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Business opportunities in short food supply chains: the economic sustainability of three Hungarian para-gastro restaurants

Social enterprises have both economic and social motivations. This hybridity also determines their business model: these companies survive economically in a sometimes very competitive market by fulfilling their main objectives to achieve their social mission. In Hungary, the number of social enterprises within the catering industry is minimal; however, the para-gastro movement collects companies with catering or food processing activities that employs disabled and/or disadvantaged workers. This paper investigates the three most prominent members of the Hungarian para-gastro movement that consider sourcing inputs via short food supply chains as an opportunity. Based on a mixed methods approach, we can conclude that these enterprises must face all the industry's difficulties, and their unique circumstances might make their operations even more difficult. Taking into account the support these enterprises have received in pursuit of their social goals, the opportunities provided by the short food supply chains can help them only if they are also able to find a niche market where solvent demand can accept the specialties of local sourcing.

Keywords: short food supply chains, social enterprise, social innovation, business model, Hungarian para-gastro movement

JEL classification: Q13

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Introduction

After World War II, agriculture and food production in Europe were characterised by the pursuit of economies of scale based on mass production, standardisation, and delocalisation of processes, which was well illustrated by the main guidelines of the Common Agricultural Policy. Producers and consumers have become alienated from each other in every respect, and the relationship of trust, which used to be the characteristic of food production and consumption for centuries, has been less and less determinative and dominant. As a result of this and the increasing number of food scandals since the 1970s (e.g. salmonella infections, BSE epidemic, dioxin residues, etc.), there is a growing demand of consumers for alternative food systems (non-industrialised food supply chains) (Renting *et al.*, 2003).

Social innovations can be created by different organisations (state, local government, NGOs and social enterprises) (Moulaert *et al.*, 2017). Social enterprises, which citizens primarily initiate, and non-governmental organisations have a fundamental goal of doing their work to benefit the community and promote commitment towards social responsibility. At the same time, the social and economic objectives of social enterprises are attained. The economic nature of the activity is ensured by the fact that social enterprises primarily perform production and service activities. The continuous production of products and services confirms the economic sustainability of the establishment of social enterprises. Besides, social enterprises take on the economic risk because the acquisition of resources of an enterprise depends on the efforts of members and employees; thus, they are risking their survival. It is also an economic objective that social enterprises not only employ volunteers but also employ paid labour. Social enterprises are often created by the cooperation of people in a community or group for a specific purpose. A collective approach to problem-solving is in particular usu-

ally present throughout the operation of the organisation. In social enterprises, the realisation of a social objective takes priority over profitability, but that does not mean that only a non-profit approach prevails to run the business. It is also the characteristic of some social enterprises that a high degree of autonomy (which means independence from state influence primarily) and decision-making does not depend on the level of ownership and is based on the consensus of the employees (Nyssens, 2014).

The purpose of this paper is to identify the opportunities provided by short food supply chains (SFSCs) for social enterprises, with a particular focus on the catering industry. To this end, after a brief review of the literature, we present three social enterprises participating in the short food supply chain concept. Each of the three initiatives is linked differently to the SFSC approach. Still, all of them share a common motivation for social innovation by employing disabled and/or disadvantaged people. After describing the qualitative methodology, we present the companies themselves and the most relevant results of our research. Finally, the last chapter of the study draws the main conclusions.

