermarkets	Revenue N/A Employees > 30	Supply chain capability
Local Authority Home Care	Local Authority since 2019 moving from time and task home care which is standard across rest of Wales + UK	Revenue > £500 million Employees >5500	More responsive, person-centred service
Coop Housing Association	Cooperative social housing provider, since 2022 introducing four-day week while maintaining service and not hiring more staff	Revenue > £25 million Employees >200	Reduced, flexible working time
Outsourced Cultural Services	Charity since 2016 providing cultural services for three local authorities, including	Revenue > £5 million Employees > 125	Maintaining/developing social

	theatres/performance spaces in small towns		infrastructure facilities
City Community Hub	Charity developing resident led inner city community hub since 2012 with £1.8 million new building after local authority retreat	Revenue >£150k Employees <10	New community hub
Well-Being Services	Charity developing person centred health and wellbeing service provision in various forms since 2002 in a low density mainly rural area	Revenue £300k Employees 20	Health and well-being services above and beyond standard provision
Kids Adventure	Junk playground since 2011, embedded in charity for bottom-up community development on a large social housing estate	Revenue > £125k Volunteers > 30 Employees <10	Play facility integrated into community development
Community Pantry	Company limited by guarantee since 2023 with a 30 cover training cafe + cheap surplus food for 200 families	Just registered, no financials	Employment for recovering addicts, food club distributing surplus food

The interviews confirmed the general analysis in section 3 but gave us new granular, nuanced and specific insights which are systematised in seven propositions below. These have implications for all kinds of innovators and for how funders might choose to work.

1) Explicitly recognise that innovation is a multi-year process which depends on a carrier organisation (a small team centred on a few motivated and capable individuals/ a dominant individual who can build a team that shares ambition and values)

Projects and initiatives are a way of organising delivery effort in all kinds of organisations, with funding (whether in terms of a budget or a grant) typically attached to projects. But when we interview innovators, they describe innovation as

a multi-year journey which connects projects in a process of exploration, learning and adaptation whose outcomes cannot be anticipated at the beginning of the journey. Success is partly about the process of engagement with an activity which leads to ongoing revisions of problem definition and responses.

20 years plus innovation journeys are not unusual. Celtic Food Service has a more than 20-year investment led journey of cumulatively building supplier capability and finding effective ways of presenting Welsh farm produce to customers. Well-Being Services has been more untidily building out episodically and opportunistically grant by grant from a first programme in play in 2002 to its most recent three-year Lottery award.

10-year journeys are routine. The Kids Adventure junk playground is more than a decade old and is combined with a portfolio of other community development activities from a community car scheme to a kettle and breakfast club for carers. In City Community Hub, quite deliberately not much happened visibly in the first couple

of years of community engagement and now the ongoing challenge is to find a business model that makes the recently built centre independently viable.

Even what look like simple, discrete reform tasks turn into multi-year journeys. After five years of high effort in Local Authority Home Care, the shift from time and task to patch is incomplete. The pace of reform is limited by the complexity of the task and so many moving parts (including changing outsourced providers and motivating the in-house provider).

Coop Housing Association looks to be the exception because it has made one big leap on the four-day week (100% wages for 80% of hours for 100% service with no new hires). But the four-day week is not mature and embedded and requires ongoing adjustment to maintain the commitment and support of tenants and workers to continue the innovation.

Even if their income fluctuates year by year, organisations with a revenue line (for-profit and not-for-profit alike) have a material advantage when it comes to setting or sustaining multi- year direction and priorities. Grant dependent organisations cannot generally find multi-year core income and have to splice together short-term funding from different sources in an opportunistic and creative way, which requires perseverance.

Example: City Community Hub on taking it slowly and building relationships

'We had a specific challenge from a community member to embark on a relationship not an affair... The business case for [the project] put forward the idea that we should listen for a long time before deciding what should happen and then go forward with co-production... Because the project was open ended, everyone who

got involved was really passionate about it. After a four-year period of testing relationships and gaining support from senior staff [in the supporting organisation], and we had really good scrutiny of our work which showed that things were being run properly... and they were willing to take a risk and move the project on to the next stage.'

