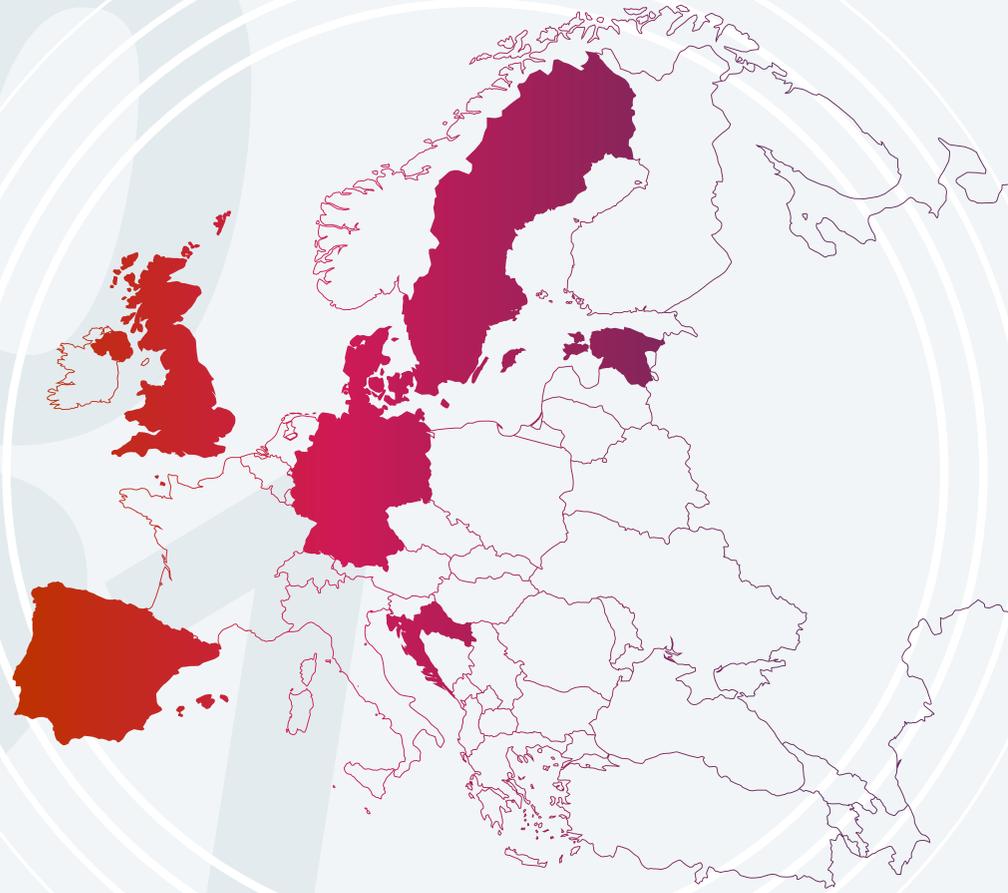


European Social Enterprise Monitor

The State of Social Enterprise in Europe | 2020-2021



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European Social Enterprise Monitor

European Commissioner
Nicolas Schmit



The European Commission is proud to have supported the first inaugural European Social Enterprise Monitor (ESEM). It serves as a testament to the extent social enterprises already contribute to the European community and how much potential they still have to offer.

Social enterprises, social entrepreneurs and the social economy are at the core of the European economy, but they are not only economic actors: they simultaneously deliver social and environmental impact. Whilst we undergo the green and digital transitions and seek to rebuild a more inclusive Europe in the wake of the COVID-19 pandemic, the insights of this monitor and the benefits of social enterprise must be front and centre of policy agendas.

While 'Europe will not be made all at once, or according to one single plan', the ESEM provides us with detailed data and analysis that will inform the upcoming European Action Plan for Social Economy and the decisions of policy makers at all levels of governance. Only with data can best practices and problem areas be identified, shared and addressed, to enable the expansion of the social economy. The European Commission has already taken steps in recent years to shed light on these business models, through its publication on "Social Enterprises and their Ecosystems in Europe" updated in 2020.

The ESEM provides additional data necessary for policy makers to devise systems which support individuals to become social entrepreneurs and innovators, allowing them to start-up and scale-up their ideas, delivering social and environmental benefits as well as economic returns.

Social enterprises illustrate that an economic model that puts people and the planet at its centre is not only possible, it is a necessity. The ESEM illustrates that social enterprises across Europe take many forms and deliver social and environmental impact in a multitude of ways. This diversity is truly European in nature, illustrating Europe's unity in diversity as we work towards our common objectives. The social enterprises, entrepreneurs, innovators and support organisations covered in ESEM are exactly who we need if we are to deliver smart, sustainable and inclusive growth.

Nicolas Schmit

European Commissioner for Jobs and Social Rights

Euclid Network

Social entrepreneurs are passionate entrepreneurs who bring innovative solutions and business models to the market with the main aim of driving positive social and environmental change.

In order to reach the United Nations Sustainable Development Goals (SDGs) by 2030, courageous and innovative approaches are required. Social enterprises are identified as key actors for building a society and economy where people and the planet are at the centre and thus to reach the SDGs. There are a wide range of structures in Europe; for-profit, non-profit, co-operative, mutual organisation, social business, and so on. They have one thing in common: their social and environmental goals are embedded in their objectives and they are equally important to - or trump - financial interests.

Euclid Network (EN), the European Social Enterprise Network, spent close to 15 years empowering positive change by connecting and enhancing social entrepreneurs and their support organisations. We celebrate the diversity of actors in the European social enterprise ecosystem. EN connects them all. Our members (national social enterprise and civil society networks, incubators, accelerators, universities and social funds) and our partners (governments, corporations and investors).

Our members and partners are frontrunners in shaping global, European, national and local social enterprise and social innovation ecosystems.

No social enterprise operates in a vacuum. They flourish in ecosystems that build, develop and catalyse their impact. That is why we, together with our extended network, are committed to get into place the critical support needed by social entrepreneurs for them to play their crucial role in reaching the SDGs. We raise visibility and understanding of social entrepreneurship and social innovation. We advocate for better fitting regulations, policies and funding, and make knowledge, resources and training available to social enterprises, support organisations and engaged stakeholders.

In 2019 EN initiated, together with a consortium of 20 of our members and partners and an esteemed academic research board, a key project to address the lack of comparable social enterprise data across Europe. This became the first European Social Enterprise Monitor. The resulting European and national Monitor reports from this project shed light on social enterprises and their ecosystems across 8 countries in Europe: Croatia, Denmark, Estonia, Germany, Portugal, Spain, Sweden and the United Kingdom.



Our members and partners are frontrunners in shaping global, European, national and local social enterprise and social innovation ecosystems.”

Based on an extensive survey of social enterprises in these countries, insights are provided into, amongst other things: 1) the organisational structure of social enterprises, 2) their financial health, 3) the kind of impact these social enterprises create, and 4) the barriers they face that impede them to become even more successful.

We are highly grateful to the founding partners and sponsors of the European Social Enterprise Monitor: the European Commission, Bertelsmann Stiftung, ImpactCity, SAP, the World Economic Forum COVID Response Alliance for Social Entrepreneurs and Schwab Foundation. We also would like to extend a special thank you to our esteemed academic research board members: Professor Johanna Mair, Hertie School and Stanford, Professor Matthias Raith, Otto-von-Guericke University, Magdeburg and Association Professor Niels Bosma, University of Utrecht.

Without their belief and support, this first year pilot project would not have been possible. To make it a truly inclusive endeavour, the aim is for the European Social Enterprise Monitor to scale to more countries and social entrepreneurs in next editions.

The European Social Enterprise Monitor is an effort to let the voices of thousands of social entrepreneurs be heard and influence evidence-based policy, legislation, social enterprise strategies and funding. Now is the time for social entrepreneurship and social innovation to reach its full potential. So our youth and children can live in a just and green world in a not so distant future.

Suzanne Wisse-Huiskes
CEO

Wieteke Dupain
Head of Knowledge, Research & Development



Suzanne Wisse-Huiskes



Wieteke Dupain



Euclid Network | The European Social Enterprise Network
On behalf of the European Social Enterprise Monitor Consortium

Project Initiators, Country Partners & Research Partners

The European Social Enterprise Monitor has engaged more than 100 social enterprise support organisations and 1,000 social entrepreneurs in its first year. We thank the following key consortium partners for co-leading and executing this ambitious project.

Project Initiators:



Country Partners:



Research Partners & Research Board:



Founding Partners & Sponsors:



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Social entrepreneurs are driven by a social mission: They are seeking or developing innovative solutions to social or environmental challenges and achieve high transformative impact with creative approaches and their dissemination on a local, national, European, or global level. They want to maximize social benefit and impact, not their own financial advantage or profit.

Given the massive ecological, social, and political challenges facing the world, social entrepreneurs play a key role not only in finding localized solutions to seemingly intractable problems, but also showing established economic and political actors the importance of creativity and innovation.

In the meantime, social entrepreneurs are already providing considerable stimuli for social innovation and positive social change in many areas of our lives – also regarding the “Agenda 2030” and its Sustainable Development Goals (SDGs). By demonstrating that social engagement and entrepreneurship as well as a focus on the common good and

economic principles do not have to be contradictory, social entrepreneurship is gaining increasing acknowledgement and quantitative and qualitative relevance in politics, business, and civil society all over Europe.

The first European Social Enterprise Monitor 2021 (ESEM), presented by Euclid Network in close cooperation with its members and partners, aims to fill the current gap on social enterprise data to inform decision-makers in government, civil society, and the economy. The ESEM allows for profound insights on the social enterprise ecosystem across Europe and highlights the opportunities for development of the sector and its impact. It initially includes country reports on Croatia, Denmark, Estonia, Germany, Portugal, Spain, Sweden, United Kingdom as well as a European comparison – and it is very much to be hoped that many more European countries will be included in future editions.

The ESEM mission of “Closing the gap between social enterprises and EU decision-makers” is a much needed task to make sure that the policy makers see social entrepreneurs as a part of the solution and remove the political and legal hurdles in building up a thriving ecosystem of social entrepreneurs.

The German Bertelsmann Stiftung has made the ESEM 2021 possible and has also supported the development of the German Social Entrepreneurship Monitor 2020/21 (DSEM). “More minds need to get thinking” (Reinhard Mohn, founder of the Bertelsmann Stiftung) to address the pressing challenges of our time: Innovative and creative ideas, courage to leave the beaten track and independent action. The ESEM can provide role models and impulses for social enterprises and for policy makers at national and European level, thus giving them the opportunity to learn from each other in the best sense of the word.

Dr. Stefan Empter

Senior Advisor, Bertelsmann Stiftung

WELCOME WORD



ImpactCity The Hague warmly welcomes the European Social Enterprise Monitor (ESEM) initiative.

The Hague, ImpactCity, is dedicated to contributing to the European social economy and to joint efforts that seek to strengthen the impact ecosystem in

Europe. We collaborate with various other leading impact cities and frontrunning partners, such as Euclid Network, and we will continue to do so.

Every day, tens of thousands of people in The Hague are working on making the world a better place. Doing good and doing business is in our DNA. Those that tackle global challenges and accelerate the transition to the new economy will find support in The Hague and our large ImpactCity network. We are committed to offering a wide range of opportunities and services to impactmakers with innovative solutions.

The input of social entrepreneurs is essential for policymakers to better understand which policies and support instruments have been effective and which should be adapted.



Those that tackle global challenges and accelerate the transition to the new economy will find support in The Hague and our large ImpactCity network.”

The ESEM is crucial for so called ‘evidence-based policymaking’. For leading European impact ecosystems like ImpactCity, this provides us with decisive information to further develop our local and European ecosystem.

We congratulate Euclid Network on this important ESEM initiative and are honoured to be part of it.

Erik van der Rijt
Head of Economic Affairs,
Municipality of The Hague



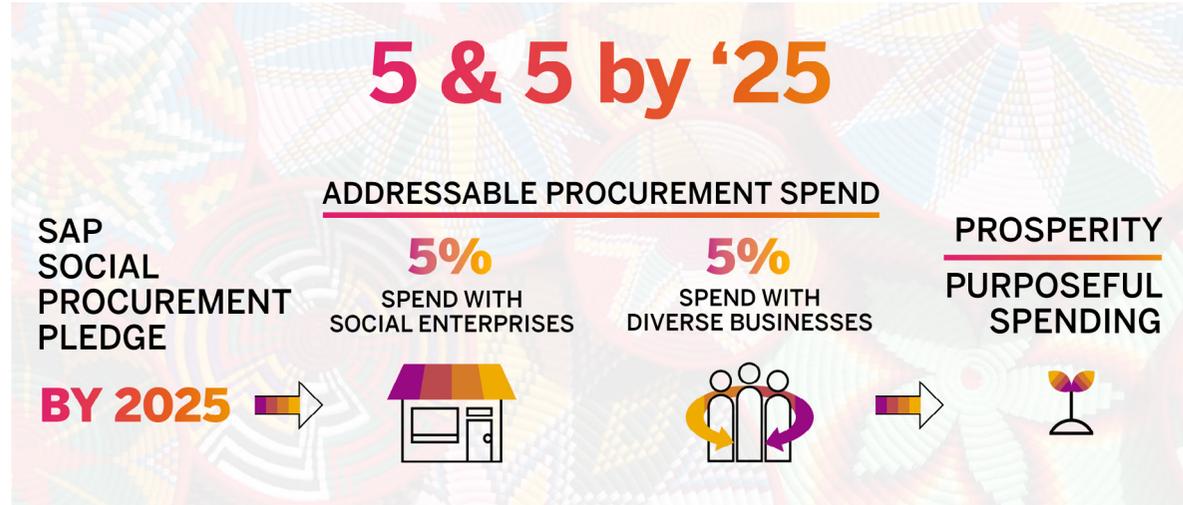


Founded by five entrepreneurs nearly 50 years ago, SAP's legacy and future embrace the power of the entrepreneurial spirit to help the world run better and improve people's lives.

We believe in connecting people and information to address the world's

biggest challenges and trigger systemic change through innovation. By putting this philosophy into practice, we can change the narrative. That is why we support those who engineer solutions to foster equality and spread opportunity across borders and cultures.

At SAP, we share your belief in the power of business — especially those with social entrepreneurs at the helm — to transform industries, grow economies, lift up societies, and sustain our environment. Together, we will continue to inspire innovation and new ventures, in addition to accelerating and scaling the impact of mature nonprofit organizations and social enterprises. We are honored to partner alongside the European Social Enterprise Monitor to help identify opportunities for collaboration to strengthen the sector.



Only together will we be able to solve the world's most complex problems and ultimately reshape the way that we build back better.

Alexandra van der Ploeg
Global Head of Corporate Social Responsibility, SAP



Together, we will continue to inspire new innovation and ventures, in addition to accelerating and scaling the impact of mature nonprofit organisations and social enterprises."

World Economic Forum COVID Response Alliance for Social Entrepreneurs



Carolien de Bruin
Head,
COVID Response Alliance
for Social Entrepreneurs,
World Economic Forum



Dr François Bonnici
Director,
Schwab Foundation for Social Entrepreneurship
and Head of Social Innovation,
World Economic Forum

Early 2020, COVID-2019 hit each one of us straight into our lives and homes yet hit the most vulnerable and communities among us the hardest – globally and within our European community.

With over 100Mn people being estimated to have slipped into poverty, and with our societies being put back significantly in achieving the 2030 Sustainable Development and Climate Agenda – a set of priorities for a better world that was already under pressure, we cannot afford not to change our ways.

Our future will depend on our ability to bounce back and to respond effectively to a growing number of pressing global challenges. Social entrepreneurs play a vital role as first responders to the crisis, but also as lighting examples of what a green and inclusive society and economic reality can look like. Yet, to effectively stand by them and to catalyse change through entrepreneurship, we will need to collectively become a lot better at understanding their work, their impact, their perspectives and their needs.

The European Social Enterprise Monitor (ESEM) is a much-needed tool in ensuring we generate these insights and offers an unprecedented opportunity for social entrepreneurs to take a seat at the decision-making table and to build momentum for change within the European community. Because of ESEM, evidence- and practice-based policies and legislation in support of a social economy as well as effective support mechanisms for social entrepreneurs are now closer in sight.

With the World Economic Forum's COVID Response Alliance for Social Entrepreneurs, we are a proud supporter of ESEM



Our future will depend on our ability to bounce back and to respond effectively to a growing number of pressing global challenges.”

and grateful for the ground-breaking work that has been done by all those involved. Together with our 86 Alliance members, our aspiration is to help ESEM make critical connections to the global stage and to make inroads on our ambition to shape an inclusive and green recovery hand in hand with the 100,000 social entrepreneurs that we collectively represent.

We must 'build back better' and ESEM will support us in this ambition. Social enterprises and entrepreneurs have long suffered from a lack of visibility, understanding, support and funding. Together with ESEM and its partners, we are highly committed to making this a challenge of the past.



COMMITTED TO
IMPROVING THE STATE
OF THE WORLD



SCHWAB FOUNDATION
FOR SOCIAL ENTREPRENEURSHIP

Executive Summary

Social entrepreneurs are passionate entrepreneurs who bring innovative solutions and business models to the market with the main aim of driving positive social and environmental change.

Social entrepreneurship is generating ever increasing interest as an innovative and sustainable approach to address inequality, environmental challenges, create jobs and alleviate poverty. Social entrepreneurs are identified as key actors to build a society and economy where people and the planet are at the centre and to reach the United Nations Sustainable Development Goals (SDGs) by 2030¹.

A sharp increase can be noticed in both the foundation and professionalisation of social enterprises in the past years. Social enterprise ecosystems are as well moving from their nascent state to a more mature phase. The concept of social entrepreneurship, associated barriers and the needs of social enterprises - to deliver their innovative solutions and business models successfully to market - are becoming more widely known. There are however still considerable gaps in awareness, visibility and understanding of social enterprises that must be addressed.

The European Social Enterprise Monitor project aim is to address these gaps. Resulting European and national Monitor data and reports provide in-depth data on and benchmark social enterprises and their ecosystems across 8 countries in Europe: Croatia, Denmark, Estonia, Germany, Portugal, Spain, Sweden and the United Kingdom.

Based on an extensive survey of social enterprises in these countries insights are provided into, amongst others: 1) the organisational structure of social enterprises, 2) their financial health, 3) the kind of impact they create, and 4) the barriers they face that impede them to become even more successful.

A true diverse set of social enterprises are represented in this report. Together their impact covers all 17 United Nations Sustainable Development Goals. These enterprises use over 65 different legal forms. Micro-enterprises, small and medium-sized, as well as larger companies are covered in terms of the number of employees as well as revenues. In addition, social enterprises are represented from all growth phases; from seed, to start-up, to maturity.



Social entrepreneurship is generating ever increasing interest as an innovative and sustainable approach to address inequality, environmental challenges, create jobs and alleviate poverty.

The ESEM Social Enterprise Profile

ESEM Social Enterprises are...

...oriented towards the common good. 74% of ESEM Social Enterprises reinvest or donate their profits 'mainly' and 'mostly to exclusively' in the social purpose of the organisation.

...young. ESEM Social Enterprises median age is 6 years old. Approximately 7 out of 10 ESEM Social Enterprises were founded in the past 10 years.

...inclusive and diverse. ESEM Social Enterprise management teams consist of 59% women. They employ on average 40% disabled people and 56% ethnic minorities.

...ambitious. 90% of ESEM Social Enterprises are aiming to scale-up. Most popular activity to scale: development of new products/services (67%), followed by increasing marketing/ advertising (49%).

...socially & environmentally sustainable. When it comes to procurement and supply chains, over 79% of ESEM Social Enterprises rate social responsibility and 76% environmental responsibility as decisive criteria, more important than cost.

...innovative. A total of 90% of ESEM Social Enterprises indicated to have brought at least one market novelty with them at the time of foundation.

...impact-oriented. 58% of the ESEM Social Enterprises regularly analyse their impact targets.

...resilient. Defying the COVID-19 crisis, 65% of ESEM Social Enterprises helped target groups affected by the crisis. 47% developed new offers or digitized their existing offers (41%).

...participatory. 37% of ESEM Social Enterprises have high or very high involvement in the decision-making of the organisation by their employees.. 69% of ESEM Social Enterprises involve their beneficiaries in their production processes/services.

...SDG oriented. 86% of ESEM Social Enterprises are aware of the United Nations Sustainable Development Goals (SDGs). 39% use the SDGs in their impact reporting and an additional 22% plan to do this in future.



16 Key Observations about ESEM Social Enterprises

1 ESEM Social Enterprises are creating impact across all United Nations sustainable development goals.

SDGs that ESEM Social Enterprises particularly have a focus on are SDG3: good health and well-being (51%), SDG10: reduced inequalities (51%), SDG 8: decent work and economic growth (49%), SDG12: responsible consumption and production (44%), SDG4: quality education (41%), SDG17: partnerships for the goals (39%), and SDG11: sustainable cities and communities (38%)

2 ESEM Social Enterprises are creating local and international impact and employment.

ESEM Social Enterprises operate most frequently at the local authority/city level (44%), followed by the national level (41%), and their own neighbourhood/community level (33%). 67% of ESEM Social Enterprises operate solely in the country where they are based, partnering with organisations and businesses grounded in their country of operation to provide locally rooted support to social entrepreneurs. 15% of ESEM Social Enterprises operate at the European level and 20% operate internationally beyond Europe. 7% operate at all three levels: nationally, European and internationally beyond Europe.

3 ESEM Social Enterprises support individuals, society, other organisations and the environment.

An average of 66% of ESEM Social Enterprises state “specific groups of people” as their target group beneficiaries. 60% see their recipients as “society as a whole”. 32% state they support organisations (NGOs, social enterprises). And an average of 29% support environmental target groups. The main individual target groups who receive support from ESEM Social Enterprises are: (1) children/young individuals (21%), (2) women/girls (19%), (3) long-term unemployed (17%), (4) individuals with mental health problems/psychological disabilities (17%), and (5) individuals with very low income/debts (15%).

4 ESEM Social Enterprises are active in all business sectors.

ESEM Social Enterprises are most common in the business sectors “Human Health and Social Work Activities” (24%) and “Education” (22%). Combined with social enterprises who are active in the “Art, Entertainment and Recreation” sector (10%), more than half of ESEM Social Enterprises (56%) associate themselves with activities in the ‘classic’ social economy. Social enterprises were able to indicate multiple sectors in which they are active. 27% indicated they belong to several sectors. Interestingly, approximately 1 out of 10 ESEM Social Enterprises indicated to operate in business sectors that they did not succeed to find in the UN International Standard Classification.