Literature review

In the 1990s and around the turn of the millennium, the literature was increasingly concerned with alternative food systems. The short food supply chain concept has been defined as a form of amassing concept that focuses on informative products that bear the “face” of the producer, rather than anonymous mass products (Marsden *et al.*, 2000). Based on the initial classification of SFSCs, three main types are distinguished. In the case of direct sales, the producer and the consumer interact directly with each other during the purchase of food so that a relationship of trust can be formed directly. The most common forms are

sales at the farmyard, the farmers' market, or the producer's home delivery, even in the so-called "box" schemes. When there is no direct connection, but the location and key features of production are made known to the final consumer through (typically a small number of) intermediaries, it is spatial proximity. Typical examples are local shops, restaurants and public catering establishments working with SFSC's suppliers or the so-called community-supported agriculture. The SFSC type, which describes the most geographically distant relationship, is an extended approach, where certain certification marks (for example, geographical indications) are intended to provide product information to consumers who may not have even been close to the production site, thereby giving confidence (Delicato *et al.*, 2019; Hyland *et al.*, 2019; Marsden *et al.*, 2000; Renting *et al.*, 2003;).

Marsden, Renting, and their co-authors (2000; 2003) made the classical SFSCs classification based on geographical distance. In this study, we look at quasi-local SFSC sales through restaurants, including restaurants that serve (also) public catering services. For the final consumer, through this SFSC channel, the goal is the same as in the other cases: to buy fresh and healthy food, preferably produced on a local farm. Purchasing such products can often cause problems of convenience and efficiency; however, they can be solved by committed consumers in restaurants where purchasing through SFSCs is dominant (Craven and Krejci, 2016). Using other classifications, selling local food via restaurants belong to sales to small retail outlets (Malak-Rawlikowska *et al.*, 2019), which can be considered as one of the most effective short food supply chains including only one intermediary.

Examining English and American case studies, Fleury *et al.* (2016) also demonstrated that in these value chains, restaurants committed to SFCS could generate revenue that allows them to pay a premium for such inputs, making this model even more attractive to the producer. Also, based on North-American data, in those restaurants where there is a high percentage of locally sourced ingredients, the price is not a determinative factor when making purchasing decisions, but rather quality is the key (Starr *et al.*, 2003). The higher quality of the local food ingredients is mainly identified with better taste (Inwood *et al.*, 2008). In addition to the direct economic benefits, the farmer has the advantage of delivering the minimum amount required directly to each restaurant, which is much lower than if they have become a standardised hospitality supplier. This allows small-scale or even start-up farms to gain sales opportunities (Givens and Dunning, 2019). To conclude, quasi-local sales through restaurants can be mutually beneficial to the consumer, the restaurant, and the producer.

Some social enterprises are trying to exploit the various opportunities offered by SFCSs to fulfil their mission, which can be considered a form of innovation. Social innovation, as a concept, has no uniform definition. Moulaert *et al.* (2017) mean such innovations in social relationships capable of meeting a collective need. The definition of Mulgan *et al.* (2007) fits most of the research purpose, which regards social innovation as a process of collective action and social transformation aimed at developing new forms of governance, community building, participation, empowerment and

capacity building. Finally, it is important to mention that the European Commission considers enterprises as social enterprises where "those for which the social or societal objective of the common good is the reason for the commercial activity, often in the form of a high level of social innovation; those where profits are mainly reinvested to achieve this social objective; and where the method of organisation or ownership system reflects their mission using democratic or participatory principles or focusing on social justice." (European Commission, 2011, pp. 2-3).

In social enterprises, the "hybrid entity" was also apparent in their business models. Depending on the social mission, the target groups and the markets of these companies, according to the literature, nine different business models are the most common (Grassl, 2012), which can identify the type of a social enterprise. In most of the cases, social enterprises in the catering industry follow the employment business model, as their primary goal is to provide employment opportunities and job training to their clients and then to sell its products or services on the open market.

Dickerson and Hassanien (2017) investigated three social enterprises in the UK that had a common goal: providing restaurant services and their social mission (supporting local suppliers, employing women from ethnic minorities, and employing homeless people). The authors identified several critical areas where managers of these businesses had to make clear decisions to achieve their business model goals. On the one hand, it is crucial that company management clearly decides whether making a profit or executing a social mission is a priority. On the other hand, it is critical to define the business' social dimension to position and identify direct competitors correctly. In addition, it is essential for income generation to identify the potential target customers from which their regular customers can arrive and who provide a steady source of income to finance their operating costs. It is also important in the context of liquidity to look for long-term sources of financing (including third-party aid), which can also withstand financially challenging times, not only the shorter periods. Finally, the authors emphasise that these businesses need to be able to manage, at the strategic level, the financial pressures generated by the extra costs of fulfilling their social mission (which do not occur with a purely business-based competitor).