Lessons for innovators: Be clear about long term commitment: CBI is not a been there/ done that activity with an early and sustainable reward. Dependence on an individual (CEO or charismatic social reformer) is often necessary but always a source of vulnerability. Does your organisation now have (or can it in the near future build) carrier capability based on motivated teams with complementary skills? Can it cope with failure to deliver, or external rejection? Can it gain support from an outside network which can sustain or develop ambition and values?

Lessons for supporters: Anchors and government need to have patience in supporting reform journeys. Results depend on building or sustaining an organisation which has or develops the capability to initiate and sustain continuous innovation and a slow process of evidence building and gathering. The current practice of short-term project funding is not geared to this task of supporting sustained innovation. Less attention should be paid to appraising individual project applications and more to scoring organisational resilience and track record.

2) The organisation is the carrier of innovative capability, so sustained innovation is easiest in 'stick of rock' organisations which have one coherent set of values and direction through the organisation.

Celtic Food Service is an unusual case where the founder has remained the dominant individual as the firm has grown from a farmer's sideline to what is arguably one of Wales' most successful family owned and regionally grounded SME. The firm was founded on a small Welsh farm in 1988 and has grown into one of the UK 's largest independent food service distributors, which currently has turnover of £200 million, employs 750 and serves all of Wales and adjacent England from five strategically placed depots.

The founder believes business is about finding ways of using trust-based long-term relations with suppliers and customers to grow turnover and margins. He has instilled this modus operandi into his management cadre; while showing he knows how to make and keep good hires. The current CEO is an outsider, but most middle managers are long serving employees who have grown through different roles in the business.

Three of our grant dependent charities at different scales (Well Being Services, Kids Adventure, Community Pantry) also have a guiding mind who perseveres with filling out the grant application forms. City Community Hub is an unusual case of an empowering mind because the effort of many people working together co-produced

one radical thinker's vision of community engagement and organisation. Without the founder Celtic Food Services would be a different organisation; and without their guiding minds our small charities would not exist.

In Coop Housing Association it is organisational culture. Coop Housing Association stands out amongst Welsh Housing Associations because this unusually is a mutual organisation of tenants and workers with a CEO and CFO committed to these values. Hence the crucial capacity to drive change down to the labour process level, with the workforce tasked with figuring out how to do 100% of the work in 80% of the time through a productivity increase. And equally, at a crucial early stage in the experiment, a leadership team that could cover CEO temporary absence and sustain momentum.

Celtic Food Service and Coop Housing Association are very different yet alike in that they have a level of coherence that few others can hope to realise. Outsourced Cultural Services represents a more achievable level of attainment which comes from enough of the right people with the right skill. This combines a long established and well networked CEO who draws on the skills of trustees and advisers and relies on delivery by operations teams who know what they should be doing and are engaged with the communities they serve.

The clear implication is that 'stick of rock' organisations do not just happen; they have to be built, and our cases show there are many different ways of doing this work of construction.

Example: Co-op Housing association on working with the same purpose

'Not only had we trusted everyone [in making the trial work], but everybody was aligned with the same purpose, and everybody was working towards that purpose because it rewarded everyone. We call it 'the gift of time.' If we could work together to make that work, what a fabulous revolution; ...and there would be fabulous rewards for all of us. Our culture now is around continuous improvement and that's part of everyone's role... The values that people bring, I think, leads to better service because they feel valued themselves and trusted'.

Lessons for innovators: *Rate* the coherence of your organisation before you start innovating within an organisation and prioritise coherence building as necessary. Recognise that dependence on one key individual may be necessary for start-up but is a source of weakness if innovation is to be sustained. Develop contingency plans which can draw on a team and a distribution of necessary skills between team members.