5 ESEM Social Enterprises exist in a true multitude of legal forms.

The range of legal forms chosen by ESEM Social Enterprises is very large. More than 65 across all ESEM Social Enterprises across the 8 participating countries. The choice of an adequate legal form for social enterprises remains a challenge. Across the 8 ESEM countries, an average of 64% of social enterprises find value in having a specific social enterprise legal status. 13% do not see value in this.

6 ESEM Social Enterprises deliver on diversity and inclusion.

ESEM Social Enterprises employ diverse leaderships and staff. Most ESEM Social Enterprises are majority led by women. The average number of women in management teams is 59%, 51% in Boards and 62% in number of employees. On average they employ 40% of staff with physical or psychological disabilities, 56% ethnic minorities and 51% varying religions.

7 ESEM Social Enterprises are young.

Approximately 7 out of 10 ESEM Social Enterprises were founded in the past around 10 years. ESEM Social Enterprises are present in all entrepreneurial development phases. In almost all countries, the majority of ESEM Social Enterprises are in the early implementation and growth phase (36%). The other ESEM Social Enterprises are in the seed stage (8%), start-up stage (19%), late implementation and growth stage (24%) or steady or stagnating stage (4%).

8 ESEM Social Enterprises are mostly micro, small and medium-sized enterprises (SMEs).

If one only considers the number of employees², 96% of ESEM Social Enterprises belong to the group of micro, small and medium-sized enterprises, or SMEs in short, with less than 250 staff³. ESEM Social Enterprise SMEs are thus a little above the European average of 9 out of 10 companies being an SME⁴. While 28% of ESEM Social Enterprises employ 10 employees or more, 71% fall into the category of micro-enterprises (10 or fewer employees). 3% of ESEM Social Enterprises employ over 250 staff and are, based on the number of employees, considered large enterprises. 20% of ESEM Social Enterprises employ 10 or more volunteers. This shows the relevance of non-financial benefits for 1 out of 5 ESEM Social Enterprises⁵.



ESEM Social Enterprises employ diverse leaderships and staff. Most ESEM Social Enterprises are majority led by women.

9 ESEM Social Enterprises are interested in scaling.

At least 90% of ESEM Social Enterprises strive to scale their organisation to maximize their impact, while 6% indicate they do not want to scale. The scaling strategies chosen are very diverse⁶. The most frequently mentioned strategies across ESEM Social Enterprises are: 1) the development of new products/services (67%); 2) an increased level of marketing/advertising (49%); and 3) the recruitment of new staff/increase the level of training of current staff (42%).

²The classification of different enterprise sizes consists of the number of employees and the turnover/balance sheet of the enterprise. To calculate this percentage we have only looked at the number of employees.

³The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million.' Extract of Article 2 of the annex to Recommendation 2003/361/EC

⁴European Commission, User Guide to the SME Definition (2015). Available at: https://ec.europa.eu/regional_policy/sources/conferences/state-aid/sme/smedefinitionguide_en.pdf

⁵See also main sources of income, non-trading income in 5.1

⁶See also Weber et al. (2015) for an overview of Social Enterprise scaling strategies.



10 ESEM Social Enterprises income is mainly hybrid or trading income and from governments.

57% of ESEM Social Enterprises use hybrid sources of income, i.e. they generate income both through trading as well as non-trading activities. 19% of ESEM Social Enterprises exclusively rely on non-trading income versus 24% exclusively on trading. Across all ESEM Social Enterprises income sources are divided the following way: 43% of income is based on non-trading activities (grants, foundation funding, volunteering, donations) and 57% on trading income (sale of products and services). For non-trading income, 39% of ESEM Social Enterprises receive grants from the government/local authority/public sector, followed by 37% of non-monetary volunteering support, 23% donations from private persons and 22% foundation funding. For trading income, trading with consumers is the most important income stream (35%), followed by trading with profit-oriented companies (34%) and trading with the public sector (33%).



57% of ESEM Social Enterprises use hybrid sources of income.

11 ESEM Social Enterprises could do more with more resources.

The largest group of ESEM Social Enterprises (36%) had annual revenues the last 12 months of up to €50,000, followed by 16% with annual revenues of €100,001-250,000 and 14% €50,000-100,000. 10% have annual revenues between €1-5 million and 6% €5 million or more. To realise more impact it is important for ESEM Social Enterprises to increase their annual revenues. Specifically as well, since more than 72% of organisations operate within less than one year of safe financial planning at the moment and 43% even within less than 6 months. On the other hand, it is important to consider the young average age of participating organisations. 73% of those that earned less than €100,000 revenues in the last 12 months were founded from 2018 onwards. In addition, 58% of these enterprises stated that they were in an early development phase⁷. Conversely, the 16% of ESEM Social Enterprises with revenues of more than €1,000,000 are for the majority (64%) in a later development phase⁸.

12 ESEM Social Enterprises face barriers inhibiting their success.

While ESEM Social Enterprises are providing excellent value for society and support to beneficiaries, they do experience challenges and external barriers to the growth of the sector and their enterprise. The top 5 most influential barriers identified are: 1) lack of options to finance the organisation once started (providing “much” to “very much hinder” to 27% of ESEM Social Enterprises); 2) too complex public financing (26%); 3) lack of patient capital (26%); 4) lack of public support schemes (25%); and 5) weak lobby for social entrepreneurship (25%).

13 Financial support to ESEM Social Enterprises should be improved.

In the last 12 months, ESEM Social Enterprises most frequently requested public financing (48%), followed by their own savings (43%) and internal financing through cash-flow (42%) to finance themselves. Financing through private donations and foundation funding also played an important role, 29% and 26% respectively requested these financing sources. 16% of ESEM Social Enterprises requested financing from family and friends and 11% used crowdsourcing. Business angels, impact investment and venture capital play a subordinate role so far in the financing of ESEM Social Enterprises, at 6%, 6% and 4% respectively. The issue of financing raises the biggest barrier for ESEM Social Enterprises. 4 out of 10 of the most influential barriers that impede ESEM Social Enterprise success are financing barriers, 3 of them are in the top 5.

⁷ Seed phase, start-up phase or early implementation and growth phase.

⁸ Late implementation and growth phase or steady/stagnating phase.

14 ESEM Social Enterprises need higher political and public sector support.

ESEM Social Enterprises are overall dissatisfied with the political support for social enterprise. Across ESEM Social Enterprises 67% rate the support of social entrepreneurship as non-existent, low to very low. This means a substantial gain can be made to engage political leadership across Europe and neighbouring countries to increase the level of support and success of social enterprises in subsequent years to play their key role in achieving the SDGs by 2030 and building a society and economy that centres around people and the planet. In addition, 3 out of the top 5 most influential barriers hindering social enterprise success are directly related and can therefore be directly solved by adequate political and public sector action. These barriers are: #2) too complex public financing, #4) lack of public support schemes and #5) weak lobby for social entrepreneurship. Furthermore, politicians and the public are also able to provide solutions for other barriers experienced by social entrepreneurs, such as the lack of suitable capital being available and accessible, and the more general poor understanding/awareness of the social enterprise concept and role models by investors and the general public.



The presence of social enterprise support organisations, networks, funding programs, universities, investors and mentors play an important role in the successful development and scaling of social innovations.

15 ESEM Social Enterprises are increasingly engaged in impact measurement.

On average ~6 out of 10 (58%) of ESEM social enterprises regularly analyse their social and environmental impact. Most of those who measure their impact do this every year (43%). This is followed by 34% who measure their impact continuously and 9% who measure this every two years. Across Europe ESEM Social Enterprises refer to the SDGs in full or to some extent equally as much as they do not refer to the SDGs (both 39%). 22% plan to refer to the SDGs in their impact measurement in future.

16 ESEM Social Enterprises benefit from being part of a support organisation.

Access to a healthy ecosystem is essential for a successful start-up⁹. The presence of social enterprise support organisations, networks, funding programs, universities, investors and mentors play an important role in the successful development and scaling of social innovations. Almost half of ESEM Social Enterprises (48%) take advantage of the offer of support organisations. The largest share is a member of a (national) network organisation such as, for example, SEND in Germany, EsLider in Portugal, Social Enterprise Estonia, Social Enterprise UK or Ashoka (31%). As part of a network, social entrepreneurs benefit, among other things, from the cooperative exchange of know-how within the community, capacity-building support and funding opportunities. In addition, (inter)national networks for social enterprise also provide a voice to social entrepreneurs towards politicians, the public sector, investors and other relevant stakeholders.

Introduction

The European Social Enterprise Monitor (ESEM) 2020-2021 is an annual study on social entrepreneurship across Europe.

The aim is to provide decision-makers in government, business, academics and civil society with data and insights on social enterprises and the social enterprise ecosystem. ESEM will enable them to take a deeper look at the potential and challenges of social entrepreneurship and, in particular, to support evidence-based policy-making, and further develop financial and non-financial support.

The ESEM 2020-2021 is supported by the European Commission, Bertelsmann Stiftung, ImpactCity, SAP and the World Economic Forum COVID Response Alliance for Social Entrepreneurs. The ESEM study builds upon the experience and success of national monitors performed in Germany, the Netherlands and the United Kingdom over the past 14 years. This first year of European effort is carried out in eight countries: Croatia, Denmark, Estonia, Germany, Portugal, Spain, Sweden and the United Kingdom. The aim is to increase the number of countries and respondents participating in future years.



The aim is to provide decision-makers in government, business, academics and civil society with data and insights on social enterprises and the social enterprise ecosystem.

Defining Social Entrepreneurship

There exists no single agreed upon definition of social entrepreneurship in Europe. Most close to a unified definition is the operational definition used by the European Commission since 2011¹⁰:

- a social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders;
- which uses its surpluses mainly to achieve these social goals;
- which is managed in an accountable, transparent and innovative way, in particular by involving workers, customers, and stakeholders affected by its business activity.

This ESEM first year pilot project includes multiple countries. To be able to benchmark results across countries with differing Social Enterprise definitions, the ESEM consortium has agreed to:

1. Use a shorter and slightly adapted version of the European Commission's definition in its questionnaire to respondents: "A social enterprise is an operator in the social economy whose main objective is to have a social "and environmental" impact rather than make a profit for their owners or shareholders". Financial income is a means and not an end in itself.;
2. Clean all data across countries in a unified way, based on the principle that respondents indicated "social impact to be more important or equally important to financial interests when making strategic business decisions".

This approach does not take away that each country has its own definition of Social Enterprise in place. In some countries the national representative body of Social Enterprises has come up with its own definition, like in Germany. In other countries, the national body of Social Enterprises has adopted the definition used by the European Commission, or by the national government.

¹⁰ European Commission (2011). Social Business Initiative. Available at: https://ec.europa.eu/growth/sectors/social-economy/enterprises_en

> Details on the eight participating countries' national Social Enterprise definitions can be found here.

Country	SE Definition	Source
Croatia	Social enterprises are businesses based on the principles of social, environmental, and economic sustainability, in which generated profit or surplus is entirely or largely reinvested for the benefit of the community.	Strategy for Social Entrepreneurship Development (2015 - 2020). Drafted by Ministry of Labour and Pension System (MLPS), supported by a network of Civil Society Organisations and social enterprises. Adopted by the Croatian Government on April 2015.
Denmark	Social enterprises are privately held and through their business and profits, have the purpose of promoting specific social objectives.	Proposed by the Committee of Social Enterprises in 2013 and adopted by the Danish Parliament in a law in June 2014.
Germany	The primary goal of social entrepreneurship is to solve societal challenges. This is achieved through the continuous use of entrepreneurial resources and results in new and innovative solutions. Steering and controlling mechanisms ensure that social goals are lived internally and externally.	Social Entrepreneurship Network Deutschland (SEND) (workgroup, 2019).
Estonia	Social enterprises are social organisations that use entrepreneurship to achieve their goal. Simply put, social enterprises sell their products or services to make the world a better place. The social purpose of social enterprises means their direct contribution to people's livelihood and well-being and to the maintenance of the desired state of the natural and living environment.	Social Enterprise Estonia (workgroup with Public Sector Social Innovation Task Force 2017).
Portugal	<p>Social entrepreneurship is the implementation and development of innovative ideas to address problems in the community, with a social and, often, economic purpose.</p> <p>The Portuguese SE definition places the focus on the process, enabling a broader perspective of the phenomenon on how social entrepreneurship ventures came to life. It is still, however, aligned with the operational definition of "social enterprise" used by the European Commission. This is also because in Portugal there is no definition of "social enterprise" so far and there is also a lack of a specific legal framework.</p>	In Portugal, the government initiative "Portugal Social Innovation", aimed at promoting social innovation and stimulating the social investment market in Portugal and made a definition of social entrepreneurship. Read more.

Country	SE Definition	Source
Spain	Organisations that try to solve a social problem through the methods and tools of commercial companies, including both those organisations of the social economy - foundations, insertion companies, special employment centres and cooperatives - and those that operate within the legal framework and tax of commercial companies but whose main mission is to achieve a positive social impact.	Spain NAB, 2019. Publicación: Hacia una economía de impacto. Read more.
Sweden	<p>There is no official definition. But the below criteria are mentioned in the government strategy for social enterprises:</p> <p>Social entrepreneurship covers a heterogeneous group of actors and activities that often operate on the borderline between the public sector, the private sector and civil society. By definition, it is difficult to differentiate social entrepreneurship from other kinds of entrepreneurship. Generally, social enterprises display a number of characteristics that may help define this group:</p> <ul style="list-style-type: none"> • They are companies, regardless of legal form, where the business operation is a means to achieve one or more specific public benefit goals, such as reducing exclusion, improving the climate and environment or contributing to a more secure living environment. • The company's performance is measured in relation to the public benefit goals specified as being its purpose to achieve. • The company's financial surplus is primarily invested in its operations. Alternatively, it is invested in a new public benefit project rather than primarily being taken as profits in the form of earnings for the owners. 	Swedish Government, 2018. Read more.
UK	A business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners.	Introduced by the United Kingdom government in 2005 under the Companies (Audit, Investigations and Community Enterprise) Act 2004, designed for social enterprises that want to use their profits and assets for the public good. Read more.

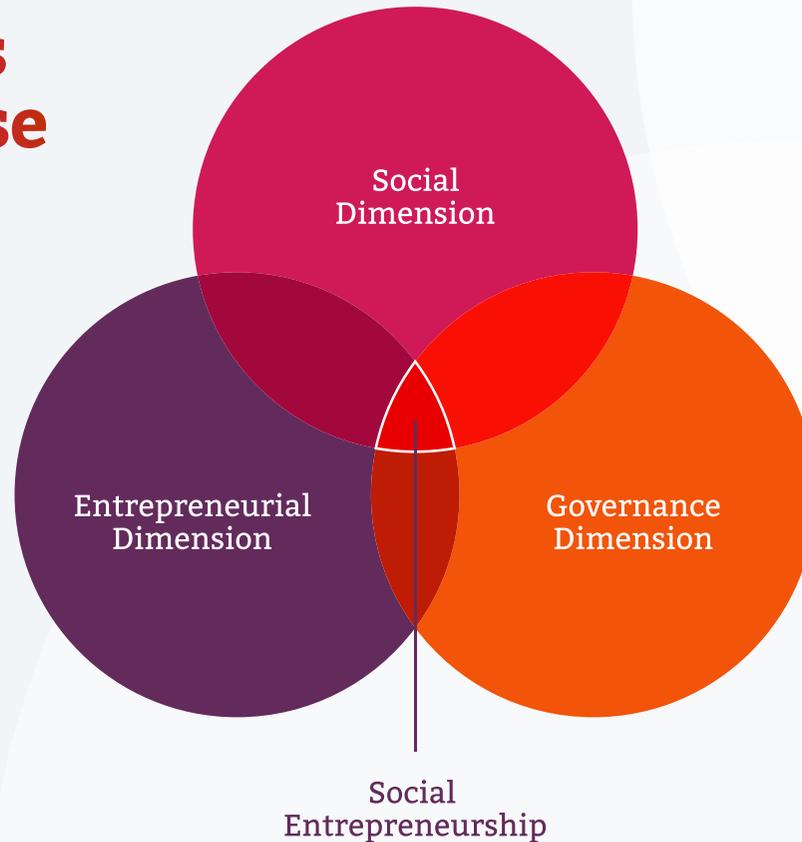
European Commission: Three Dimensions of Social Enterprise

Entrepreneurial Dimension:

Stable and continuous production of goods and services. The (at least partial) use of production factors functioning in the monetary economy (paid labour, capital, assets).

- Entrepreneurial approach: Revenues are generated from both the direct sale of goods and services to private users or members and public contracts
- Economically sustainable sources of income: Although relying on both volunteers (especially in the start-up phase) and non-commercial resources, in order to become sustainable social enterprises normally also use production factors typically functioning in the monetary economy

Initial minimum requirements: SEs must be market-oriented (incidence of trading should be ideally above 25% percent)



Social Dimension:

Explicit social aim (including environmental, community aims); the products supplied/activities run have a social/public interest connotation.

- The type of services produced or activities run can vary significantly from place to place, depending on unmet needs arising at the local level, or in some cases even in a global context.
- Positive social impact on at least one of the 17 UN Sustainable Development Goals

Initial minimum requirements: Primacy of social aim must be clearly established by national legislations, by the statutes of the SEs, or other relevant documents.

Governance Dimension:

Inclusive and participatory governance model

- Social enterprises may be created as single or multi-stakeholder organisations.
- The profit distribution constraint guarantees that the enterprise's social purpose is safeguarded
- Integrative leadership and participatory/democratic decision-making

Initial minimum requirements: SEs must ensure that the interests of relevant stakeholders are duly represented in the decision-making process implemented.

The European Commission has further defined the concept of Social Enterprise into three key dimensions: 1) a social dimension¹¹, 2) an entrepreneurial dimension, and 3) a governance dimension. The ESEM questionnaire contains questions to gather data on each of the dimensions.

The EU operational definition represents the 'ideal' type of social enterprise¹². Interpretation and application of this definition differs across and within countries. In the EU operational definition and in several countries there exist minimum thresholds for social enterprises to be defined as such. These are not always comparable to definitions and thresholds in other countries. For example, to meet the economic dimension, in the EU definition the incidence of trading (versus non-trading) should ideally be above 25%. This is not a parameter that is required or considered in all countries across the EU.

For the methodology of the ESEM study it was decided to clean data and include social enterprises whose "social impact is considered more important or equally important to financial interests when making strategic business decisions". In addition, social enterprises are included who, according to their legal entity, are considered a social enterprise in their country.



The EU operational definition represents the 'ideal' type of social enterprise. Interpretation and application of this definition differs across and within countries.

The beauty of the ESEM questionnaire instrument is that the raw data can be sorted and analysed to accommodate all European, national and local definitions and key dimensions. This will facilitate ESEM data to support evidence-based policy-making in every circumstance and with evolving, diverging and converging definitions in future. Please refer to the methodology section for more information'.

¹¹ European Commission (2020). Social enterprises and their ecosystems in Europe. Comparative synthesis report. Authors: Carlo Borzaga, Giulia Galera, Barbara Franchini, Stefania Chiomento, Rocío Nogales and Chiara Carini. Luxembourg: Publications Office of the European Union. Available at: <https://ec.europa.eu/social/BlobServlet?docId=22304&langId=en>.

¹² European Commission (2015). A Map of Social Enterprises and their Ecosystems in Europe. Authors: Andrea Maier. Luxembourg: Publications Office of the European Union. Available at: <https://ec.europa.eu/social/BlobServlet?docId=12987&langId=en>



Participation

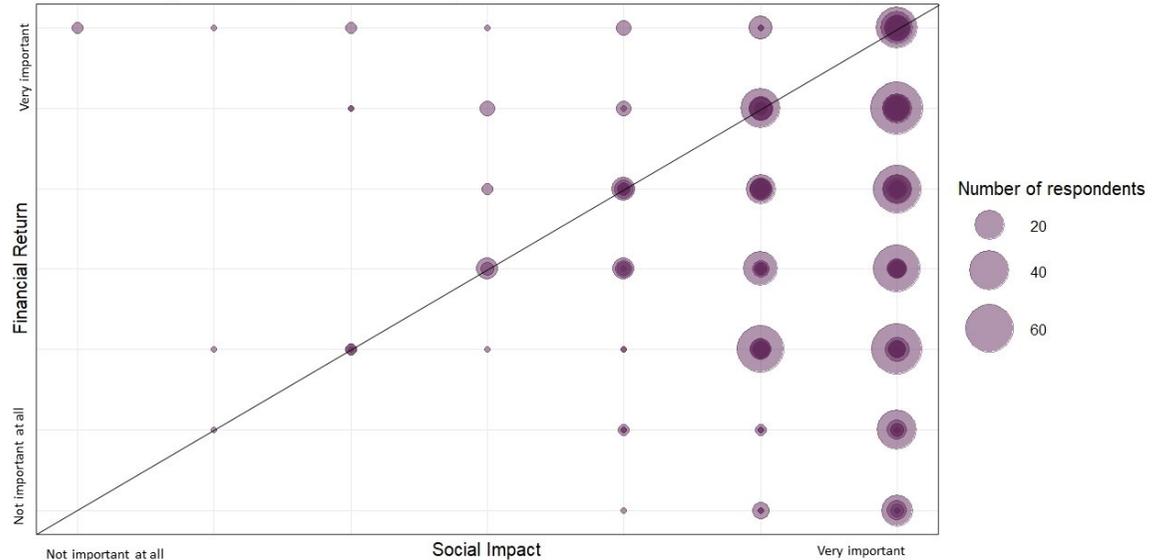
A total of n = 1,990 social entrepreneurs started the ESEM. 367 did not continue the survey after the first few questions. Most of those that decided not to continue, did so because their country was not participating yet in this years' ESEM.

In total 582 responses were removed because they did not finish the survey for 80% or more. 91 enterprises were removed as they considered their financial interests to be more important than their social impact. 20 enterprises were removed for other data cleaning reasons. This provided a final number of n = 930 social enterprises to be taken into account for the purpose of this study in 2020/2021.

The actual number of social enterprises in Europe is estimated to be significantly higher. Estimates by the European Commission in 2017 stated there was in the region of two million social economy enterprises in Europe - 10% of all businesses¹³.