From an international perspective, several different strategies of social enterprises acting in the catering industry can be identified. Nunez and Musteen (2020) analysed successful sustainable ventures in the Cali Baja (Mexico) gastro industry. Based on their results, these businesses operate on the basis of a viable business opportunity that addresses both environmental and social goals because they have general knowledge of natural and communal environment along with compassion for the environment. The Terra Noble is a restaurant with a menu based locally grown products. The social goal of this restaurant is the local sourcing of vegetables and protein, knowledge transfer through experience shared with manly customers and employees. Cervceria Media Perra is a craft beer brewer and tasting room. The social dimension in this company is reflected in the fact that the organic waste from the production process is donated to a local pig farm and the knowledge about sustainable practices is shared with

their partners and customers. Finally, the Flor de Calabaza is a retail store of local sustainable and/or organic products (eggs, cheese, jams etc). This business donates compost to local garden nursery next to local sourcing and promotion (of agri-products).

These sustainable entrepreneurs gain a general understanding of environmental and social issues and challenges. This acquired knowledge is closely intertwined with the compassion for those affected by environmental and social problems (Shepherd and Williams, 2014). It is important to acquire business-related knowledge in the lives of these entrepreneurs and only then will follow the emergence of social (e.g. wellness of the venture stakeholders) and environmental (e.g. selective waste collection) dimensions. According to the authors, it is questionable how governmental institutions influenced the decision to start a sustainable business (or the performance of the enterprise). This is despite the existence of local programs in the Baja California region specifically for the sustainable development of the gastro industry.

The spread of various digital innovations in recent decades has affected social enterprises. Obermayer *et al.* (2019) investigated the knowledge-based networking technologies among wine and gastro SMEs in the Balaton region (Hungary). The sustainable development and the cooperation of the enterprises are essential. The authors consider it important to explore the application of knowledge-based networking tools (such as social media technologies) and to develop good practices and case studies for local businesses. In addition to this, we can speak about ‘digital hybridity’ which refers to the combination of economical (commercial) mission and social mission where digital innovations (AI and big data analytics) are a strategic approach to address sustainability concerns (He *et al.*, 2022). Digital hybridity supports creative engagement with financially excluded groups (social dimension) and this generates new revenue streams (e.g. loan) (financial dimension) for social enterprises. Embedding digital innovations in organisational operations can reduce uncertainty, thus social value creation and economic value creation do not need to be perceived as a trade-off (Wry & Zhao, 2018).

Our study aims to analyse socially innovative catering businesses where it is emphasised in their input sourcing that as much of the raw ingredients as possible come from a short food supply chain. Although Fekete *et al.* (2017) identified approximately 13,000 social enterprises in Hungary, the number of such enterprises in the hospitality industry is insignificant. Therefore, we simply selected those that deal with hospitality, and shortening the supply chain is of paramount importance in their mission, alongside their socially innovative initiative. There are currently seven organisations involved in the recently started para-gastro movement, all of which operate hospitality or food business units as social enterprises employing disabled and/or disadvantaged workers (Jakubinyi, 2017). The study analyses three of them which deal with hospitality in a classical sense as main profile which are directly involved in the previously defined SFSC-dimensions: *Ízlelő Restaurant* in Szekszárd, county seat of Tolna county in Southern Transdanubia region (and opened the second restaurant in Budapest the capital in the last years), the *Hatpöttyös Restaurant* in Székesfehérvár,

county seat of Fejér county in Central Transdanubia region, and the *Batyu-Téka* in Miskolc, county seat of Borsod-Abaúj-Zemplén county in Northern Hungary region. The main economic focus of all three companies is the public catering and restaurant business (primarily serving a daily lunch menu on various channels and, to a lesser extent, event organisation) employing disabled and/or disadvantaged workers.