Lessons for supporters: *The* central rectifiable weakness of the current system is supporting innovative projects while neglecting to support the organisations which are the carriers of innovation. Funders like Welsh Government (whose budget impedes long run funding) should always pay appropriate overheads; NGO funders should cooperate around longer term joint grants with two-stage applications to minimise wasted effort; local anchor organisations should identify organisations with a sustained record on CBI and work out how they can help.

- 3) In the public sector, most branch organisations in standardised systems (like NHS Wales health boards and local authorities in healthcare and education) are bound by routine and inherently innovation rejecting; so, there is an acute problem about the loneliness of the mid-level branch champion of multi-year innovation.

We know that CBI is the exception, not the norm, in branch organisations in Welsh health and care. Only three of the seven health boards have pressed 'grow your own' local work force development initiatives, though that offers a high community benefit; and 12 or more of the 22 Welsh local authorities carry on standard commissioning of time and task care for older people through competitive tendering.

Our example of Local Authority Home Care's innovation in the organisation of domiciliary care highlights a general problem. In many branch organisations the CEO and CFO have quasi monarchical privileges in strategising but mid-level managers are responsible for operations and thus drive reform. The home care reform was initially supported by an outside consultancy and by senior internal management, which ensured there was an adequately resourced unit to promote reform. But senior management changed (as senior managements in local authorities, health boards and housing associations do), and the new seniors wanted a justification for doing care differently from the standard model, which was had been the practice in their previous local authority. Middle managers in the local authority had never been convinced.

Example: Local Authority Home Care on the routine bound in house provider

'The in house provider (of home care) is the most difficult to change in terms of mind set. The (local authority's care) middle managers have been offered training, and they have done their own reviews. You sometimes think they are getting it. But there's no shift then and there's the reverting back to this old mentality which delves back into the old world where we had the purchaser provider split... Its management thinking and a very deep-rooted culture around working in a very transactional way.

On a follow up, 8 months after the first interview, we talked with the mid-level manager who had from the beginning driven reform in Local Authority Home Care. She explained that she had now resigned and was leaving the local authority because her "beliefs ...no longer aligned with the organisation at large". The prospect was that more than five years of effort and achievement in imaginative home care reform would now be lost as the organisation defaulted back onto commissioning time and task in the standard way. This lost experiment outcome is routine in large standardised systems. And we suspect that the arithmetic is roughly one old experiment lost for every one new experiment started.

Lessons for innovators: Understand that senior management support often depends on personnel not changing and be ready to protect innovation and educate

newcomers who are unfamiliar with alternative approaches. This implies the importance of (a) understanding the importance of evidence (beyond narrative vignettes), because mid-level innovators should be ready to justify deviation from standard; and (b) recognise the importance of communities of practice and mutual support from outside the branch which can accelerate change and strengthen innovator resolve.

Lessons for supporters: Concentrate effort and resource in directly supporting the innovators, indirectly advocating more widely for the innovation and identifying those who could be persuaded or incentivised to become close followers or allies. Because most lower-level branches have neither the senior management motivation nor the operating bandwidth to sustain CBI, Welsh Government needs to stop trying to recruit everybody into initiatives as with the Public Service Boards. Instead, it may be more helpful to back worthy high level objectives by engaging with the 'how to' of innovation through skunk works and such like, starting with the minority of organisations that are willing to experiment and learn.

4) Recognise that CBI is likely to involve a relatively small number of for-profit firms where spend on innovation sustains or improves profit or market prospects.

A review of grounded Welsh SMEs would probably show that many of them are into good works like sponsoring local sports teams and charities. There are some notable exceptions like Williams Homes (Bala) which goes beyond these kinds of actions to develop and market capabilities in constructing low carbon, timber frame houses and other buildings. This helps the firm because it reduces exposure to cyclicity in the private house building market and opens up steady, predictable demand from North Wales housing associations which allows retention of a core workforce and sub-contractors. This kind of self-funded for-profit move adds to the regional stock of capable firms and skills.