This first year pilot ESEM project was conducted in eight countries. The European Union consists of twenty-seven member states, let alone its neighbouring countries and outermost regions. For this reason, it should be noted that the ESEM cannot claim to be a representative survey for all social enterprises across Europe and the results in this publication can therefore only relate to the survey participants. Unless otherwise indicated, all of the following graphics and figures relate to the group of ESEM Social Enterprise respondents.

> How much importance is given to social impact and financial interests in your strategic business decisions?



The aim of the ESEM consortium is to increase the number of countries and the number of respondents per country participating in the study in future, to make it a truly representative and global endeavour. 71% of this years' 930 ESEM Social Enterprises have already registered to participate in the ESEM study again next year.

Included in the ESEM study 2020/2021 are all respondents below the diagonal (social impact = more important than financial interests) and on the diagonal (social impact = equally important as financial interests). See for more information Appendix 1 - Methodology.



Social Entrepreneurship Across Europe

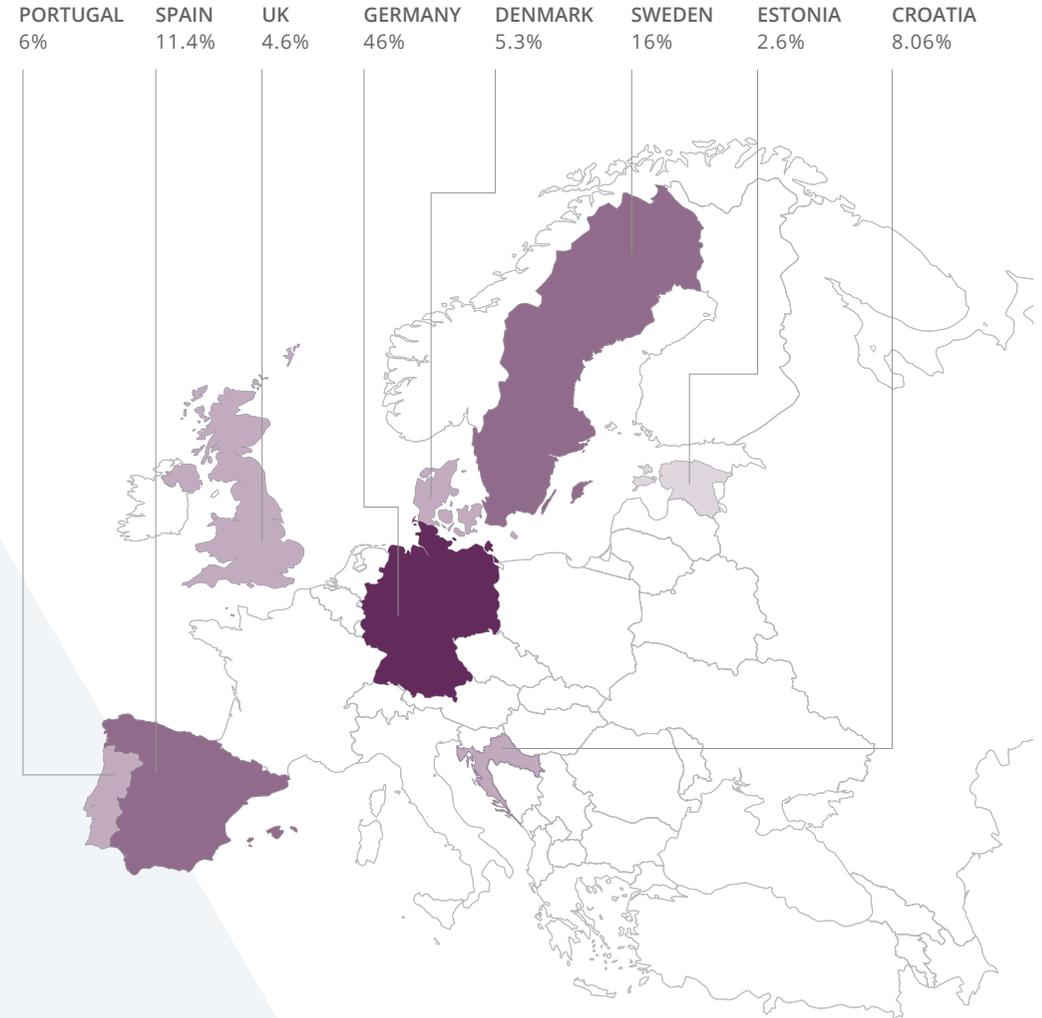
1.1 Countries & Regions

The highest number of ESEM Social Enterprise respondents in 2020/2021 came from Germany, Sweden and Spain.

Most social enterprise respondents came from Germany (46%), followed by Sweden (16%), Spain (11.4%), Croatia (8.1%), Portugal (6%), Denmark (5.3%), UK (4.6%) and Estonia (2.6%). Compared to the population and number of social entrepreneurs in the country, Croatia is particularly well represented and the UK is under-represented.

The fact that most participants came from Germany in this first pilot year of the ESEM is not surprising, as this year the ESEM partners undertook the German Social Enterprise Monitor for the third time and they have built up a strong respondent base.

The promotion of social entrepreneurship and social innovation is increasingly on the agenda of national, regional and local governments as well as for the academic and private sector communities. Therefore it is expected that the number of social enterprises and respondents to the ESEM will increase in future years. In addition, the ESEM has raised a lot of interest amongst partners in other countries, keen to join next years' research. The number of countries participating is therefore also likely to substantially increase in next years' report.



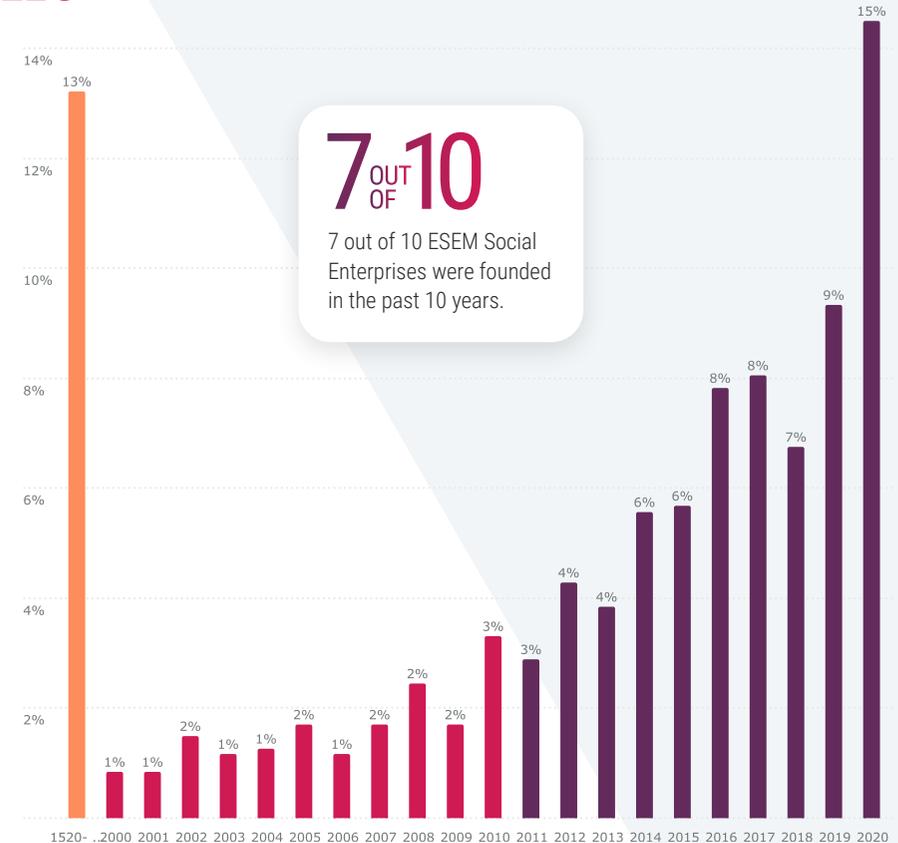
1.2 Age and stages of development

Age of Social Enterprises in Europe

Organisational practices to address social problems while leveraging innovation-based or market-based activities currently associated with the category of 'social entrepreneurship' have existed for decades, if not centuries. Examples can be found in the social reform activities of education pioneer Maria Montessori and industrialist Robert Owen¹⁴, and even in more mundane activities such as shops operated by the international non-profit organisation Oxfam. Yet, the emergence of 'social entrepreneurship' as a distinct category embracing disparate activities has its roots in the 1970s and 1980s¹⁵.

In recent years, in times of multiple social, economical and environmental crises, an increasing number of people are discovering the high-value potential of the social entrepreneurial concept^{16 17}. The high number of young organisations participating in the ESEM seems to support this trend. Approximately 7 out of 10 ESEM Social Enterprises were founded in the past 10 years. The median age of ESEM Social Enterprises is 6 years¹⁸.

> What year was your social enterprise founded?



¹⁴ Maria Montessori was an Italian education pioneer. Robert Owen was a British industrialist, also known as founder of the cooperative movement.

¹⁵ For more-in-depth insights and discussion see Chliova, M., Mair, J., & Vernis, A. (2020). Persistent Category Ambiguity: The case of social entrepreneurship. *Organisation Studies*. Available at: <https://journals.sagepub.com/doi/full/10.1177/0170840620905168>

¹⁶ Gregory, D., Woodman, P., Angel-Urdinola, D., (2015). Think global, trade social. British Council. Available at: <https://www.britishcouncil.org/research-policy-insight/research-reports/think-global-trade-social>

¹⁷ Schultz van Haegen, M., Bonnici, F., Bruin de, C. (2021). Why 2021 can and should be the year for breakthrough collaboration. Porticus, Schwab Foundation, COVID Response Alliance for Social Entrepreneurs, World Economic Forum. Available at: <https://www.weforum.org/agenda/2021/01/why-2021-can-and-should-be-the-year-for-breakthrough-collaboration/>

¹⁸ Median = 2015

Entrepreneurial Development Stages

In almost all countries, the majority of ESEM Social Enterprises are in the early implementation and growth phase - on average 1 out of 3. There is an exception for Portugal and Spain, where the majority of ESEM respondents are in the late implementation and growth stage (both 27%). Furthermore, Croatia has a very high percentage of enterprises in the early implementation and growth stage. At 51% (more than 1 out of 2), this is a much higher than the average rate across all ESEM Social Enterprises (1 out of 3).

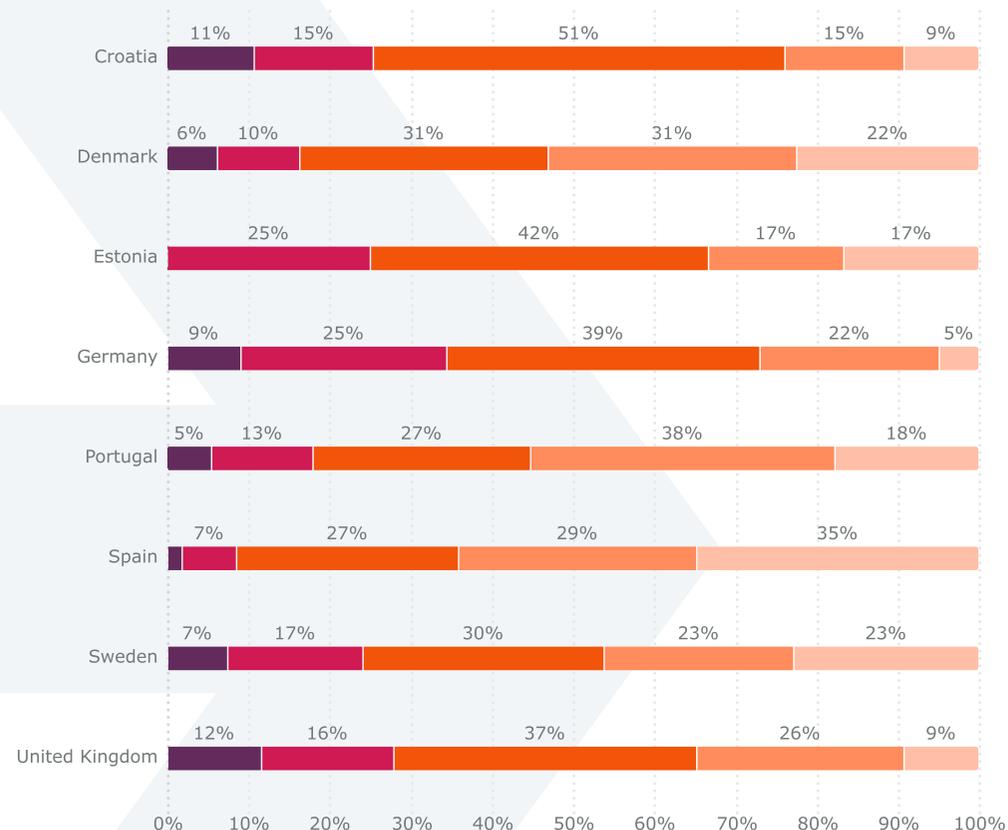
Most ESEM Social Enterprises that are in the seed stage are based in the UK (12%) and Croatia (11%). The highest number of ESEM Social Enterprises in the start-up stage are based in Germany and Estonia (both 25%). The lowest number of ESEM Social Enterprises in the steady or stagnating stage can be found in Germany, only 5%, while Spain has the highest number of social enterprises in this stage, 35%.

> Which of the following stages best describes your organisation's status?

- Seed Stage
- Start-up Stage
- Early Implementation & Growth
- Late Implementation & Growth
- Steady & Stagnation

1 OUT OF **3**

On average, the highest number of ESEM Social Enterprises, 1 out of 3, are in the early implementation and growth stage.



1.3 Sectors

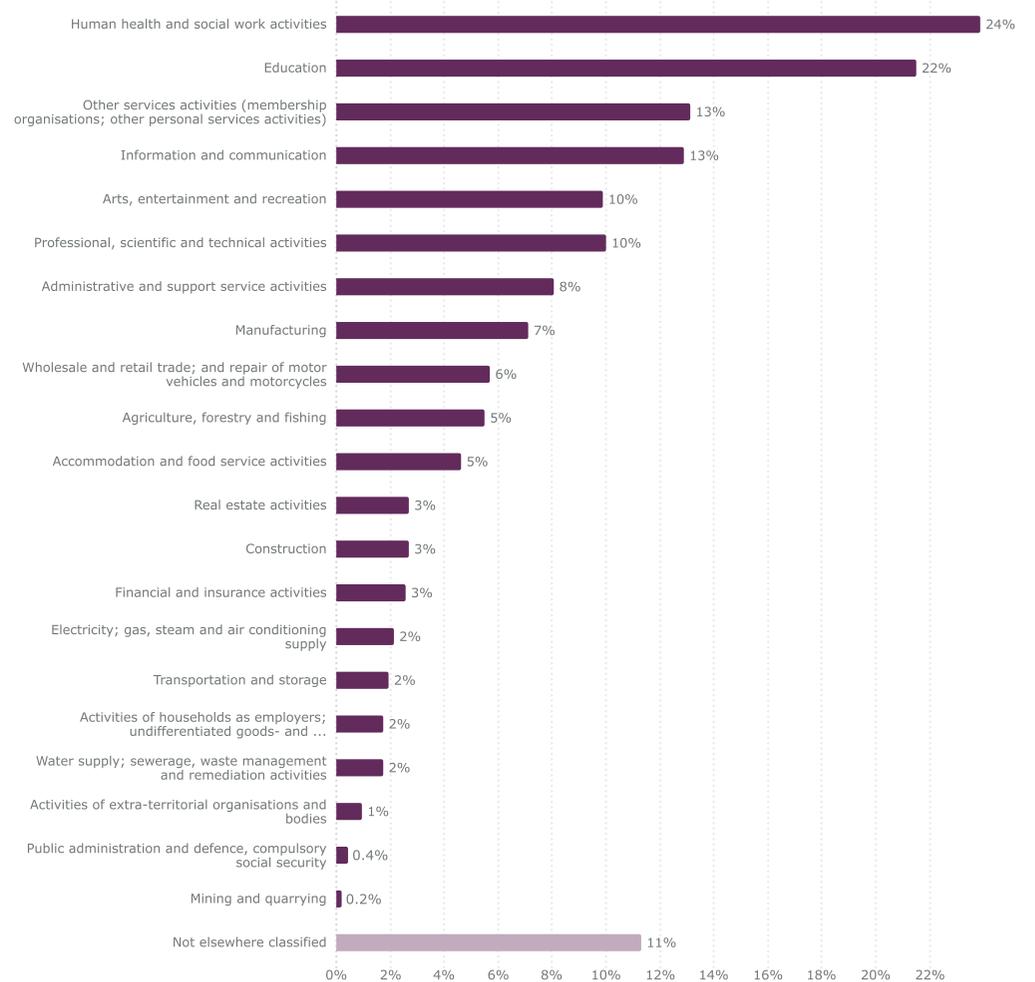
ESEM Social Enterprises are present in all business sectors and industries, as classified by the International Standard Classification of Business Sectors of the United Nations.

They are most common in the “Human Health and Social Work Activities” and “Education” sectors, 24% and 22% of ESEM Social Enterprises respectively.

Combined with social enterprises who are active in the “Art, Entertainment and Recreation” sector (10%), more than half of ESEM Social Enterprises (56%) associate themselves with activities in the ‘classic’ social economy.

Social enterprises were able to indicate multiple sectors in which they are active. 27% indicated they belong to several sectors. Interestingly, however, ~1 out of 10 ESEM Social Enterprises indicated to operate in sectors that they did not succeed to find in the UN International Standard Classification.

> What is your organisation’s main business sector?



> Main Sector – Top 3 Per Country

Country	First	Second	Third
Croatia	Other services activities (membership organisations; other personal services activities) 20%	Education 19%	Arts, entertainment and recreation 16%
Denmark	Human health and social work activities 57%	Education 27%	Arts, entertainment and recreation 16%
Estonia	Human health and social work activities 33%	Education 29%	Other services activities (membership organisations; other personal services activities) 17%
Germany	Education 21%	Human health and social work activities 18%	Information and communication 17%
Portugal	Human health and social work activities 48%	Education 32%	Arts, entertainment and recreation 7%
Spain	Human health and social work activities 36%	Education 18%	Other services activities (membership organisations; other personal services activities) 16%
Sweden	Human health and social work activities 21%	Education 19%	Other services activities (membership organisations; other personal services activities) 14%
United Kingdom	Other services activities (membership organisations; other personal services activities) 26%	Human health and social work activities 21%	Professional, scientific and technical activities 21%

1.4 Legal forms

In total 65+ different legal forms are used by ESEM Social Enterprises across 8 countries.

German, Danish, Portuguese and Croatian social enterprises use the highest number of different legal forms. Estonian social enterprises use the least amount of different legal forms.

6% of ESEM Social Enterprises indicate to have multiple legal forms. Hybrid legal forms enable social enterprises to adapt their activities in an agile and flexible manner to the relevant legal and tax frameworks. In this way, they can control their income generating activities and their social activities more efficiently¹⁹. However, hybrid legal forms are also often associated with a high level of bureaucratic effort, additional costs and barriers for recognition, important for example for successful participation in socially responsible public and private procurement schemes.

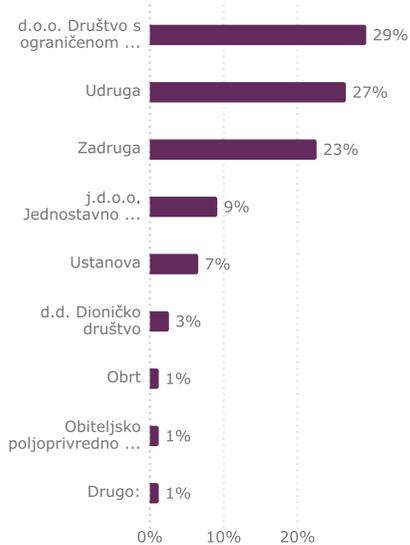
¹⁹ Mair, J., Wolf, M. and Ioan, A. (2020). Governance in Social Enterprises.



Hybrid legal forms enable social enterprises to adapt their activities in an agile and flexible manner to the relevant legal and tax frameworks.

> What kind of legal entity is your organisation?