Materials and Methods

In our empirical study, we applied mixed method research to integrate both qualitative (case study) and quantitative (case report) research questions (Pluye and Hong, 2014). Given the limited size of the sample (3 enterprises) due to the restricted number of actors in the sector (7 enterprises), this approach could provide the best insights. Our sample includes all the para-gastro enterprises of Hungary that consider SFSCs as an important source for their food inputs.

In the field of social sciences, applying mixed methods research is quite common (Baškarada and Koronios, 2018), and many of the recent social innovation related studies have followed this approach (e.g. Bozic, 2021; Chatzichristos and Nagopoulos, 2021; Faludi, 2020).

As part of the quantitative data collection, we conducted a secondary analysis to collect the background information available on the websites, Facebook profiles, and other news sources of the businesses complemented with all publicly available and up-to-date economic and legal information. With these case reports, a descriptive analysis of the selected organisations was applied, including the calculation of several indicators that serve as a basis of objective comparison.

In the qualitative data collection phase, we conducted face-to-face and telephone interviews (with an average duration of 90 min) with the management of each of the three selected organisations, following a semi-structured interview approach. In these case studies an in-depth analysis of the selected organisations was conducted. In our interviews, we were interested in the mission of the companies, and how it is implemented in their business concepts, within their specific market environment. Also, the role of the SFSC-concept in the restaurants’ business models were investigated, together with the identification of the characteristics of cooperation with their SFSC partners.

The expert interviews were conducted with the executives of all three companies at the end of 2018 and early 2019, followed by an analysis of a transcribed version of their audio (with the permission and prior interviewees), based on predefined analytical topics, using thematic coding. Based on these, we concluded that the realisation of the classic supplier-customer relationship within the framework of SFSC is most prevalent at the *Ízlelő Restaurant*, therefore in the third phase of data collection, we made additional expert interviews with the most important SFSC suppliers of this restaurant. We managed to get in touch with three of the five most important suppliers. In the supplier interviews, we described the relationship between the restaurant and its SFSC supplier, including both economic (e.g. the supplier’s sales level for the restaurant) and social (the role of the social mission of the restaurant) characteristics.

Our study tries to address several research questions. First, what are the main characteristics of the selected companies, with a special attention given to their business models? Second, how do these enterprises perform compared to each other, based on business indicators adjusted with the unique characteristics of the sector? Finally, how can the benefits of local sourcing and participation in SFSCs contribute to the economic and social performance of these companies?

Results

The para-gastro movement in Hungary is a network of organisations that have at least three similarities in their membership: continuation of gastronomic activity, the integrated employment of disabled and/or disadvantaged workforce, and furthermore, they operate as social enterprises (Jakubinyi, 2017). More than 75% of the employees in these businesses are disabled and/or disadvantaged people describe their activities well (Jakubinyi, 2017). Based on preliminary investigations, the members of the network include three companies that (also) engaged in the catering business in the classical sense, and the SFSC-concept played a decisive role during their operation.

Ízlelő Restaurant was founded in Szekszárd in 2007 by a foundation which is helping the social inclusion of disadvantaged people. However, its operation has been carried out by a non-profit company since the beginning. The building located in the central part of Szekszárd (the proximity of public institutions greatly assists the lunch menu profile) was provided by the local government through a concessional rental scheme. At the same time, refurbishment (accessibility for consumers and employees) and equipment were financed from EU funds. The main profile of *Ízlelő Restaurant* is the lunch menu, and because of the proximity of the well-known Hungarian wine region, the organisation of wine dinners is also determinative. Initially, they were involved in public catering, but this has now been overshadowed. The restaurant's supply has always been in the spirit of health awareness, closely linked to the SFSC-concept, as its locally sourced, fresh and unprocessed ingredients are of high quality and conducive to healthy living. However, everything comes at a price. The restaurant has always worked at a higher price level than its direct competitors; therefore, they won the "title" of Szekszárd's most expensive lunch menu among the consumers.