Celtic Food Service operates in food service distribution to the private and public sector which is a highly competitive, commoditised business where restaurants and kitchens buy on price so that distributors have slim margins. In this difficult business, Celtic Food Service has a record of steady organic growth with a near doubling of real turnover over the 2008-23 period. Celtic Food Service is not buying market share by accepting lower margins: for the past decade Celtic Food Service's margins have been better than those of its competitors. In recent years the cash margin (EBITDA) at Celtic is 8-10% on revenue compared with 2-4% in one of its UK-wide competitors whose turnover is more than 10 times larger.

The explanation is that Welsh provenance is Celtic Food Service's differentiator. This works because the firm is not only prepared to stock Welsh lines but also to develop Welsh supply chains and improve consumer acceptance of Welsh produce. Their flagship supply chain initiative is a beef partnership with 80 Welsh farmers who follow strict husbandry and management protocols for stock, which go to an in-house

Celtic butchery producing branded meat with provenance. Celtic Food Service also works on consumer acceptance of healthier food lines. One of its current programmes tackles the issue of how the narrow range of Welsh grown vegetables can be made into school meals which are attractive to children.

Celtic Food Service is distinctive because it has long term relations with a few independent suppliers, as with a family-owned ice cream maker which is co located on a Celtic Food site. The clear understanding is that such long-term trust relations needs to deliver sustainable profitability for both parties. This was very clear at Ready Meals, an independent supplier which had been taken in house when one of the principals retired. Ready Meals continued to operate at arm's length, supplying branded meals for several supermarket chains as well as Celtic. By design, Ready Meals significantly boosted Celtic's margins on in-house butchery by providing an outlet for beef forequarters which would otherwise have to be sold at distress prices.

Example: Ready Meals on the discipline of trading

'With the founder of Celtic Foods, we had a strong friendship... While the relation was personal, the disciplines of business still had to be there. Celtic Foods had to sell me beef at a profit, and I sold Celtic Foods Welsh beef curry back at a price that I made money on. So, the transactional side of the relation is still there and the discipline of any trading relation still had to be there.'

Lessons for innovators: *Would-be* for-profit innovators should adopt an unsentimental realist position and go for CBI if/ when it sustains profit margins and/ or opens new market opportunities. Opening up new markets is likely to be an attractive opportunity for some grounded Welsh SMEs (such as electricians moving into electric charge points, solar and heat pump installations etc.).

Lessons for supporters: For-profit firms should be left to fund their own early-stage CBI innovation. There is little value in an industrial policy of grants for corporates to do what they would in any case do. There is an opportunity to incentivise innovators with contracts. Public sector procurement should shift from Welsh postcode preference to identifying (using the McGrady triangle method of supplier firm appraisal) solid micro and SME firms which could be encouraged into new activities if offered contracts. And there may be cases where Welsh Government and its agencies can help co-ordinate and support infrastructure for innovative firms, as with food parks providing spaces for rent.

- 5) With grant and contract-dependent organisations, large benefits in terms of sustained CBI outcomes come from a long term, supportive relation with a patient sponsor.

This point emerges clearly in two of our cases.

Outsourced Cultural Services has a considered and close relation with the three local authorities for which it runs cultural services. The local authorities retain ownership of the facilities and responsibility for major repairs, with the outsourcer responsible for operations on a clear realist understanding about affordability and service fee. Hence the agreed need for conversations around: ‘if savings are required against the current fee level, then work with us on determining what or which services we do less of on your behalf “

In City Community Hub, one of the city’s universities has played an exemplary patient role by: (a) not insisting on early results; (b) holding assets in trust on its balance sheet for an interim period; and (c) putting one organiser onto its payroll. These are relatively small things for a large sponsor, which have made a significant difference to the CBI-capacity of the community organisation operating the hub.