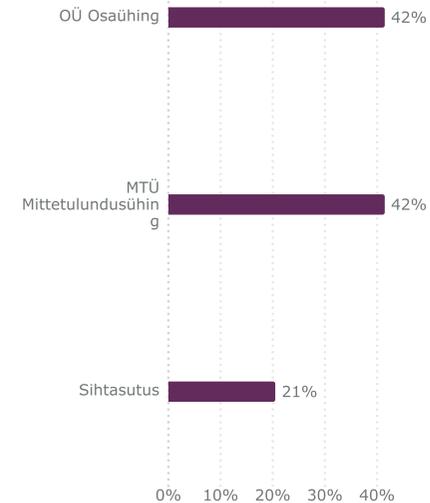
Croatia



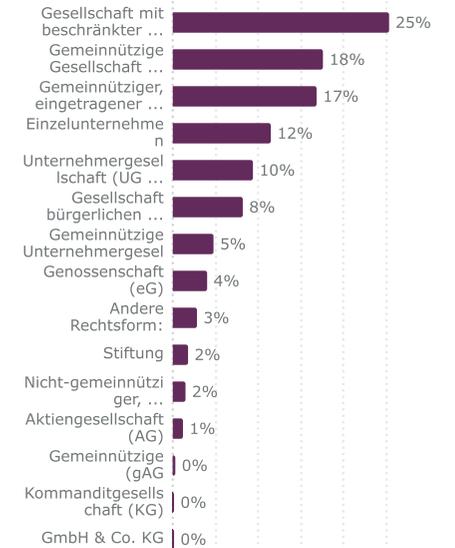
Denmark



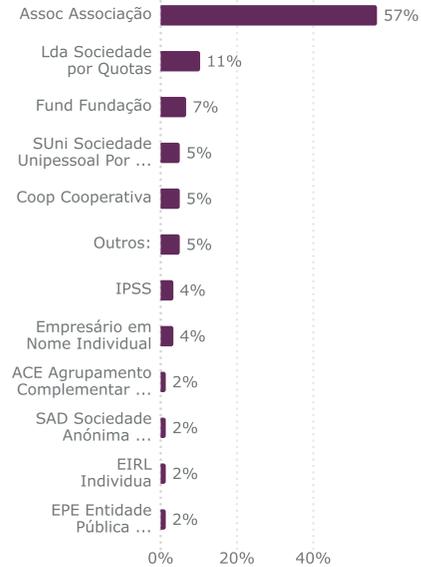
Estonia



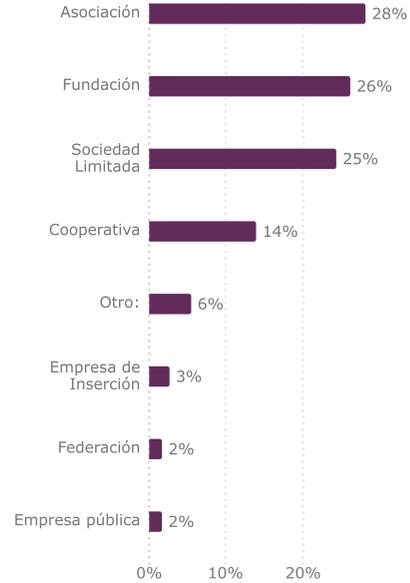
Germany



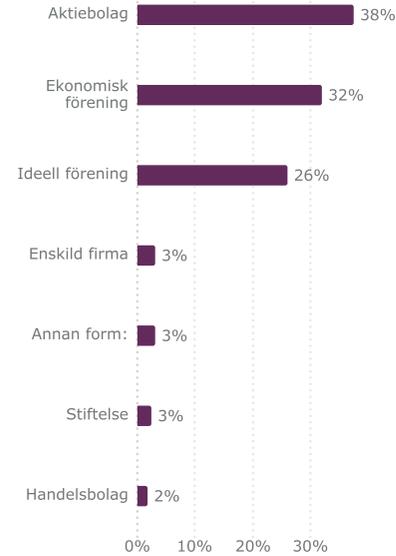
Portugal



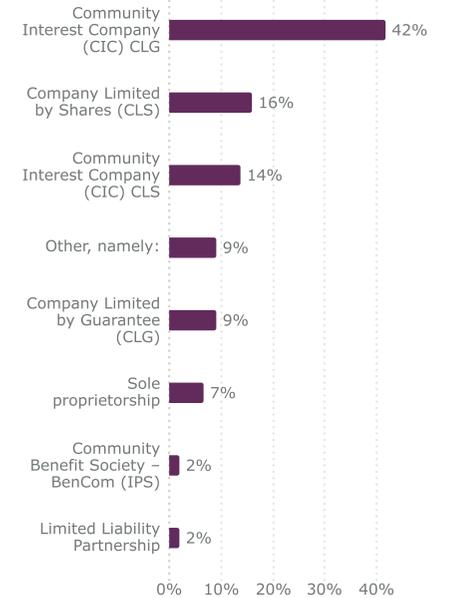
Spain



Sweden



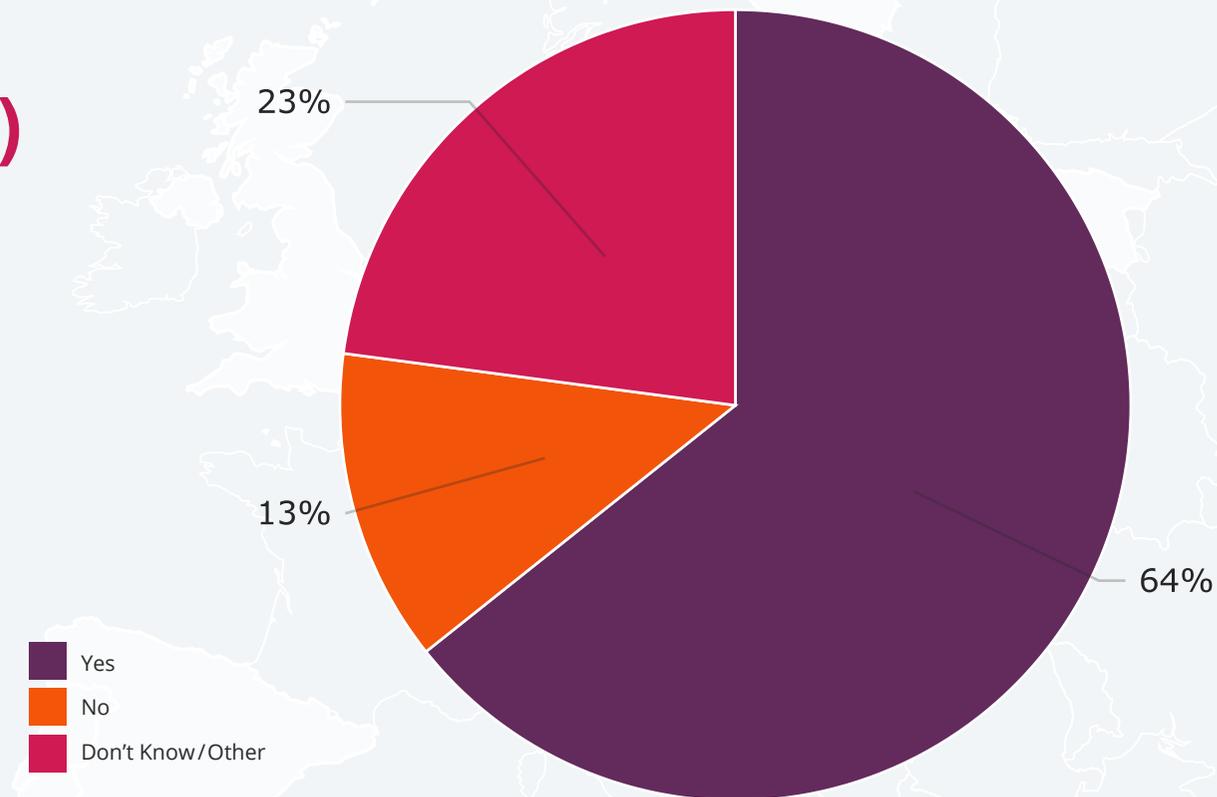
United Kingdom

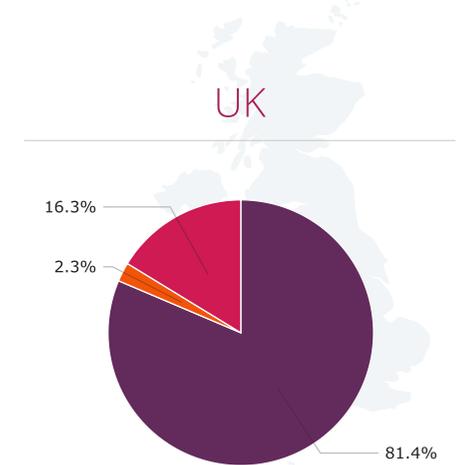
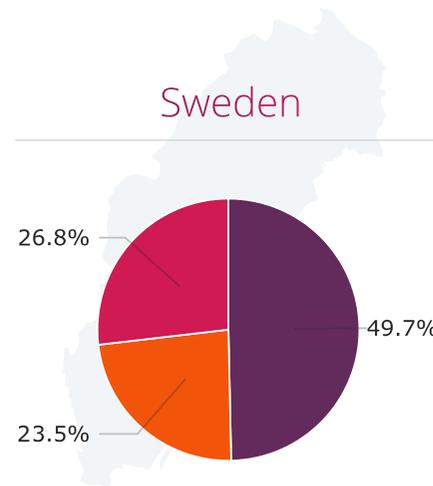
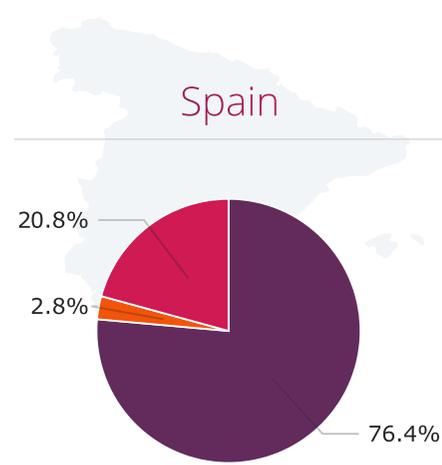
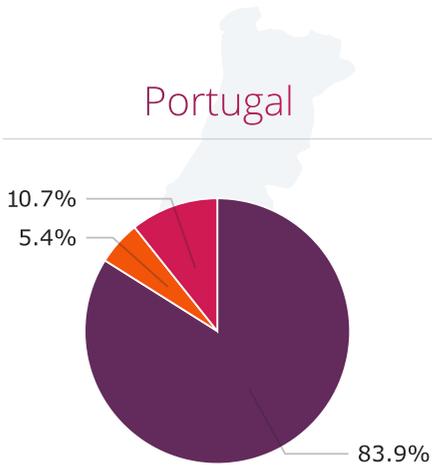
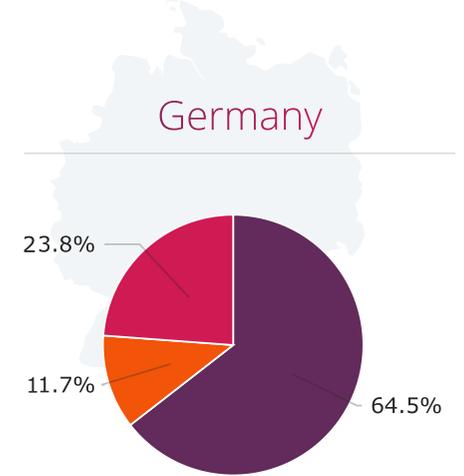
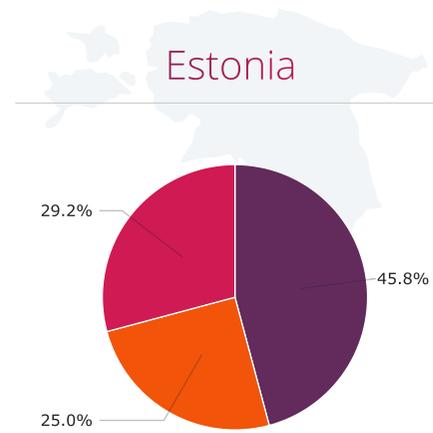
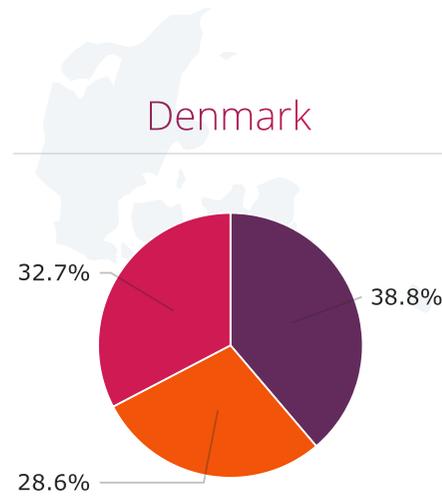
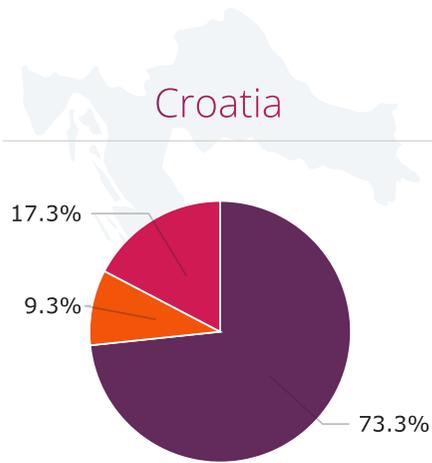


Do you believe it is/would be of value to have a specific Social Enterprise (SE) legal status in your country?

Across the 8 ESEM countries, an average of 64% of social enterprises find value in having a social enterprise legal status. 13% do not see value in this and 23% indicate that they did not know or had other suggestions.

Within the 8 ESEM countries only the United Kingdom has a legal form. In addition, Denmark has a law on registered social enterprises and Portugal has an accreditation.





Do you believe it is/would be of value to have a specific Social Enterprise (SE) legal status in your country? ■ Yes ■ No ■ Don't Know/Other

> Legal recognised form?

Introduction of a legal form or status, shows that the support this provides can be perceived in different ways by social entrepreneurs. For example, in Denmark, 50% of social enterprises indicate the current legal status to be of value, though another 29% believe the current legal status is not helpful. The majority of Danish social enterprises are supportive for the legal status to stay in place, but they offer insights into a few improvements. These include, amongst others: to provide sufficient public resources to promote the legal status; and to perform full control of registering enterprises, instead of spot checks. This is believed to increase the perceived value and advantage of the legal status.

In the United Kingdom, which is the only country participating in the ESEM 2020-2021 with an official legal form for social enterprise (the Community Interest Company), a high proportion of 81% believe a legal status is of value, while only 2% of respondents believe it is not.

NO	
Croatia Estonia Germany Spain Sweden	There is no legal form defined specifically for use by social enterprises.
Denmark	There is no legal form defined specifically for use by social enterprises. More than 14 different legal forms are currently being used by social enterprises. A law on registered social enterprises (L 148 Forslag til lov om registrerede socialøkonomiske virksomheder) was adopted by the Danish Government in June 2014. The law aims to introduce a registration system for social enterprises that can provide the basis for a common identity.
Portugal	There is no legal form defined specifically for use by social enterprises. Portugal has in place an accreditation for Social Innovation and Social Entrepreneurship Initiatives (SISEI). A SISEI is a project aimed at directly or indirectly intervening in one or several societal problems in an innovative and effective manner to generate positive social impact. A project must meet at least three requirements to be considered a SISEI: 1. An existing societal problem, with an identifiable target group, with a specific vulnerability (current or potential); 2. A differentiating solution; 3. The potential to positively impact the quality of life or development opportunities of the people who are part of the target group. This recognition is granted by the Portugal Social Innovation Mission Unit, through the issuance of a favourable opinion.

YES	
United Kingdom	The UK has developed a legal form for use by social enterprises. (Community Interest Company). Social enterprises may also register under other legal forms.

The background of the slide features a faded image of a group of people in a meeting, with a woman in the center looking towards the left. Overlaid on the right side is a large, stylized number '2' with a gradient from dark purple to red and a white outline. The text is positioned on the left side of the slide.

Social Entrepreneurship in Times of Corona

The COVID-19 pandemic defined life in 2020 and 2021 so far. The spread of the virus and related containment measures had a large impact on daily life, the economy and society. Social enterprises were often confronted with an increased need of their target groups with simultaneously falling income.

2.1 Challenges

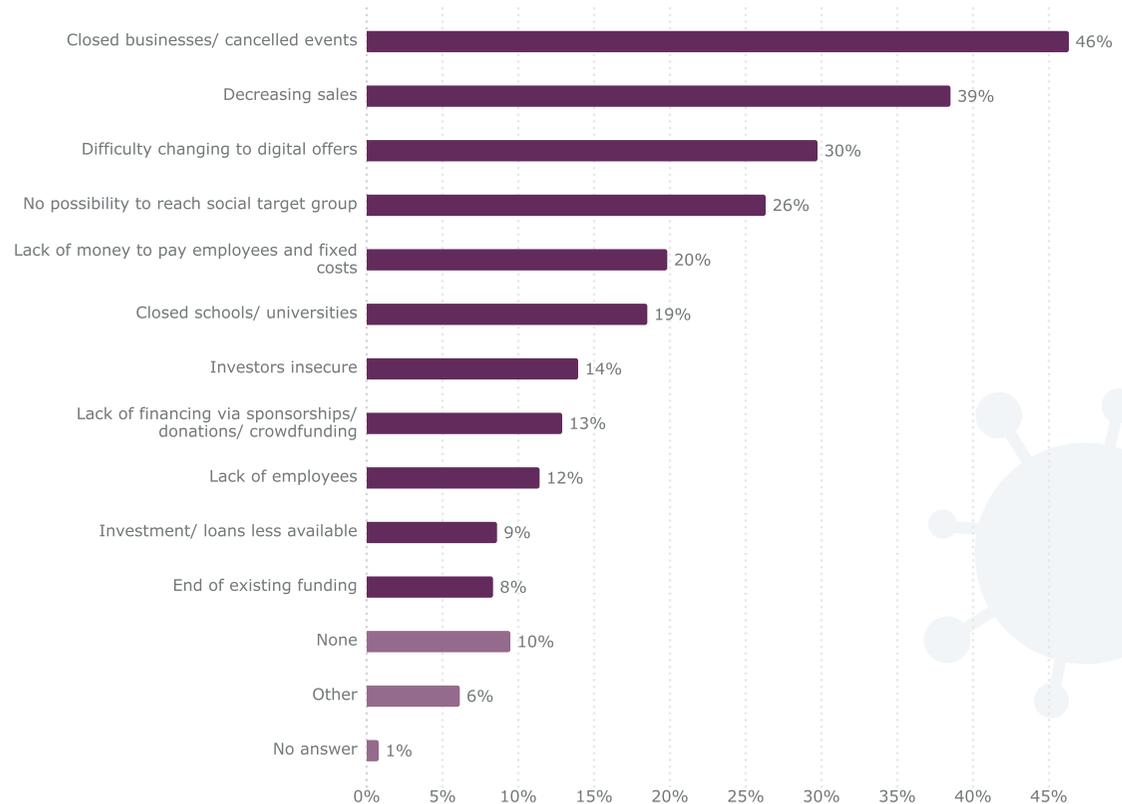
The economic consequences of the pandemic had a large impact on organisations across Europe with social enterprises being no exception.

The main challenges faced by social enterprises during the pandemic were mainly related to the containment measures (lockdowns) initiated by national or regional governments. The largest challenge perceived by ESEM Social Enterprises were closed businesses and cancelled events; 46% faced this challenge. Decreasing sales was the second main challenge faced by many social entrepreneurs across Europe (39%).

Social enterprises whose business model could only be adapted to the changed conditions with great difficulty were hit particularly hard. 30% faced difficulties in changing their services to offer a digital alternative. 26% of ESEM Social Enterprises could no longer reach their beneficiary target group as an effect of COVID-19 measures.

This way, some social enterprises were just as dependent - or potentially even more - on state support as traditionally profit-oriented companies. However, many of the state aid programmes could not be used by social entrepreneurs due to their funding conditions. This was an additional and serious problem that some social entrepreneurs faced during the pandemic²⁰.

> What challenges did your organisation face due to COVID-19?





Social enterprises whose business model could only be adapted to the changed conditions with great difficulty were hit particularly hard.

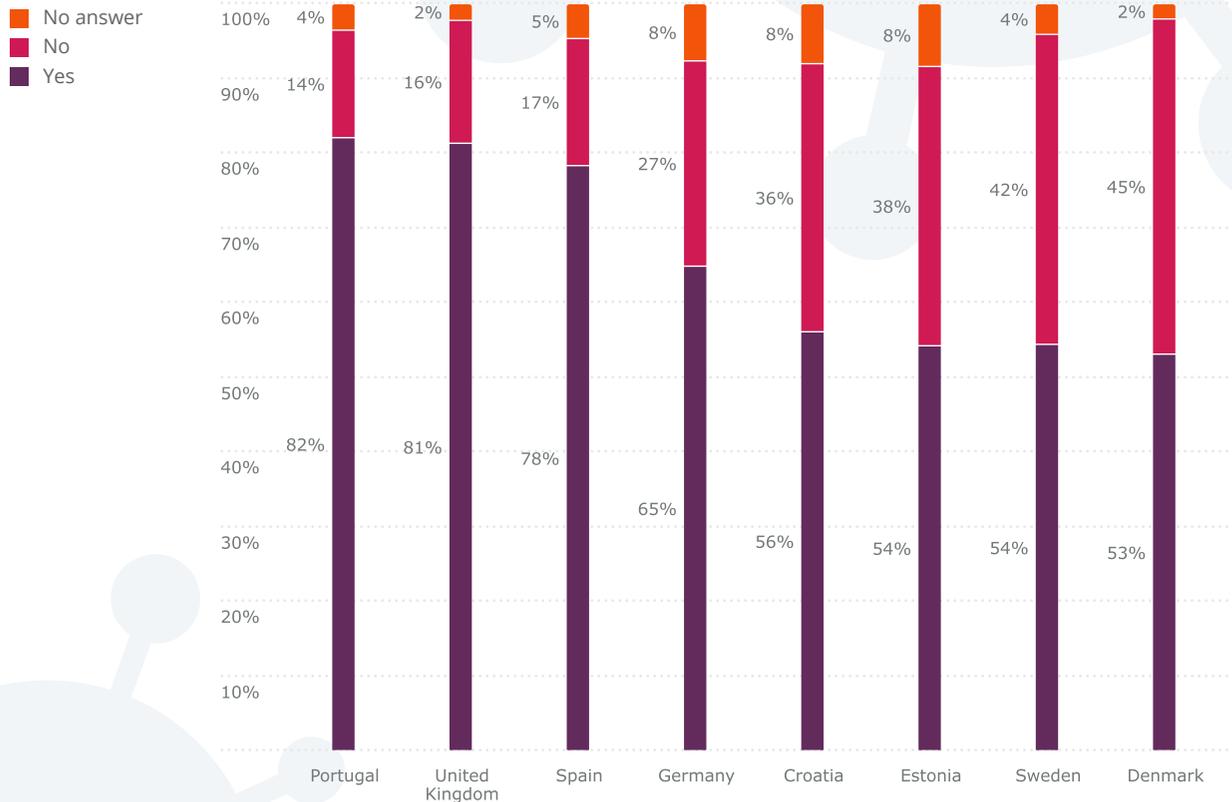
2.2 Opportunities and helping others

The COVID-19 crisis poses an existential threat to many enterprises.