Nevertheless, it appears that a niche market has been found which accepts this price level, so long as they are indeed receiving better quality care. The success of the strategy is well illustrated by the fact that more than a decade has passed since it was opened, and it was not the *Ízlelő Restaurant* that had to be lowered in terms of quality and price, but instead, their direct competitors in Szekszárd started to follow them. The restaurant has been profitable since its first year, confirming that this concept is also economically sustainable. This is further supported by the fact that in June 2019, the second restaurant was opened in Budapest, the capital, which is the next step of establishing a long-planned franchise system. In addition, small-scale food processing is increasingly becoming a part of the activities, including

handmade chocolate manufactory and artisanal fruit processing, also targeting to reach both local consumers and tourists visiting the region of their restaurants.

The non-profit company operating *Hatpötyös Restaurant*, was founded in 2009 in Székesfehérvár by families with disabled children. After overcoming the initial difficulties, the restaurant itself opened in late 2012. The concept was similar to the *Ízlelő*: the building in the central part of the city was obtained under a concessional and long-term lease scheme, and some of the investment needed for the opening could be financed from EU sources. The main target group of the lunch menu concept is public officials from the public institutions around the restaurant. One of the main clients in the field of event organisation is the local mayor's office. The kitchen's motto is to make delicious homemade meals from high-quality ingredients while providing livelihood jobs for employees with disabilities. The restaurant is working with raw, completely unprocessed ingredients, preserving (preservation and pickling), and preparing the pasta on site. However, the focus of activity has recently shifted towards public catering, mainly because the lunch menu business alone does not provide sufficient and predictable revenue. 2020 was a turbulent year for the business, as after a 10 year long rental period the restaurant had to leave its central-located building and almost closed. However, after two migrations and the help of community support and fund raising, the restaurant survived even among the difficulties of the COVID-19 restrictions.

The *Batyu-Téka* was established by a foundation in 2014, since then it is operated by a non-profit company, which can be linked to the foundation. The foundation promotes the employment of people with disabilities. The "holding" of the foundation also includes many other organisations; among others a "social farm" aimed at employing people with disability or autism and/or disadvantaged workforce (for more information, see: Kajner and Jakubinyi (2015)), which operates horticulture and a goat cheese manufactory, and also a restaurant. Based on the capacities of this restaurant, *Batyu-Téka* was opened in the downtown of Miskolc, where people provided lunch service with disabilities, and the restaurant building served as a venue for various community and social activities. The property was obtained from the municipality under a favourable rental scheme, and the necessary infrastructure investments were also solved with EU subsidies and loans. *Batyu-Téka* closed in the spring of 2018 due to an increase in the rent of the restaurant space. However, the management plans to reopen it soon, using a changed business model (own kitchen on-site and possibly owning the real estate).

Regarding the *SFSC-binding* of each of the investigated actors, the picture is quite diverse. In the case of *Ízlelő Restaurant*, the focus was initially on organic ingredients. Still, with insufficient local supply, they did not want to source their products from (international) chains, and therefore they turned to quality and locally available inputs. The preference of local suppliers (30-40 km catchment area of Szekszárd in their case) is also stated in their procurement rules. From spring to summer, the proportion of local suppliers reaches nearly two thirds, including the dairy products of a big local dairy processing company. Due to the insufficient quantity

and variety of supply, vegetable and fruit suppliers are the least local, especially during winter season the proportion of local raw ingredients is only one-third of the total inputs. Meat, dairy, and bakery products are the ones that come into the kitchen only and exclusively from local producers (processors) almost all year round. The relationship between suppliers (producers) and the restaurant is basically ad-hoc in terms of volume and frequency of purchases, but cooperation can be considered stable. The interviews with local suppliers also confirm this. In most cases, they can sell to the restaurant without formalised frameworks (supplier contracts) based on personal relationships, and they can sell ingredients to the restaurant seasonally, which accounts for only a tiny percentage of their annual turnover. It is also important to mention that the fact they deliver to a social enterprise restaurant while enhancing personal relationships and commitment does not affect other parameters of the transaction.