Most organisations do not have this relation with any sponsor funders and, like Kids Adventure, are dealing with a succession of funders and “constantly looking for how we’re going to get paid each year.” Hence the importance of the Welsh County Voluntary Councils and other local network organisations which can provide not financial but infrastructural support for voluntary and community organisations. But the engagement and role of local CVCs is variable. Kids Adventure praised their local CVC while Well Being Services claimed others would agree that their local CVC was “an unhelpful organisation.” This is damaging because infrastructural support is critical for organisations without funding from a patient sponsor.

Example: Kids Adventure on infrastructural support of their CVC and others

The CVC supports Kids Adventure with its policies and practices in volunteering and community development, direct employment, and line management; their financial manager supports with finances and purchasing. A local network of adventure playgrounds and play teams provides general support and they are part of an advisory and strategic preventative service that connects Kids Adventure to parenting groups. An extra care facility for over 55s is “brilliant at letting us use rooms for free.”

Lessons for innovators: Building networked relations of trust and two-way communication with a sponsor is a core competence which can deliver funding when imaginative ideas and a track record are not sufficient. Managing funder relations is usually a pre-condition of continued funding; this can be helped by direct connections between supporters and those served by the innovation which is in itself obviously important for accountability. In the absence of a patient sponsor, infrastructural support is likely to be an important success factor.

Lessons for supporters: *Develop* the practice of patient support and recognise that this can be not only, nor mainly, about grants of project funding. At the very least take an informed interest in the activities and organisations you fund because that motivates innovators and allows a funder to make better decisions (e.g. about continued founding) not based simply on paper reports. Most local anchor organisations have the management capacity and financial resources to do constructively what a local university did for City Community Hub. Facilitation needs to focus on this issue of expanding limited and unimaginative current notions of what an ‘anchor’ can do.

6) Recognise that many grant-dependent client organisations live in a world of unstable funding and near-death experiences.

Community Pantry is a cautionary tale of a surplus food pantry and a training café being encouraged informally into over-expansion by opening a 30-cover restaurant. This brought extra fixed costs which now threaten to undermine the training cafe for those recovering from addiction and the community pantry which supplies cheap surplus food for 200 families.

When we spoke with them it was clear that Community Pantry would close unless a current grant application succeeded. Well-Being Services and Kids Adventure recounted similar earlier near-death experiences. And the implication is that we are interviewing survivors from a larger cohort of CBI innovators who failed financially or burnt out their organisers.

Example: Community Pantry

“We’ve been feeding these guys for the best part of 5 years now...so we’ve inevitably built up high levels of dependency so if that comes to a halt...you’ve got 200 families that are going to struggle to eat...a nightmare scenario...my big fear is that alongside people going unpaid is people going hungry. The whole thing has been incredibly precarious for 3 years... the funding pots that patch us through don’t cover core costs.”

On a follow up some six months after first interview Community Pantry explained they were still in the same purgatory. Some bridging finance had been obtained to keep things going without solving their funding problems. Bridging finance had averted closure but they now once again faced the prospect of running out of money to pay staff and suppliers within a couple of months. If robust principals can cope with one near death experience, it is unlikely that they can survive the stress of purgatory for any length of time because that must close off any realistic possibility of a stable future.

Lessons for innovators: Be prepared for insecurity which exhausts staff and limits capability. This can make it very difficult to offer the continuity of employment which allows recruitment, development, and retention of operating staff. Think about how to manage insecurity e.g. by combining a surplus-earning trading business with a grant-dependent business. Be clear about the limits of your responsibility and differentiate between self and role. Where needs are urgent and operating with a high risk of precarity/ closure is justified, a plan for how to end well should be explicitly designed in from the beginning.

Lessons for supporters: *Place*-based anchors should have an at-risk list of successful local social innovators dependent on short term funding so that they could respond to crises by supporting the innovative organisation (if not all its activities) and the communities they serve. Informed, considerate management of client stress and crisis restructuring is a set of skills which anchors should develop.