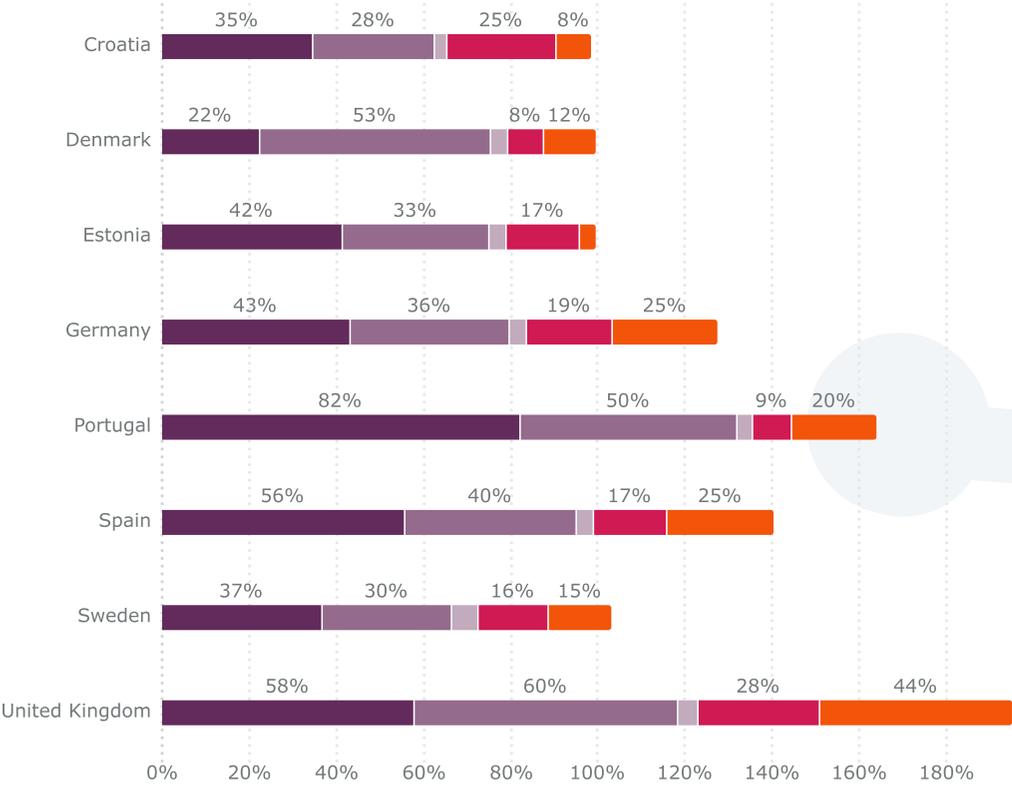
This threat is particularly severe for social enterprises working with vulnerable groups, as the consequences of the pandemic hit less-advantaged people especially hard (for example the homeless, old and sick, socially disadvantaged people, people in need of care, people with disabilities and refugees). Social enterprises working with these target groups were often confronted with an increased demand from their beneficiaries with simultaneously falling income²¹.

It is interesting to see however that 10% of ESEM Social Enterprises indicated that they did not face any additional challenges due to COVID-19. Social entrepreneurs are known to be a resilient, flexible, innovative type, which could explain this mindset. In view of the critical situation, the social entrepreneurship sector as a whole presented itself as resilient and adaptable. A joint study by the EBS University for Economics and Law and SEND came to the conclusion that the demonstrated organisational resilience of social enterprises, among other things, is based on a high degree of “flexibility and innovative strength” as well as the “unconditional will to help”²¹.

> Did your organisation help in the COVID-19 crisis?



> If yes, how did your organisation react to the crisis?



Social economy organisations are contributing to cushion the impact of this crisis in numerous ways, in cooperation with and by complementing the actions of public authorities, they provide a wide range of social services, especially for the most vulnerable in society.”

— Nicolas Schmit: EU Commissioner

- We developed new offers for our existing target group
- We changed to digital offers for our existing target group
- We founded a new organisation to come up with solutions for COVID-19
- We developed offers for a new target group
- We helped other companies/social entrepreneurs

An average percentage of 29% of ESEM Social Enterprises indicated they were able to help others during the COVID-19 crisis. Social entrepreneurs in Portugal, the United Kingdom and Spain felt particularly successful in providing help during the crisis, indicating rates of 82%, 81% and 78% respectively.

The corona pandemic also harboured new opportunities and possibilities for social entrepreneurs. The crisis clearly showed which organisations add value to society and contribute to a just, green and resilient economy. The importance of solutions presented by social entrepreneurs and civil society became particularly apparent.

ESEM Social Enterprises helped counter the consequences of the pandemic in a wide variety of ways. Despite low reserves and increased difficulties in applying for aid, many participants managed to adapt their business and impact models to the new circumstances.

In total, 65% of all ESEM Social Enterprises helped target groups affected by the crisis, for example, through developing new offers (47%) and/or digitising their existing offers (41%).



DER HACKATHON DER BUNDESREGIERUNG 20-22 MÄRZ 2020



#WirVsVirus Hackathon

The WirVsVirus Hackathon organised at the beginning of the pandemic in Germany showed what is possible when politics, civil society, science and business work together. When the COVID-19 pandemic forced Germany into a first lockdown in March 2020, it brought a wealth of social challenges. Developing solutions for these new challenges was the aim of the WirVsVirus Hackathon, carried out under the auspices of the German federal government.

Using an open social innovation process, over 28,000 creative minds from civil society developed solutions for the social problems triggered by the pandemic. 150 teams have had their solutions since March further developed through the

#WirVsVirus Hackathon implementation program and thus made a contribution to overcoming the crisis - including supporting those seeking help from the healthcare sector, to the application of short-time working allowance, to the digitisation of health authorities²².

The WirVsVirus Hackathon serves as an example of the solution-oriented innovation potential of civil society and social enterprise in cooperation with politics. The Hertie School and Leuphana University accompanied the implementation process of #WirVsVirus and published a learning report and policy paper based on their results^{23 24}.

²² An overview of teams and solutions from the WirVsVirus-Hackathon can be found here: https://wirvsvirus.org/wp-content/uploads/2020/11/WirVsVirus_Katalog.pdf

²³ Mair, J., Gegenhuber, T., Thäter, L., & Lührsens, R. (2021). Learning Report. Open Social Innovation: Gemeinsam Lernen aus #WirVsVirus. Available at: <https://opus4.kobv.de/opus4-hsog/frontdoor/index/index/docId/3782>

²⁴ Gegenhuber, T., Mair, J., Lührsens, R & Thäter, L. (2021). Strengthening Open Social Innovation in Germany: Lessons from #WirVsVirus. Policy Brief Hertie School. Available at: https://hertieschool-f4e6.kxcdn.com/fileadmin/2_Research/5_Policy_Briefs/OSI_Policy_Brief_2021_EN.pdf



Creating Social and Environmental Impact



3.1 Areas of Impact

United Nations Sustainable Development Goals

The UN's 17 Sustainable Development Goals, part of the “Agenda for Sustainable Development 2030” (also known as SDGs), serve as a framework for the international community in striving for economic, social and environmental development.

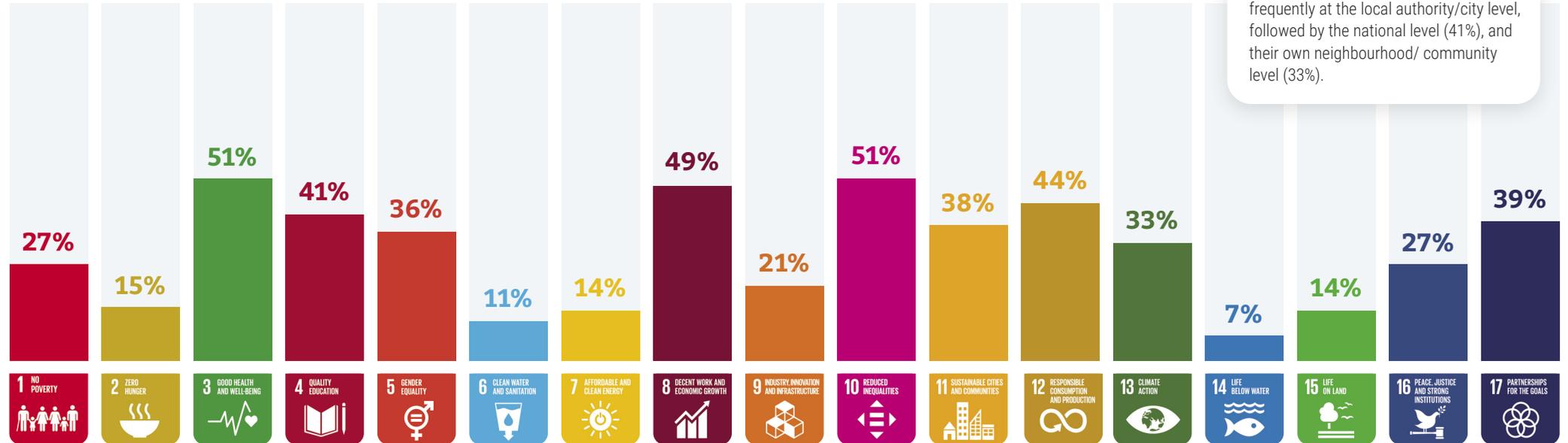
In order to implement the goals of the 2030 Agenda, among other things, courageous and innovative approaches are required. This is confirmed by the results of the GlobeScan SustainAbility Leaders Survey 2018²⁵ whose participants identify social entrepreneurship as the second most important driver in achieving the SDGs²⁶.

“Good health and well-being”
and “Reduced inequalities”
are the most frequently
addressed SDGs.

²⁵ GlobeScan & SustainAbility (2018).

²⁶ Littlewood & Holt (2018). P.42.

> What kind of social/environmental impact does your organisation want to achieve?



44%

of ESEM Social Enterprises operate most frequently at the local authority/city level, followed by the national level (41%), and their own neighbourhood/ community level (33%).

1. No Poverty

2. Zero Hunger

3. Good Health and Well-being

4. Quality Education

5. Gender Equality

6. Clean Water and Sanitation

7. Affordable and Clean Energy

8. Decent Work and Economic Growth

9. Industry, Innovation and Infrastructure

10. Reduced Inequalities

11. Sustainable Cities and Communities

12. Responsible Consumption and Production

13. Climate Action

14. Life Below Water

15. Life On Land

16. Peace, Justice and Strong Institutions

17. Partnerships for the Goals

Top 3 Areas of Impact Per Country

Croatia



Denmark



Estonia



Germany



Portugal



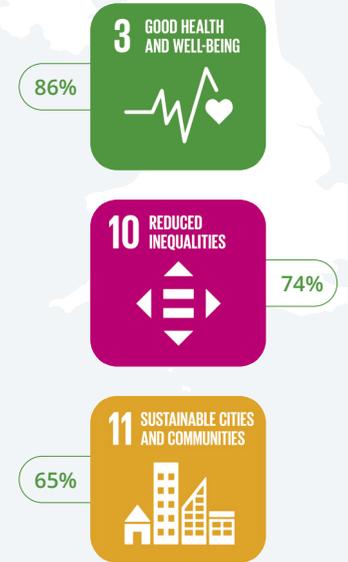
Spain



Sweden



UK

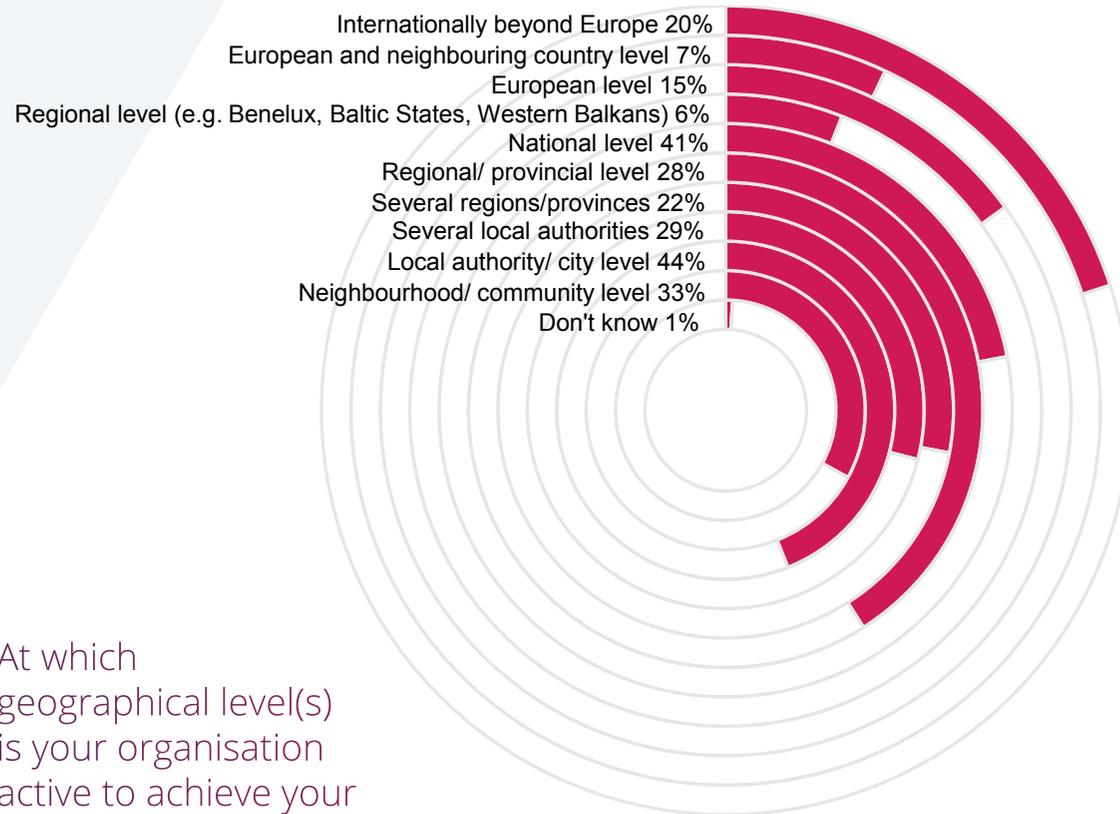


Geographical Reach

Social enterprises apply their innovative approaches to overcoming societal challenges on different geographic levels. The ESEM Social Enterprises operate most frequently at the local authority/city level (44%), followed by the national level (41%) and own neighbourhood/community level (33%).

67% of ESEM Social Enterprises operate solely in the country where they are based, partnering with organisations and businesses grounded in their country of operation to provide locally rooted support to social entrepreneurs. 15% of ESEM Social Enterprises operate at the European level and 20% operate internationally beyond Europe. 7% operate at all three levels: nationally, European and internationally beyond Europe.

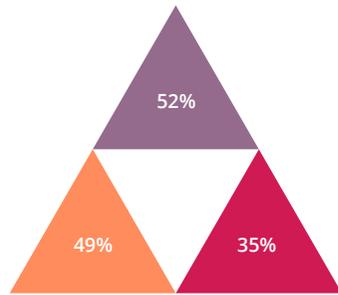
From the perspective of the SDGs and especially in the context of development cooperation, social enterprises are known to be particularly effective in the development of rural regions. This is because they support the establishment of entrepreneurial ecosystems and sustainable development models. This support unlocks the potential of the local population and ensures that the results meet the specific needs of local people²⁷.



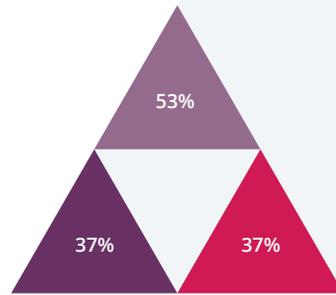
> At which geographical level(s) is your organisation active to achieve your social/environmental goals.

> Top 3 geographical reach per country

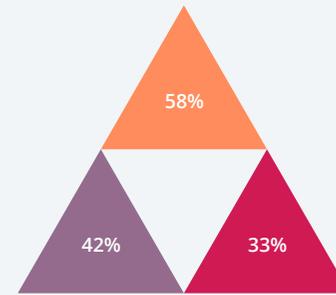
- Your neighbourhood/community
- A local authority/city
- Several local authorities
- Region/Province
- National
- Internationally beyond Europe



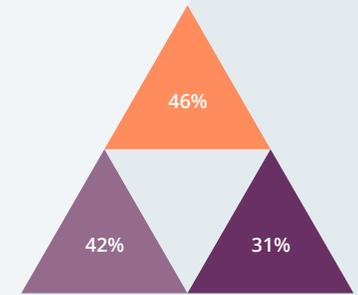
Croatia



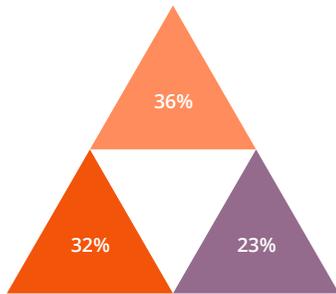
Denmark



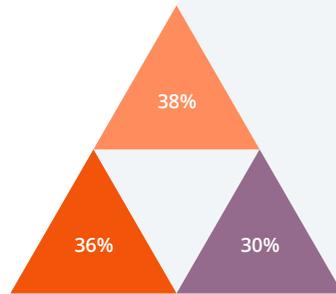
Estonia



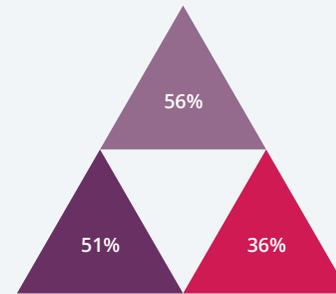
Germany



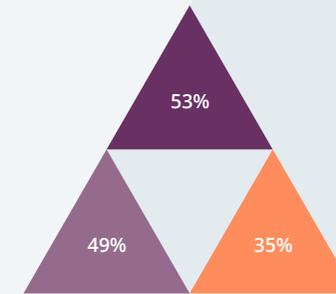
Portugal



Spain



Sweden



UK

3.2 Beneficiaries

Achieving social impact is the 'raison d'être' of every social enterprise.

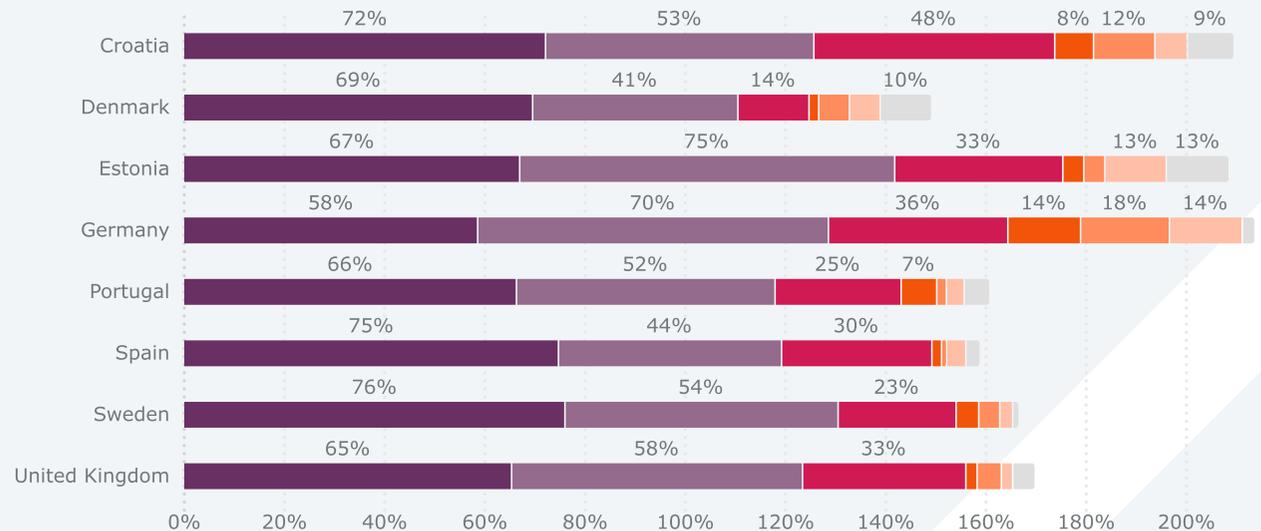
Strictly speaking, the term social enterprise falls short, since social enterprises are committed to tackling social as well as environmental challenges faced by society.

When asked which target groups count as recipients for the impact for their organisation, an average of 66% of ESEM Social Enterprises state "specific groups of people" and thus a social objective. An average of 29% state environmental target groups such as plants, animals and abiotic groups. An average of 60% see their recipients as society as a whole and 32% as organisations (NGOs, social enterprises)^{28,29}.

> Who are the beneficiaries of your organisation?

(multiple selections possible)

- Specific target groups (persons)
- Society in general
- NGOs, Social Enterprises (organisations)
- Animals
- Plants
- Abiotic groups (non-living; sun, water, CO2)
- Other



²⁸ For in-depth insights into social enterprise beneficiaries see also: Mair, J. (2020). Social Entrepreneurship: Research as Disciplined Exploration. In W. W. Powell & P. Bromley (Eds.), The nonprofit sector: A research handbook (Vol. 3, pp. 333-357): Stanford University Press: Stanford. Available at: https://www.researchgate.net/publication/340396282_Social_Entrepreneurship-Research_as_Disciplined_Exploration

²⁹ For in-depth insights into social enterprise beneficiaries see also: Huysentruyt, M. et al. (2016). Cross-country report: a first cross-country analysis and profiling of social enterprises prepared by the SEFORIS research consortium. Available at: <http://www.seforis.eu/cross-country-report>



Across Europe, the most supported target group is “children/young individuals”.

If one takes a look at the different priorities and focus areas per country, one can observe a clear difference, where Swedish social enterprises lead the group with a 76% focus on specific target groups and Germany closes the group with 58% of social enterprises focusing on this. On the other hand, Germany leads with 46% of social enterprises focusing on the environment, while Spain closes the group with only 7% of social enterprises who state their aim as focussing on environmental challenges.

If one looks at ESEM Social Enterprises that count specific groups as recipients of the impact of their work, one notices the wide range of target groups for which products and services are offered.

Across Europe, the most supported target group is “children/young individuals”. This target group is supported by 21% of social enterprises across ESEM countries, “women/girls” are supported by 19% and the “long-term unemployed” are supported by 17%.