When the *Hatpötyös Restaurant* started the business, it totally followed the SFSC-concept, which has been manifested, in addition to local sourcing of raw ingredients, that they served as a pick-up point of a local community supported agriculture initiative (box scheme) on Saturday mornings. However, this approach did not prove to be viable in the long term. In the CEO's view, this is mainly due to the lack of consistent quality and the small number of potential local suppliers. Currently, their most important supplier is a local trader who purchases a significant part of its goods from the wholesale market of the capital city. The local suppliers are determinative only among meat products, and seasonally some of the fruits also come from the area of the region.

In the case of *Batyu-Téka*, the SFSC-relation was prevalent since the beginning, as the restaurant-related social farm provides a significant quantity of raw ingredients. The kitchen provides 300 servings a day, which, besides the delivery to the *Batyu-Téka*, are sold primarily for the public and social catering of their own and other institutions. Due to the large number of portions, the self-produced raw ingredients have a share of around 20%; the rest is sourced mainly through restaurant suppliers, while they are also cooperating with regional producers wherever possible (for example, neighbouring organic social farms). However,

local raw ingredients are not a priority, as the price level of social catering can bear the cost increase of neither organic nor small-scale purchases.

Based on the above, it can be concluded that the social focus of the examined enterprises is the same: providing employment for disabled and/or disadvantaged workforce. However, how their business model is attained and what their relation is to SFSC-concept, is quite different (for a summary, see Table 1).

If we examine the business models of the examined enterprises, according to the previously described Grassl's classification all three enterprises clearly put employment at the centre of their business model, as the employment of workers targeted by the social mission plays a vital role in the life of the businesses.

However, the enterprises provide a quite different picture when analysing their business performance and economic sustainability (Table 2). *Ízlelő Restaurant* has an outstanding performance in the para-gastro sector with positive Earnings Before Interest and Taxes (EBIT) in every year since the beginning. On the other hand, the two other restaurants generated significant losses in the first years and had a positive EBIT only in every second year, on average.

Social enterprises are quite dependent on subsidies (both local, national and EU funds), therefore it is interesting to measure the share of the market-based activities and subsidies in the enterprises' income. In this regard, *Ízlelő Restaurant* has her own path as only less than one fourth of the total income was subsidy, while for *Hatpötyös* and *Batyu-Téka* this share was almost double (44% and 54%, respectively).

As these enterprises have the primary goal of employment, it is also interesting to measure their employment and per capita performance. With her two restaurants, *Ízlelő Restaurant* was the biggest employer, providing job opportunity for 53 people (out of them 46 handicapped) in 2020. *Batyu-Téka* had 46, while *Hatpötyös Restaurant* 22 employees in the last year. In terms of per capita indicators, *Batyu-Téka* received the highest amount of subsidy, however, the per capita earnings of this restaurant were the negative, similar to *Hatpötyös Restaurant*. On the contrary, only the *Ízlelő*

Table 1: The most important characteristics of the examined restaurants.

	Ízlelő Restaurant	Hatpötyös Restaurant	Batyu-Téka
Location of the restaurant(s)	Szekszárd and Budapest	Székesfehérvár	Miskolc
Years of activity	12 and 2	12	14 (restaurant 2014-2018)
For profit activity focus	restaurant + event organization	restaurant + public catering	public catering (+ restaurant)
Social focus	employing disabled and/or disadvantaged workers		
SFSC connection	local suppliers	local suppliers (+ box system)	self-produced raw ingredients

Source: Own composition

Table 2: The most important business indicators^{a)} of the restaurants.