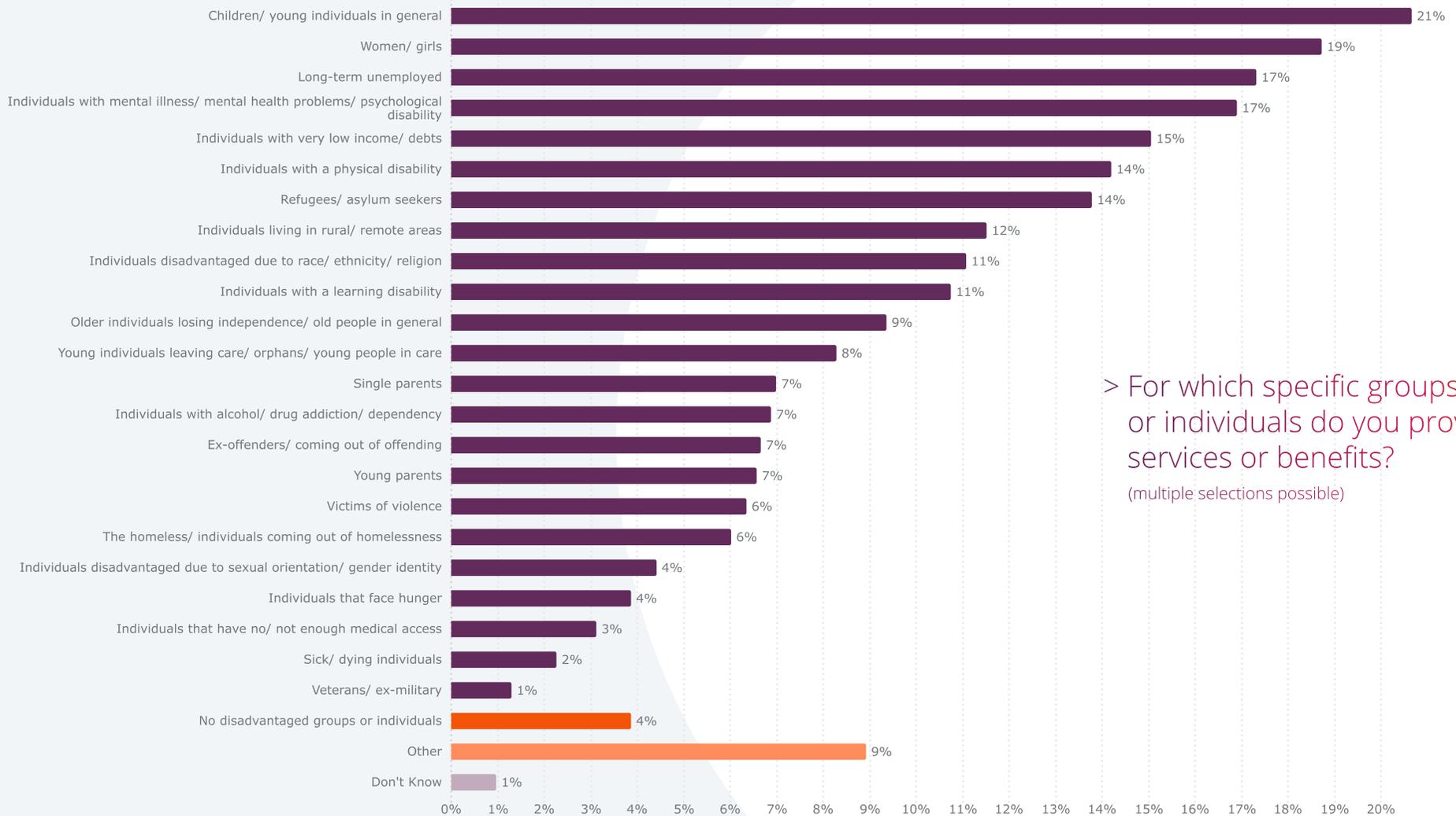
> Who are your beneficiaries?

Specific Target Groups		Society as a Whole		Environment		NGOs, Social Enterprises	
Sweden	76%	Estonia	75%	Germany	46%	Croatia	48%
Spain	75%	Germany	70%	Croatia	27%	Germany	36%
Croatia	72%	United Kingdom	58%	Estonia	21%	Estonia	33%
Denmark	69%	Sweden	54%	Denmark	14%	United Kingdom	33%
Estonia	67%	Croatia	53%	Portugal	13%	Spain	30%
Portugal	66%	Portugal	52%	Sweden	12%	Portugal	25%
United Kingdom	65%	Spain	44%	United Kingdom	9%	Sweden	23%
Germany	58%	Denmark	41%	Spain	7%	Denmark	14%

> For which specific groups or individuals do you provide services or benefits?

(multiple selections possible)

Top 3 per Country	Category	Value
Croatia	• Long-term unemployed	28%
	• Children/young individuals in general	28%
	• Women/girls	19%
Denmark	• Individuals with mental illness/mental health problems/psychological disability	47%
	• Long-term unemployed	33%
	• Individuals with a learning disability	29%
Estonia	• Individuals with mental illness/mental health problems/psychological disability	33%
	• Children/young individuals in general	29%
	• Long-term unemployed	29%
Germany	• Children/young individuals in general	19%
	• Women/girls	18%
	• Individuals with very low income	14%
Portugal	• Children/young individuals in general	32%
	• Individuals with very low income/debts	18%
	• Long-term unemployed	16%
Spain	• Individuals disadvantaged due to race/ethnicity	29%
	• Women/girls	25%
	• Individuals with very low income/debts	24%
Sweden	• Long-term unemployed	32%
	• Individuals with mental illness/mental health problems/psychological disability	28%
	• Individuals with a physical disability	21%
United Kingdom	• Individuals with mental illness/mental health problems/psychological disability	37%
	• Women/girls	28%
	• Long-term unemployed	23%



> For which specific groups or individuals do you provide services or benefits?
(multiple selections possible)

Involvement of beneficiaries

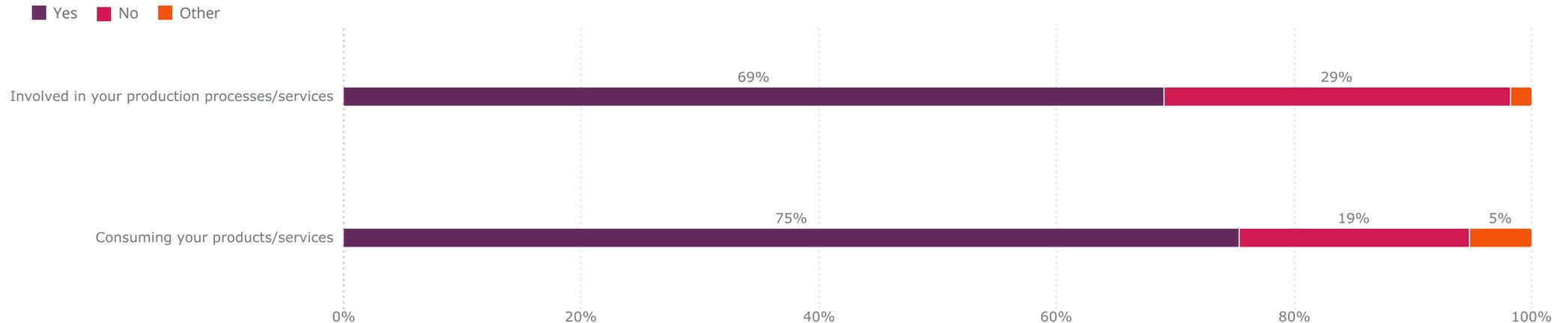
Social enterprises aim to improve the situation of their beneficiaries through different approaches: 1) by making a new product or service available to their target group; 2) by providing their target group with an opportunity to work in the organisation; and/or 3) by generating income from third parties in order to make these funds available to the target group. Effective strategies are often combined.

The recipients of the impact created by ESEM Social Enterprises are often socially disadvantaged people and those who do not have the financial means to pay a market price for the products and/or services they offer. With the help of innovative offers and hybrid financing models, social enterprises create added value for people that conventional companies do not necessarily perceive as lucrative.

The involvement of the target group in everyday organisational life is as an important aspect of social entrepreneurship organisational management³⁰. In line with this, 69% of ESEM Social Enterprises involve their beneficiaries in their production processes/services. These social enterprises already achieve impact by integrating disadvantaged groups into their work.

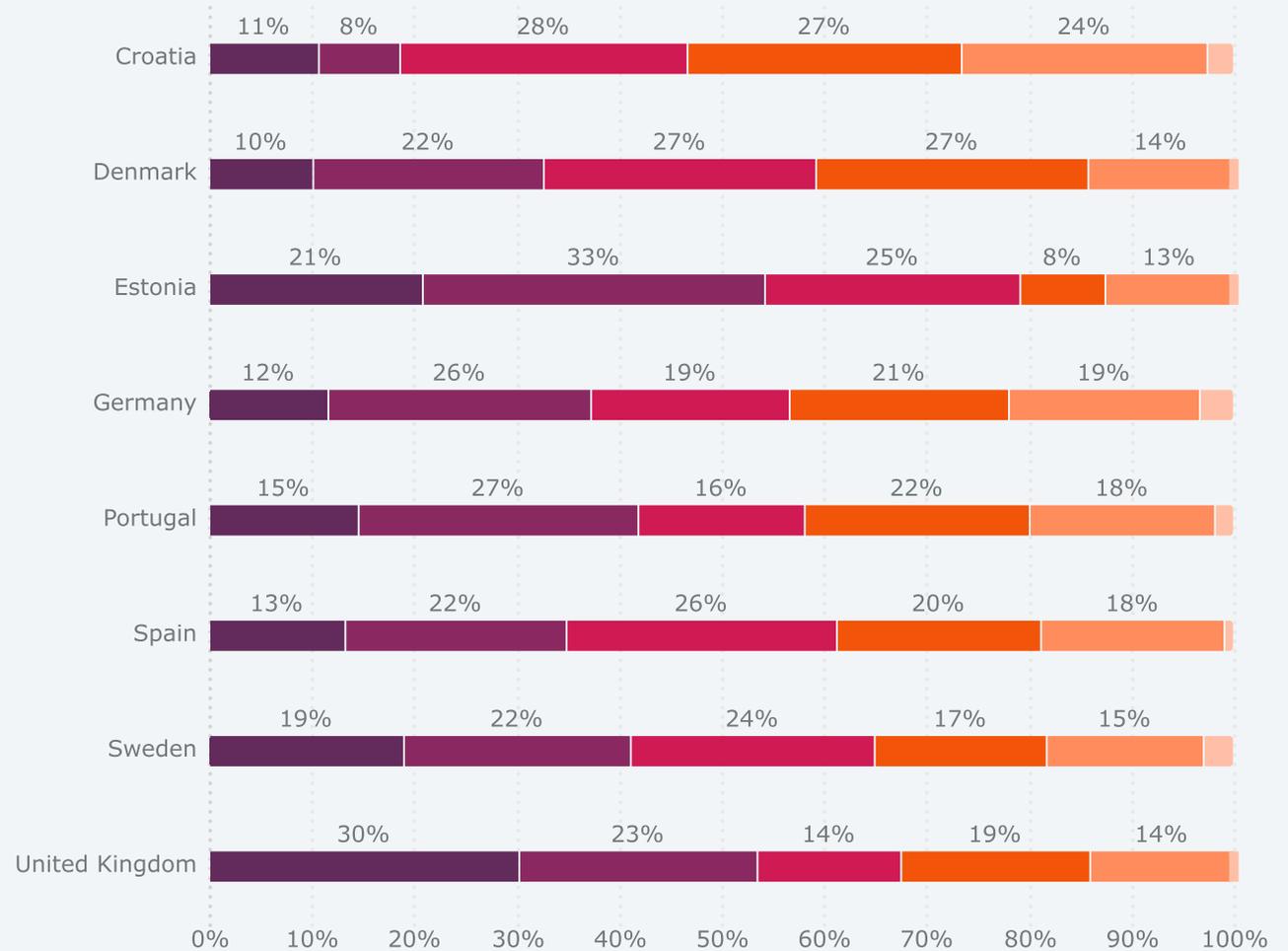
Furthermore across Europe, 37% of ESEM Social Enterprises involve their beneficiaries in the organisation's decision-making process to a high or very-high extent. An average of only 2% of ESEM Social Enterprises do not involve their target group or provided no information.

> Are your beneficiaries?



> To what extent does your organisation involve beneficiaries in decision-making?

- Very High Involvement
- High Involvement
- Moderate Involvement
- Low Involvement
- Very Low Involvement
- No Involvement



The involvement of the target group in everyday organisational life is as an important aspect of social entrepreneurship organisational management.

3.3 Procurement and supply chains

Social procurement and social clauses are an increasingly important topic for governments, corporations and consumers in Europe and beyond.

Europe is integrated into global value and supply chains in which purchasing decisions by national companies have a direct influence on the social and environmental conditions abroad and in countries of origin.

When social clauses are introduced, traditional business associations at times complain about cost disadvantages and market losses. Social enterprises though have nothing to fear. They are already showing how a sustainable and fair type of procurement can succeed in and strengthen international supply chains.

ESEM Social Enterprises themselves also behave like good role models. When making decisions over their own procurement practices, they indicate the most important criteria to be social responsibility and environmental responsibility, at rates of 79.3% and 75.9% respectively.



Buy Social

End customers are increasingly incorporating social and environmental aspects into their purchasing decisions.

It is therefore not surprising that even with conventional companies there is increasing interest in the sustainable impact of social enterprises, which they are increasingly taking into account in their supply chains. This enables them to better show their commitment to sustainable issues beyond corporate social responsibility. An impressive example is provided by SAP, who with their 5 & 5 by '25 campaign³¹ set a goal to obtain 5% from Social Enterprises and 5% by Diverse Suppliers by 2025.



Impact Measurement

The measurement, analysis and documentation of social impact are part of the steering and controlling mechanisms of a social enterprise³².

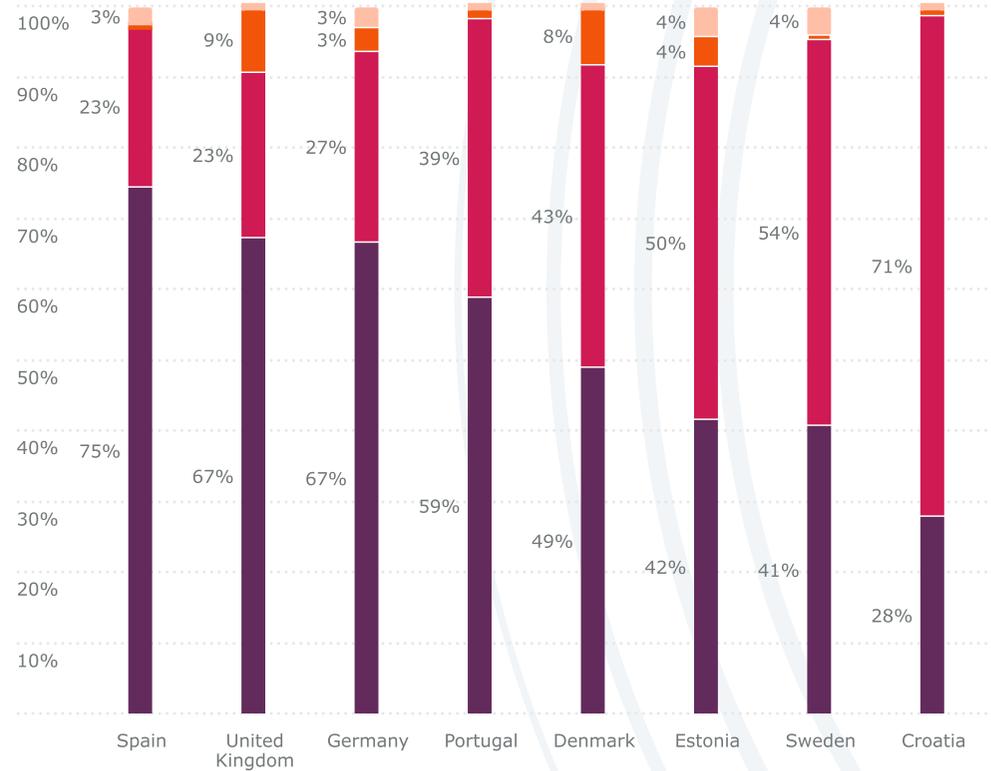
They contribute significantly to anchoring the common good in the organisation and prevent a potential mission drift. In addition, an important communication strategy for organisations is to report on social and environmental impact, to keep customers, donors and other stakeholders informed about the organisation's orientation towards the common good and logic behind it.

Among ESEM Social Enterprises, on average ~6 out of 10 (58%) regularly analyse their social and environmental impact. ESEM Social Enterprises from Spain are most regularly measuring their impact (75%), while in Croatia only 28% do this on a regular basis.

One explanation for this can potentially be explained through the age of (participating) social enterprises in the respective countries. ESEM Social Enterprise respondents from Spain in 2020-2021 were on average older than those who came from Croatia. Resource-intensive impact analysis seems to be implemented less often in the seed, start-up and early implementation and growth phases than in later phases.

> Do you measure your social/environmental impact regularly?

- Not yet, measurement is planned in the future
- Other
- Yes
- No



6 OUT OF 10

On average ~6 out of 10 (58%) of ESEM social enterprises in Europe regularly analyse their social and environmental impact.

³² Also see the Governance dimension of social enterprise in the introduction



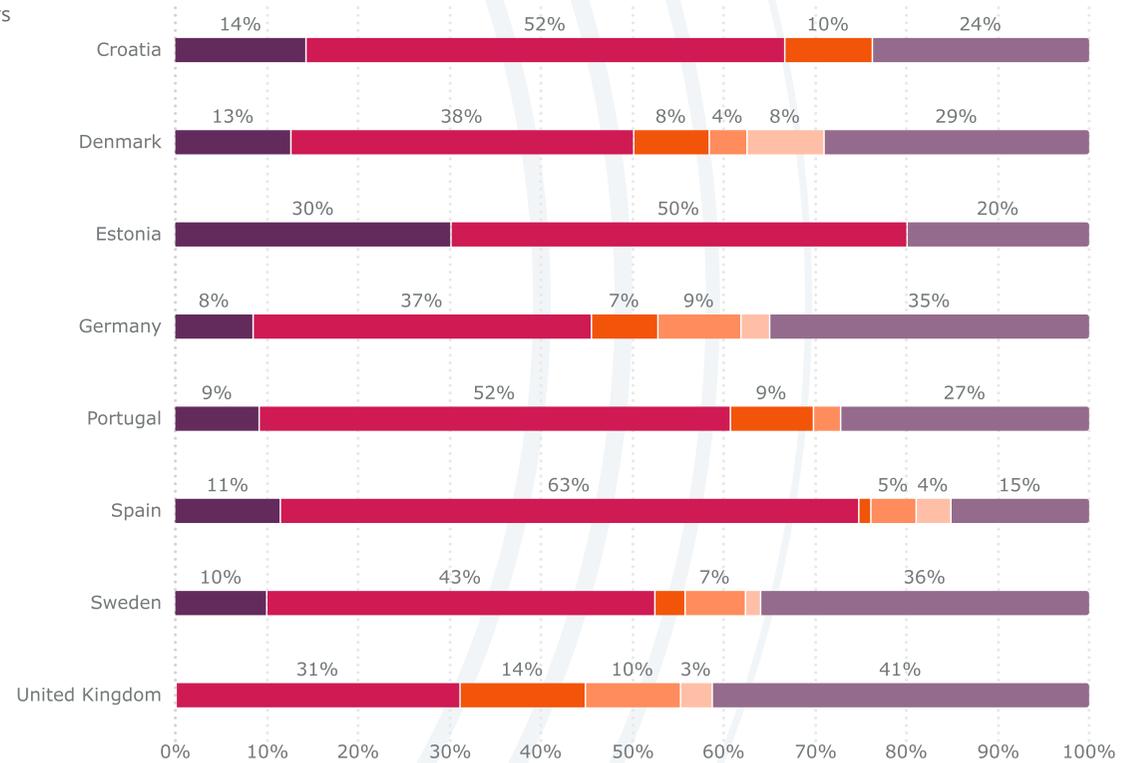
Most ESEM Social Enterprises who regularly measure their social or environmental impact measure their impact every year.

Most ESEM Social Enterprises who regularly measure their social or environmental impact measure their impact every year (43%). This is followed by 34% who measure their impact continuously and 9% who measure this every two years.

Continuous measurement is mostly executed by ESEM Social Enterprises in the United Kingdom (41%), Sweden (36%) and Germany (35%). The highest number of ESEM Social Enterprises who execute annual impact measurement are in Spain (63%), Portugal and Croatia (both 52%).

> How often do you measure your social/environmental impact?

- Every two years
- Every year
- Each half year
- Quarterly
- Monthly
- Continuously

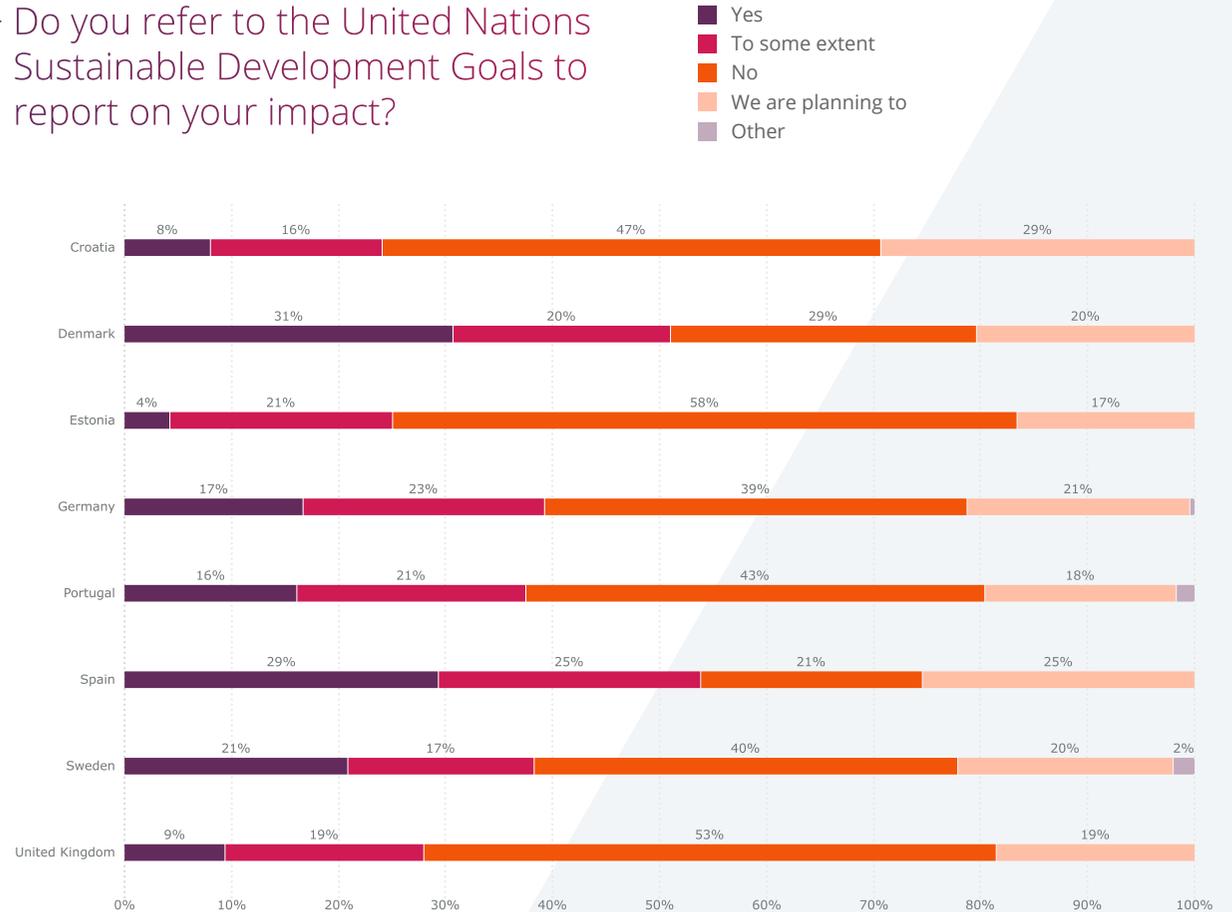


Across Europe ESEM Social Enterprises refer to the SDGs in full or to some extent equally as much as they do not refer to the SDGs (both 39%). 22% plan to refer to the SDGs in their impact measurement in future.

Approximately 1 out of 5 ESEM Social Enterprises use certificates that enable them to show their social and/or environmental impact to the outside world. The certificates chosen range from environmentally or socially oriented sustainability labels to industry-specific seals and reflect the heterogeneity of the sector.

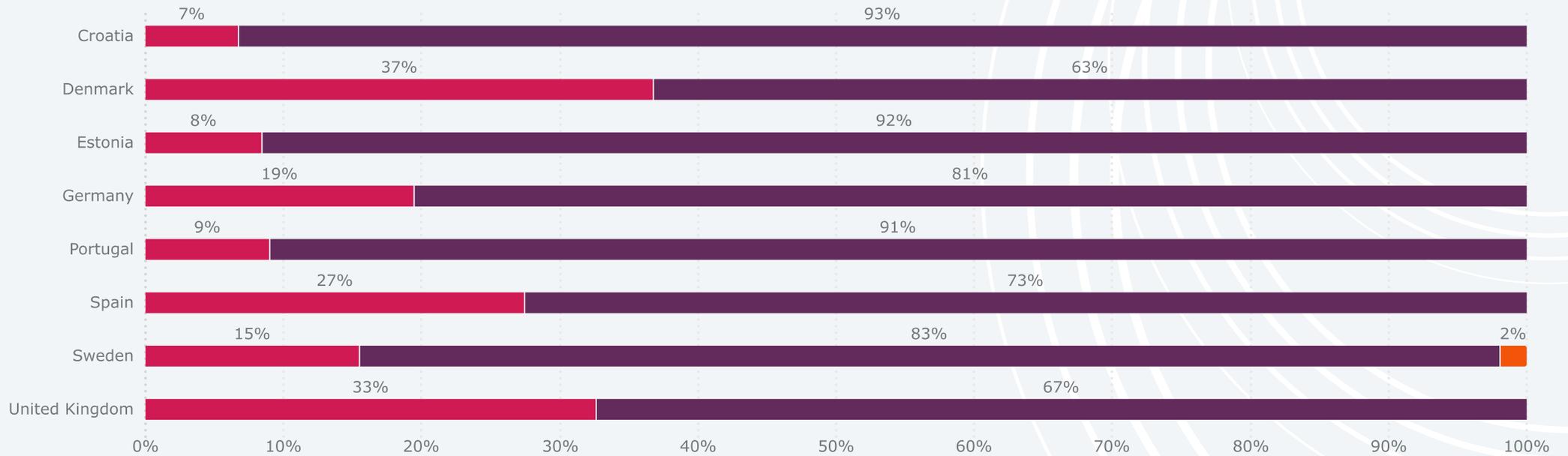
Certifications are most popular in Denmark where 37% of social enterprises indicated their use of them, the United Kingdom (33%) and Spain (27%). The use of certificates by social enterprises is least popular in Croatia (7%) and Estonia (8%).

> Do you refer to the United Nations Sustainable Development Goals to report on your impact?



> Does your organisation use certifications to signal social/ecological impact (e.g. B-Corp, Fairtrade...)?

■ Yes
■ No
■ No Answer



UN Global compact
 Qualität Naturpark
SROI
 Kinderschutz Policy
Phineo
 Demeter VSI ISO 14001
PETA RQS True Price STFS VDDH
B-Corp ECOCERT Go green SRS GIVA Solidaridad KRAV
 GOTS Greenprint Fairfood SØV
SEUK
 AZAV ClimatePartner FSSC IMUG Klimaneutral
 Fairwear Bioland AENOR Investors in People SEND UNESCO BNE
 cradle2cradle
Fairtrade CSR EPD Din FSC CQC
ISO 9001 EMAS BMZ NGPD
 OrganicValue Balancing Alliance
Balance social
 Skoopi ASF
Skoopi SIS
 Global reporting





Markets, Profits and Financing

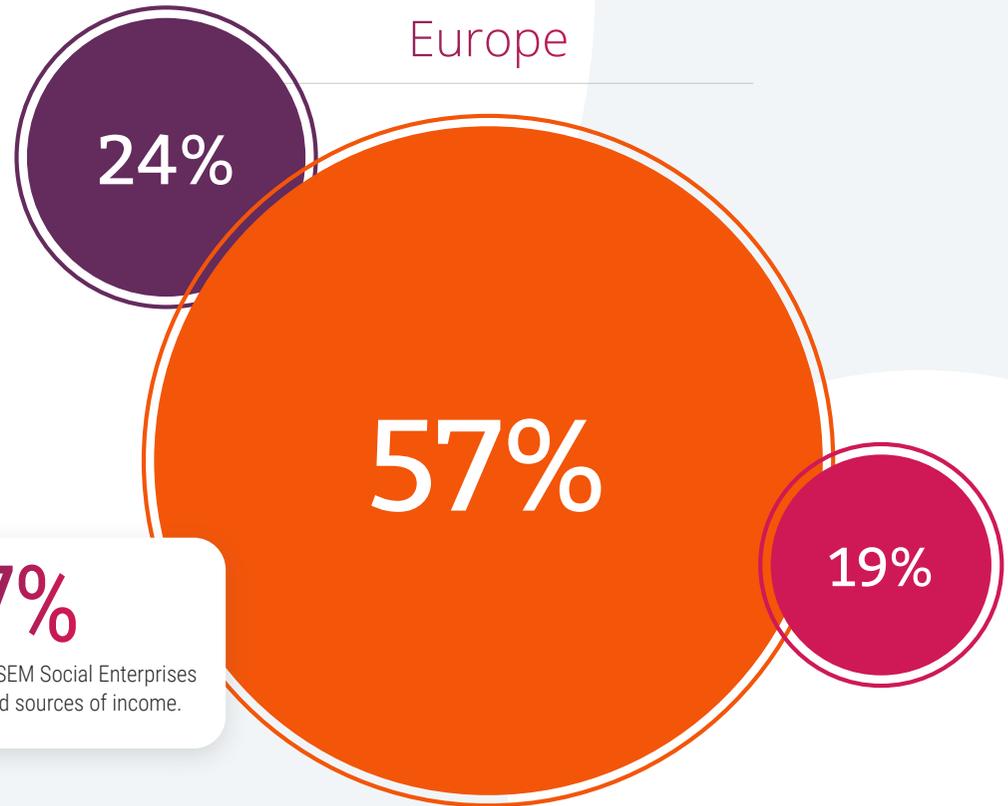
5.1 Sources of Income and Trading versus Non-Trading Activities

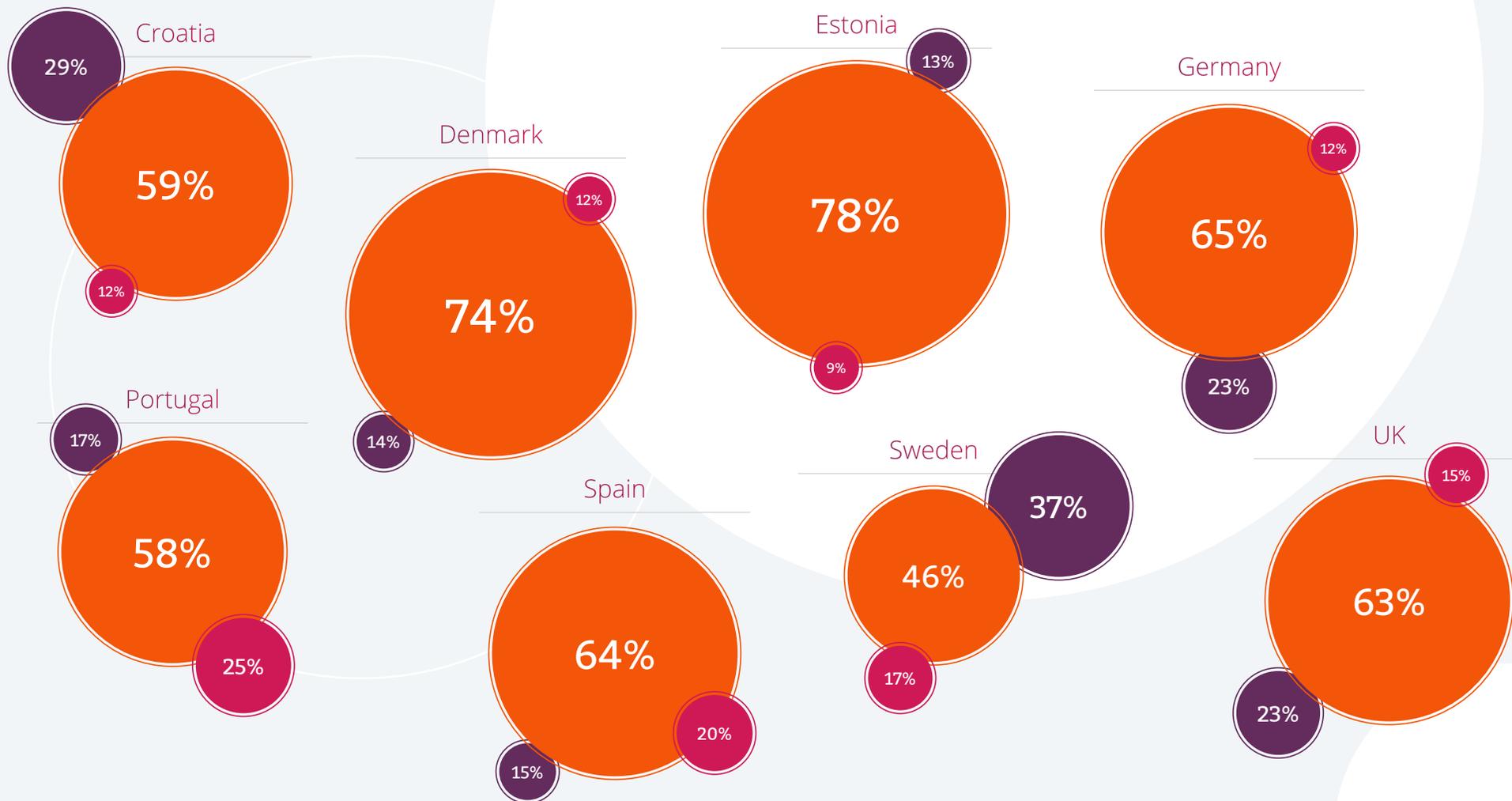
Social enterprises are often organised in hybrid form.

This means that they generate income through the sale of products and services (trading income) as well as through donations or subsidies³³ (non-trading income). The different approaches are reflected in the information provided by the ESEM Social Enterprises. At an average of 57% across ESEM Social Enterprises, the majority use hybrid sources of income. 24% generate their income exclusively through trading activities and 19% purely through non-trading activities.

The highest amount of income derived from trading activities can be found in Estonia. 71% of Estonian ESEM Social Enterprises derive their income from trading activities, versus 29% from non-trading activities. The highest amount of income derived from non-trading activities can be found in Portugal with 55% coming from non-trading activities, versus 45% from trading activities.

- Trading Activities
- Non-trading Activities
- Hybrid Activities



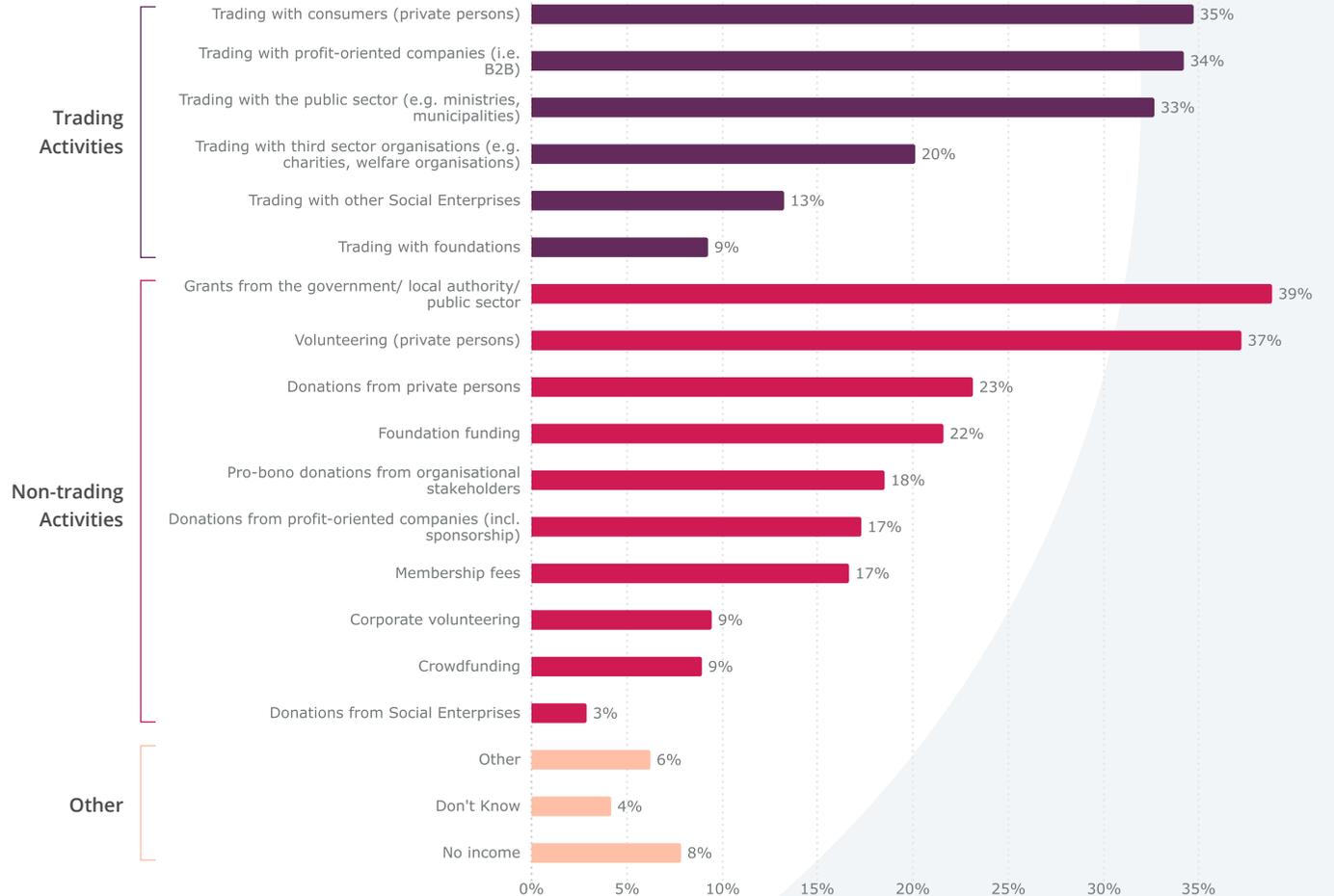


> What are your main sources of income?

The main income sources across ESEM Social Enterprises are two non-trading activities: 1) grants from the government/ local authority/public sector (for 39%); and 2) volunteering by private persons (for 37%). At third, fourth and fifth place, the following main income sources fall under trading activities: 3) trading with consumers (private persons) (35%); 4) trading with profit-oriented companies (34%); and 5) trading with the public sector (33%).

The relative importance of income sources for social enterprises differs widely across ESEM countries. For example, in Germany the main income source for social enterprises is trading with profit-oriented companies (38%). In Europe, this income source stands at 3rd place. The 2nd most important income source in Germany is private donations (36%), while across ESEM Social Enterprises this income source only comes at 6th place.

The great differences in the relative importance, choice of income sources and market activities of ESEM Social Enterprises illustrate the diversity of the sector across Europe. This diversity highlights the need for financing instruments that take this heterogeneity into account at a national level and at a cross-European level even more so.



5.2 Revenues, Profits and Financial Planning

Revenues

The distribution of income is diverse. The largest group of ESEM Social Enterprises (36%) had annual revenues the last 12 months of up to €50,000, followed by 16% with annual revenues of €100,001-250,000 and 14% €50,000-100,000. 10% have annual revenues between €1-5 million and 6% €5 million or more. Almost half of all ESEM Social Enterprises had revenues in the last 12 months of more than €100,000.

The young average age of the participating organisations is important here (see section 1.2): 73% of the organisations that received less than €100,000 in the last 12 months were founded from 2018 onwards. In addition, 58% stated that they were in an early development phase³⁴. Conversely, the 16% of ESEM Social Enterprises with revenues of more than €1,000,000 are for the majority (64%) in a later development phase³⁵.

> What are your total revenues of the last 12 months? Including trading income (sold products, services) and non-trading income (donations, grants).



³⁴ Seed phase, start-up phase or early implementation and growth phase

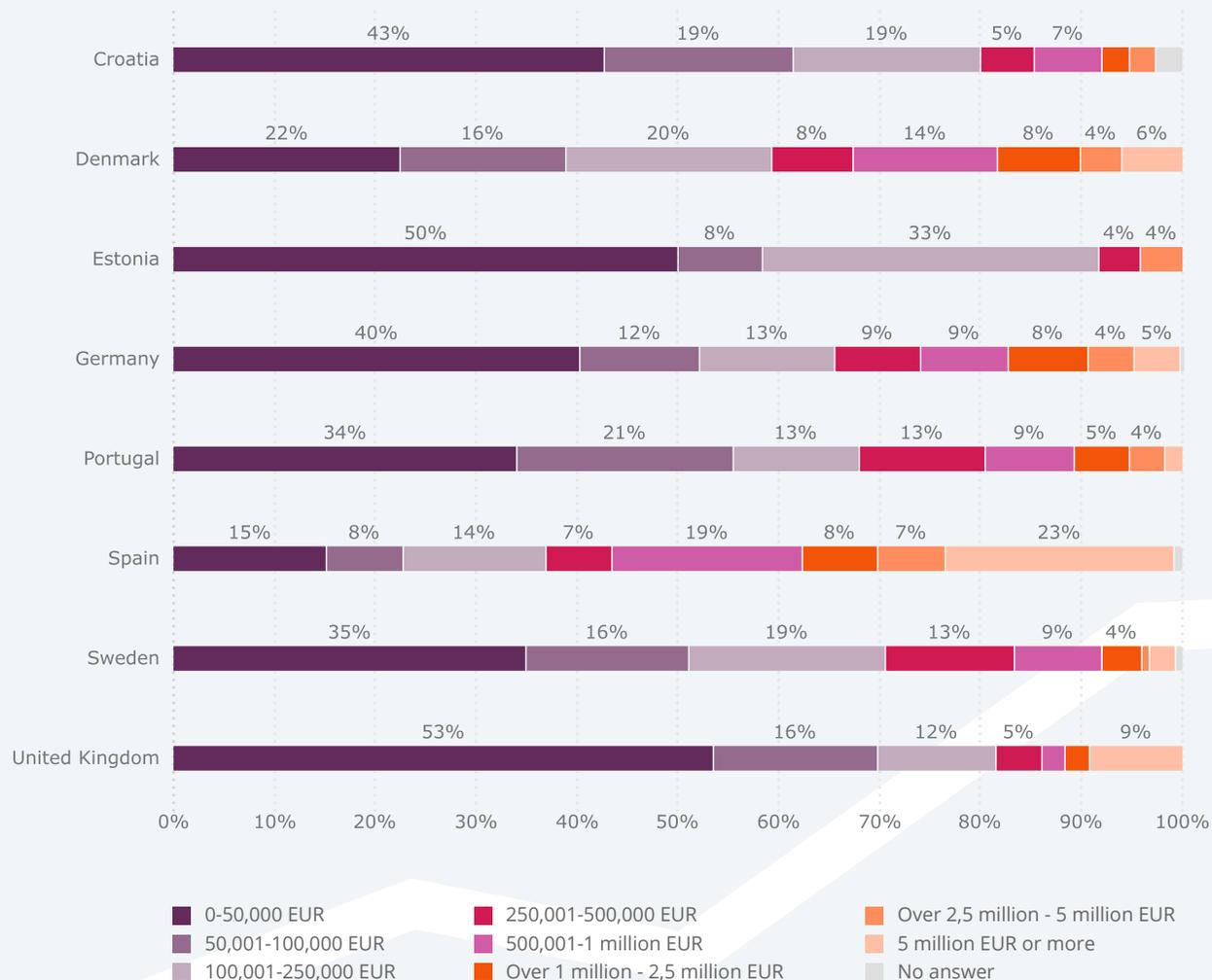
³⁵ Late implementation and growth phase or steady/stagnating phase

> What are your total revenues of the last 12 months? Including trading income (sold products, services) and non-trading income (donations, grants).

3 OUT OF **4**

Close to three out of four ESEM Social Enterprises report a financial planning security of a maximum of one year.

Comparing revenues across ESEM countries provides an even more diverse perspective. Spain has the highest amount of social enterprises who take in high revenues. 23% of Spanish social enterprises indicated they have revenues of €5 million or more and only 15% have revenues below €50,000. Of the participating social enterprises from the United Kingdom, only 9% had revenues of €5 million or more and 53% had revenues below €50,000. In Estonia and Croatia none of the participating ESEM Social Enterprises had more than €5 million revenues.