	Ízlelő Restaurant	Hatpötyös Restaurant	Batyu-Téka
Total income (average, million HUF)	32.0	16.2	36.2
EBIT (average, million HUF)	3.3	-2.0	0.8
Share of business years with positive EBIT	100%	50%	42%
Average share of subsidy in total income	24%	44%	54%
Number of employees (average, person)	12	14	21
Subsidy per capita (average, million HUF)	1.0	0.8	1.9
Earnings per capita (average, million HUF)	0.7	-0.2	-0.1

^{a)} Based on the closed business years of each restaurant.

Source: Own composition

Restaurant had positive and remarkable positive per capita earnings with only around half of the per capita subsidy compared to *Batyu-Téka*. Therefore, from a purely economic perspective, only the employment-based business model of the *Ízlelő Restaurant* can be considered to be sustainable.

Discussion and conclusions

Based on the analysis of interviews and background ingredients, several conclusions can be drawn regarding social enterprises operating in the Hungarian para-gastro sector, trying to apply a short supply chain in their procurement (for a summary, see Table 3).

The mission of all the examined social enterprises is to employ disabled and/or disadvantaged workers. This is also visible in their business concept, as catering, which is their primary business, is highly labour-intensive. At the same time, on the one hand, it is important to point out, that the productivity of employees in these social enterprises is typically below the competitors' productivity, which are employing non-disabled workforce. In any case, this represents a competitive disadvantage in terms of productivity, which can only be partially compensated by various training grants and other contributions and subsidies. On the other hand, however, these disabled employees are much more loyal to their employers. All three companies emphasised that high staff turnover, which was particularly observable in the Hungarian catering industry in and after the COVID-19 period, is not typical or much lower in their case, which in the long run may also compensate for slightly lower productivity. The disadvantage can also be further offset, since all three investigated companies strive to use local and/or raw ingredients to emphasise the quality, freshness and healthiness of the prepared meals, and the simpler and more monotonous workflows required to process of these raw ingredients is not a problem for their lower productivity employees. In the catering industry, when a competitor follows a conventional, purely profit-driven business model, this is unaffordable because of the cost commitment, so they chiefly use semi-prepared (and not local) raw ingredients.

If we consider the market environment, these social enterprises operating in the para-gastro sector are more confronted with the high entry barriers which is typical in the hospitality sector (building a (costly) infrastructure that meets different standards), since they are forced to bear the additional burden of accessibility for employees, in addition to the high rents and the need of purchase costly catering equipment. Based on the examined cases, it can be concluded that these businesses are not yet viable in Hungary on a purely competitive basis: in all three cases, discounted real estate rentals were needed to get started, and as both the cases of *Hatpötyös Restaurant* and *Batyu-Téka* show, in the absence of this, market-priced rentals can no longer be afforded. Accessibility for workers (e.g., infrastructure investments due to wheelchairs), which is an additional cost, can typically be (partially) covered by EU-funded sources.

The key factors identified by Dickerson and Hassanien (2017) in the UK are also well identifiable in the case of these three Hungarian companies. The practical implemen-

tation of similar business models based on employment differs significantly for the examined Hungarian restaurant. With the help of the lunch menu target group and the events, *Ízlelő* has found a regular customer base that provides the liquidity needed for continuous operation, and the company is profitable continuously despite having the lowest subsidy rate. In the case of *Hatpötyös*, the lunch menu focus is no longer able to truly generate the level of income that would be sufficient to cover the incremental cost of the social mission and the SFSC's purchase. The most striking thing in the case of *Batyu-Téka* is the dependence on subsidies: despite that on average more than half of its revenues in recent years have been (state) subsidies, the company is barely able to close its business year with a positive result. At *Batyu-Téka*, public catering is clearly not capable of extracting the extra costs of their individual nature. Most subsidy is project-based and therefore does not generate revenue in the long term so that various shocks on the cost side (e.g., a drastic increase in restaurant rentals) represent a difficult challenge for them.

In all the examined cases, it has become clear that SFSC can only bring real benefits to restaurants if they are trying to target a niche market. In the case of customers who were more committed to health consciousness and sustainability and therefore willing to accept higher prices, it may be expedient to use local ingredients (see the *Ízlelő* case), but at the same time, it is not appropriate for business models which focus on public and social catering because they are forced to compete on price (see the other two cases). Currently, in Hungary, the additional costs of SFSC-sourcing are only recoverable for businesses operating in the lunch menu system (primarily in logistics and processing), if these costs can be compensated by higher margins, for which the business must find its niche market. The SFSC-connection, which is not directly related to the basic activity of the restaurant, is also the possibility of small-scale food processing in all three cases. In this case, free workforce capacity is available for labour-intensive processing of locally sourced, often unique quality raw ingredients. The higher value-added food, which is produced locally, can be used for own use (e.g., home-

Table 3: Potential interactions between social enterprises and short food supply chains.

Challenge/Possible Solution	Social Innovation	SFSC
High entry barriers	(local) government support (discount in rental fees)	-
Employee accessibility	EU's subsidies	-
Low unit productivity/efficiency of the workforce	Training grants Low fluctuation	(exclusive) use of raw and/or local ingredients
Target niche markets	-	higher margins due to healthy, sustainable raw ingredients
Additional, labour-intensive activities	-	food processing factories

Source: Own composition

made pickles in the *Hatpötyös Restaurant*) and for resale (e.g., Szekszárd's chocolate in the case of *Ízlelő* or goat cheese in the social farm connected to *Batyu-Téka*), in the latter case, the company's social message can be sent with these products.

Examining their relationship with their partners reveals that these businesses cannot live on their social mission alone. By itself, employing disabled and/or disadvantaged workers is not enough to achieve their business objectives. For consumers and suppliers, this is only an additional aspect: consumers are affected by the quality of food and service, while suppliers are influenced by the volume and reliability of purchases, which are only marginally affected by the social dimension. In the case of all three companies, primarily, they do not want to catch the consumers with their social mission. In the case of *Ízlelő*, the business strategy is to reach the customers with quality service, and through this, they try to sensitise customers to their social purpose. In all three enterprises, SFSC's suppliers are characterised by seasonality, even though *Ízlelő* was not a dominant business partner that there was the highest proportion of local ingredients.

Finally, it can be stated that the social enterprises participating in the Hungarian para-gastro movement face all the challenges of the catering industry, which are made more difficult by their unique characteristics. In addition, to help achieving the social goal (e.g. various subsidies, discounts), the potential of SFSC can only be exploited if they are able to target the niche market with the uniqueness of local suppliers, where all this goes hand in hand with solvent demand, contributing to the business sustainability of enterprises. It is important to emphasise that our study is based on three cases so that a relatively small sample cannot be used to draw general conclusions about the situation of social enterprises in Hungary which are trying to use short supply chains; however, they clearly illustrate all the opportunities and challenges these companies are facing. Therefore, the main conclusions of the research might provide valuable lessons for stakeholders, mainly for enterprises that would like to achieve social innovation that includes SFSC initiatives, both in Hungary and in Central and Eastern Europe.

While the research derives several findings, it also has some limitations. Firstly, though all the SFSC-related Hungarian para-gastro enterprises are included to the investigation, due to the limited size of the sample (and the sector), the findings are only valid for this specific segment of the social enterprises. Another limitation relates to the timing of the data collection, as the post-COVID-19 implications, which heavily influence the catering industry as well as the food supply chains, have not been considered. Therefore, our research needs to be replicated after a while, possibly also examining new entrants to the Hungarian para gastro sector, with a strategic focus on both social innovation and SFSCs.

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