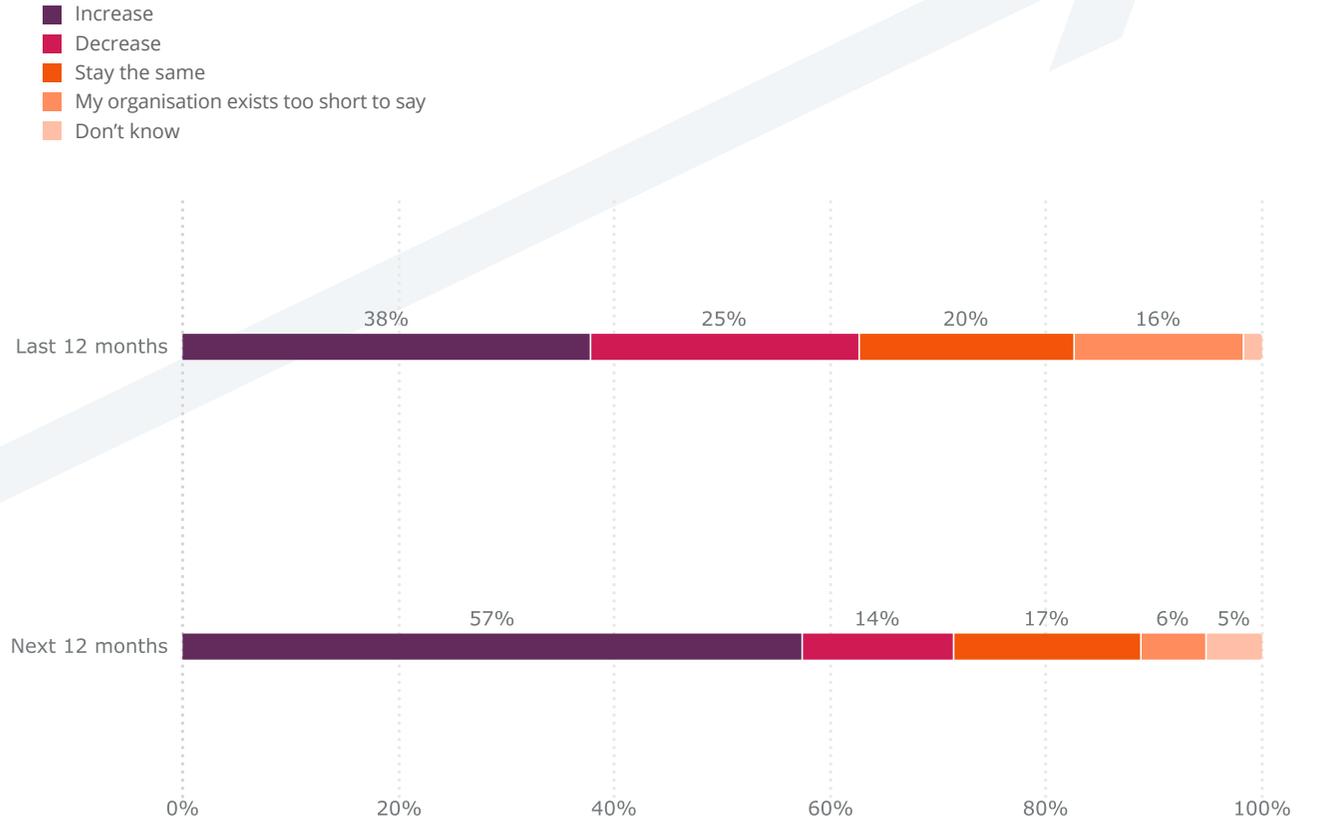


In order to get a picture of the current situation and an outlook for the coming year, ESEM Social Enterprises were asked to share their expectations around the development of their revenues in the next 12 months. There seems to be a certain optimism among ESEM Social Enterprise participants. Despite the COVID-19 crisis, 57% indicated that they expect an increase their revenues. 14% expect a decline.

Furthermore, participants were asked about specific reasons for the increase, decrease or stability of their revenues. Revenue increases were among others explained with: 1) the set-up of new projects; 2) an increased demand for products and services through digital offers; and/or 3) professionalisation of the organisation. The most important reason for the drop in revenues was the impact of the COVID-19 crisis and the associated loss of sales, markets, donations and financing.

The pandemic and its effects also continue to play a role in the expectations for the next 12 months. Most ESEM Social Enterprises take an optimistic viewpoint. They expect a recovery of the economy and supply chains, see opportunities for the acquisition of new customers, the scaling of their company and an increased consciousness and appreciation, also due to the pandemic, for the social enterprise business model, products and services.

> Past revenues versus Predicted revenues

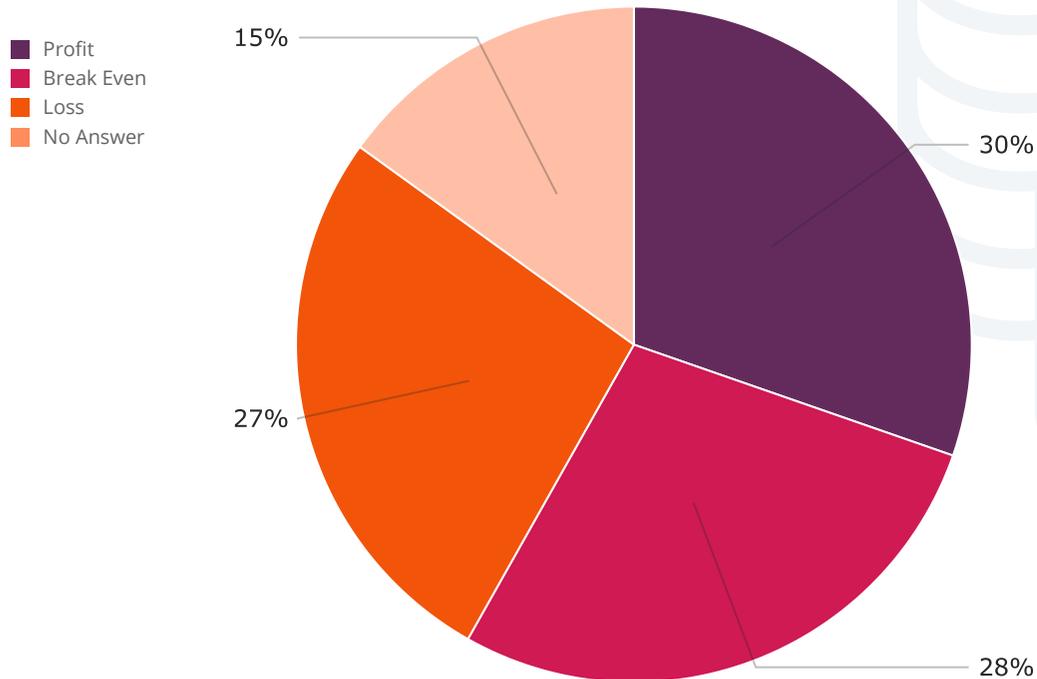


Profits

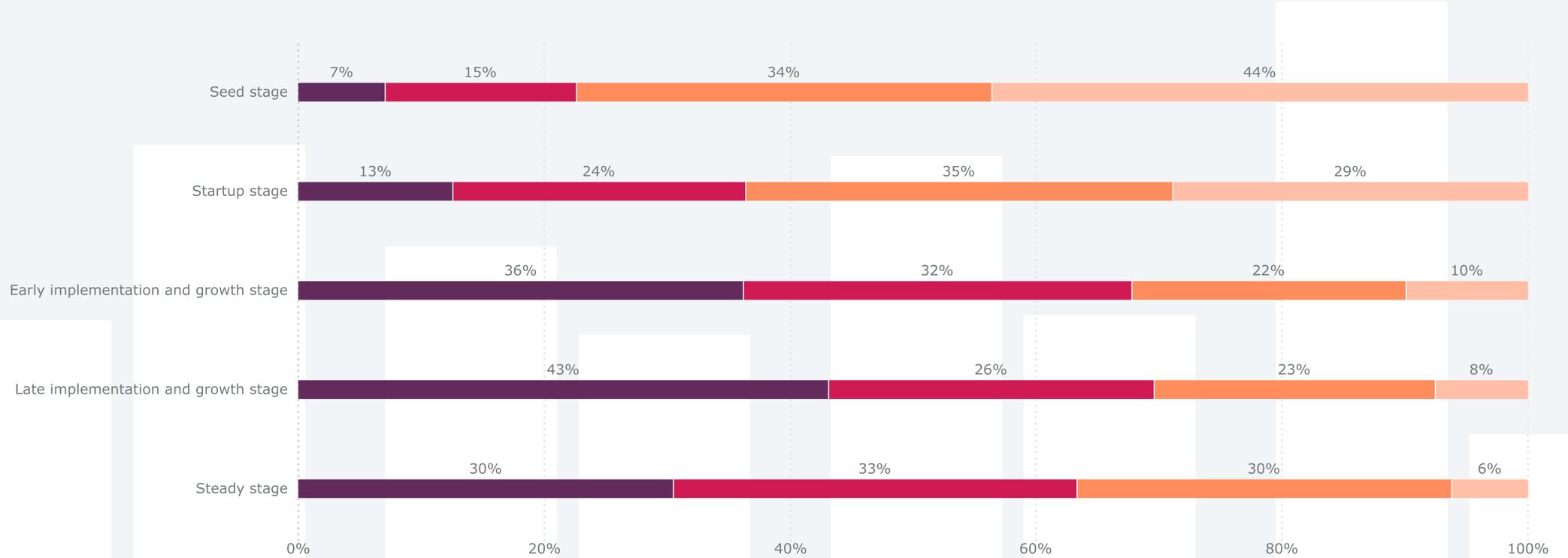
A look at the profitability of ESEM Social Enterprises allows an even more precise analysis of the current situation. Social enterprises differ from conventional enterprises in that making a profit is not the primary goal of the organisation. They are primarily concerned with achieving goals related to social and environmental impact with financial concerns revolving around a need to cover their costs. Profits are a means to create even more impact in the future, through their reinvestment in the impact goals of the enterprise.

Overall, 27% of ESEM Social Enterprises recorded a loss last year. 28% broke-even and 30% recorded a profit. 15% of participants did not answer this question. On the one hand, this data can be understood in the context of the difficult economic conditions triggered by the pandemic. On the other hand, as shared before, many young organisations participated in the ESEM. 24% were founded in 2019 and 2020. These ESEM Social Enterprises are mostly (96%) in an early development phase (seed phase, start-up phase, early implementation and growth phase), in which profits are seldom made. The proportion of enterprises making profits increases in the later stages of development. Nevertheless, the relatively low profit status of ESEM Social Enterprises is an important matter to continue to research further.

> Regarding the last year, did you make a profit, a loss or did you break even?



> Profit and Loss across Organisational Development Stages



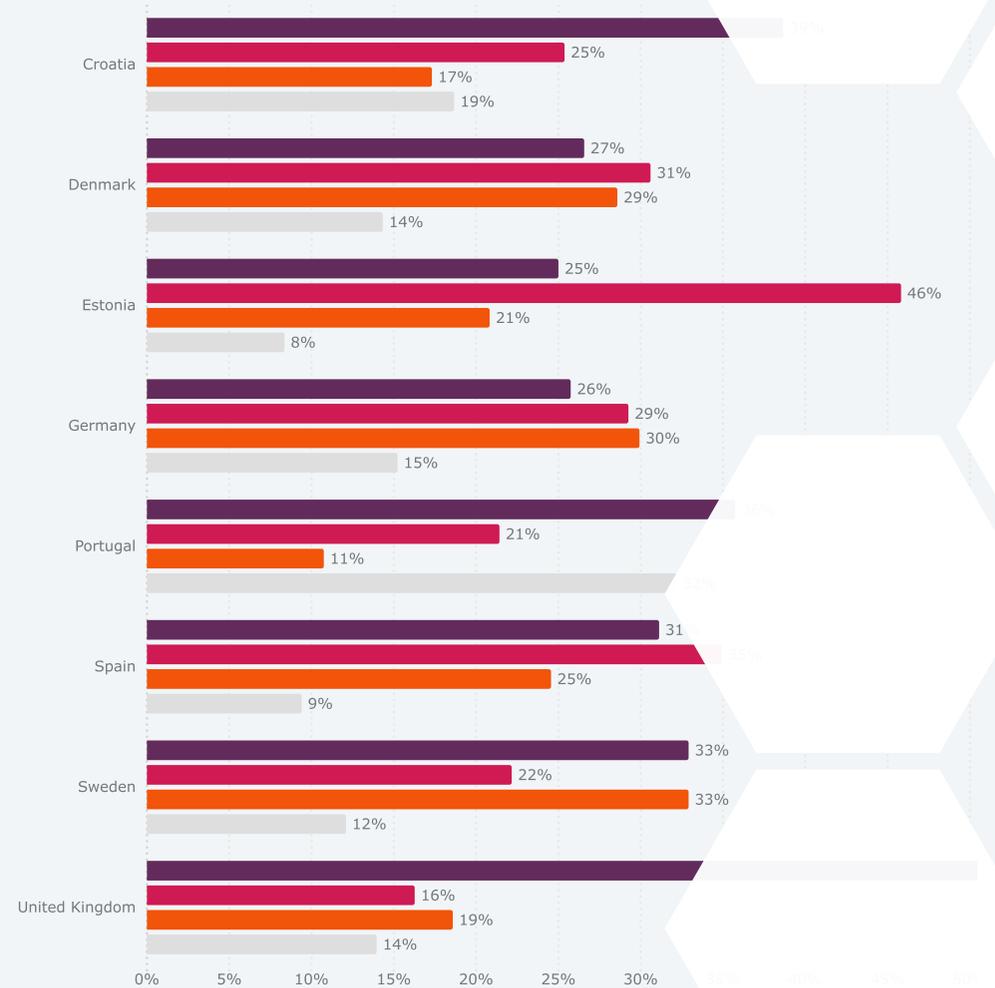
Across ESEM Social Enterprises, the highest number of profitable enterprises in the last 12 months were in the United Kingdom (51%), Croatia (39%), Portugal (36%) and Sweden (33%). Most enterprises who were running break-even were in Estonia (46%) and Spain (35%). The highest number of ESEM Social Enterprises with losses were in Germany (30%) and Denmark (29%).

The use of profits plays a key role in social enterprise governance. Distribution of profits is limited because it is incompatible with the common good-oriented claim of social enterprises³⁶.

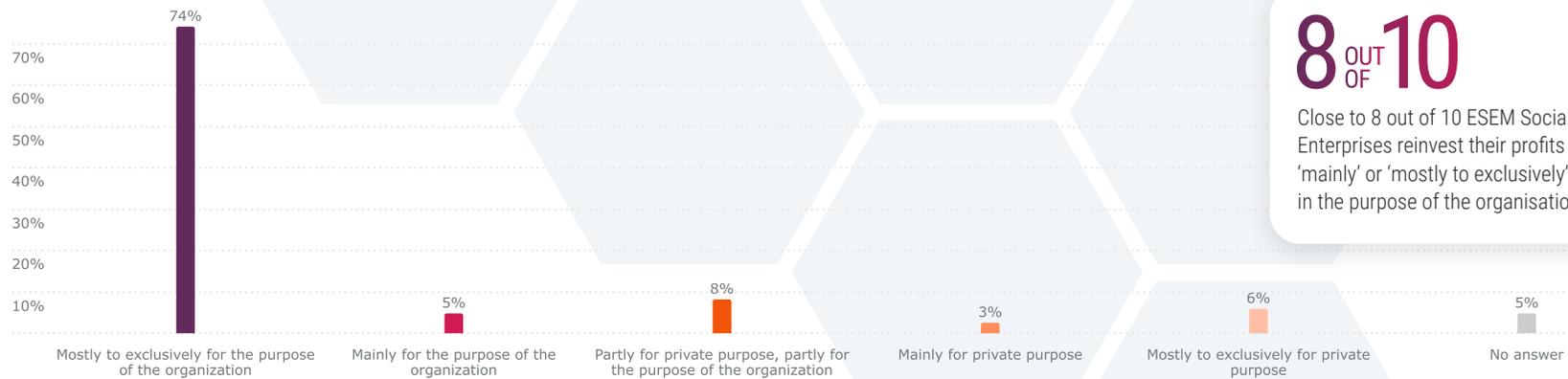
ESEM Social Enterprises were asked to explain the distribution of profits of their organisation. An impressive 79% of ESEM Social Enterprises stated that their profits were 'mainly' or 'mostly to exclusively' reinvested or donated to the social and/or environmental purpose of the organisation.

The highest amount of social enterprises reinvesting profits into the social enterprise mission are based in the United Kingdom and Denmark. 93% and 90% respectively indicate reinvesting profits 'mainly' or 'mostly to exclusively' into the purpose of the organisation. The least reinvestment happens in Croatia and Germany (69% and 75% respectively).

> Regarding the last year, did you make a profit, a loss or did you break even?



> Please indicate the approximate distribution of profits of your organisation:



8 OUT OF **10**

Close to 8 out of 10 ESEM Social Enterprises reinvest their profits 'mainly' or 'mostly to exclusively' in the purpose of the organisation.



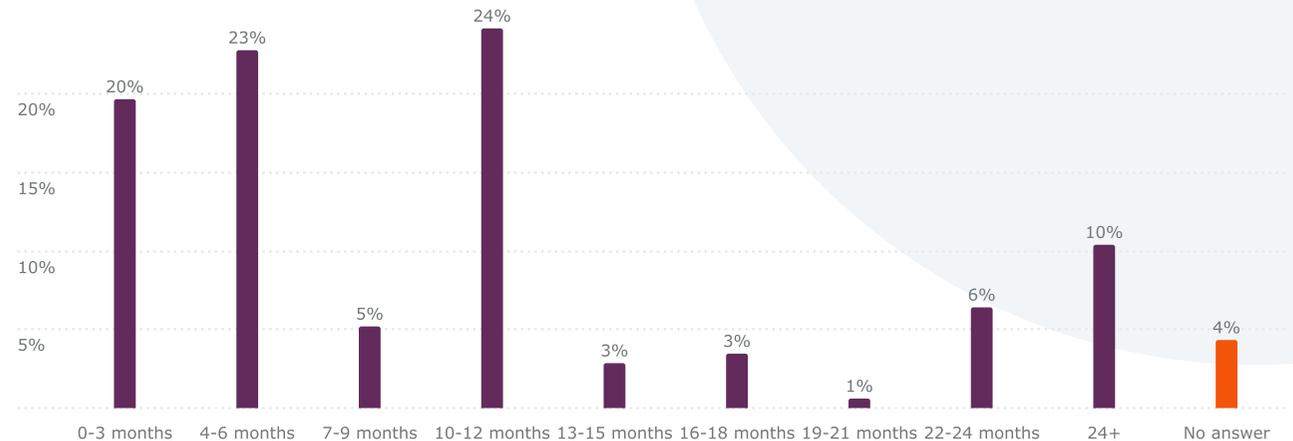
5.3 Financial planning security

Long-term planning security through the creation of reserves is often difficult for social enterprises as they tend to reinvest their profits in order to increase their effectiveness. In addition, some of the legal forms available and popular with social enterprises allow little or no formation of reserves³⁷.

Close to 3 out of 4 ESEM Social Enterprises have a safe financial planning security of maximum one year, however, 43% only have a maximum of six months. If you only look at ESEM Social Enterprises that were founded up to and including 2017, the picture is only slightly better. As a result, the age of the participating enterprises cannot be the only reason for this uncertainty in financial planning. Low liquidity makes social enterprises particularly vulnerable to external shocks and demonstrates a need for introduction of alternative financial aid or other regulations for expanded reserves.

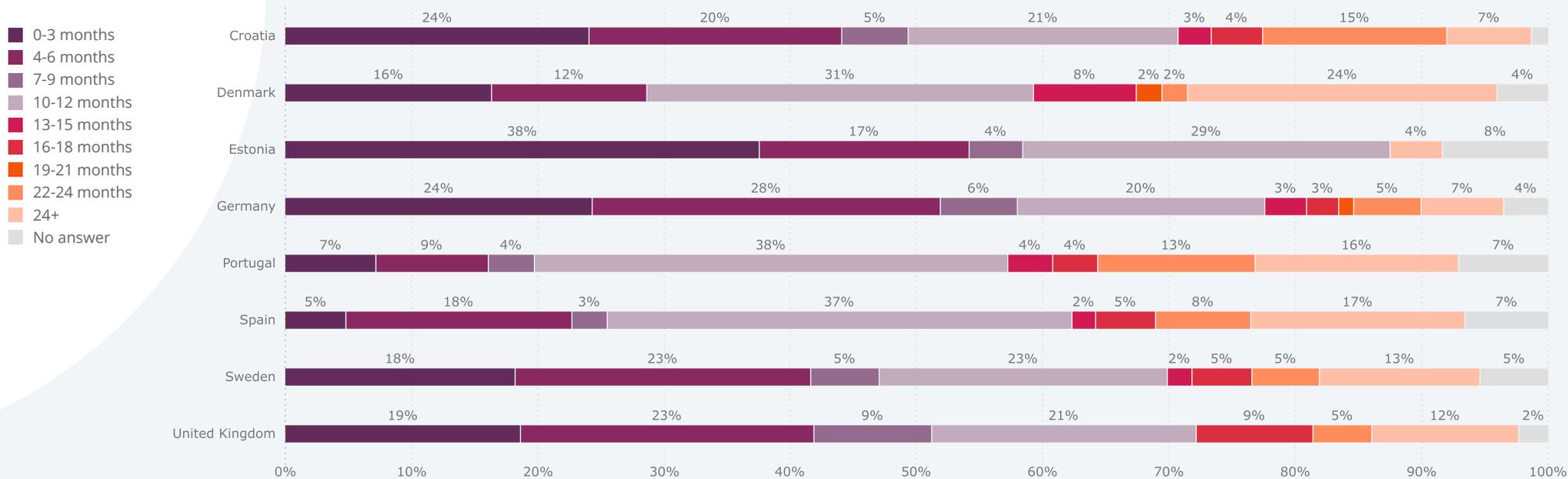
Danish, Portuguese and Spanish ESEM Social Enterprises seem to have the most safe financial planning horizons, compared to Estonia which has the least. In Denmark, 24% of social enterprises have a safe financial planning of more than 24 months, while in Estonia this is only 4%.

> For how long does your organisation have a safe financial planning?



Low liquidity makes social enterprises particularly vulnerable to external shocks and demonstrates a need for introduction of alternative financial aid or other regulations for expanded reserves.

> For how long does your organisation have a safe financial planning?



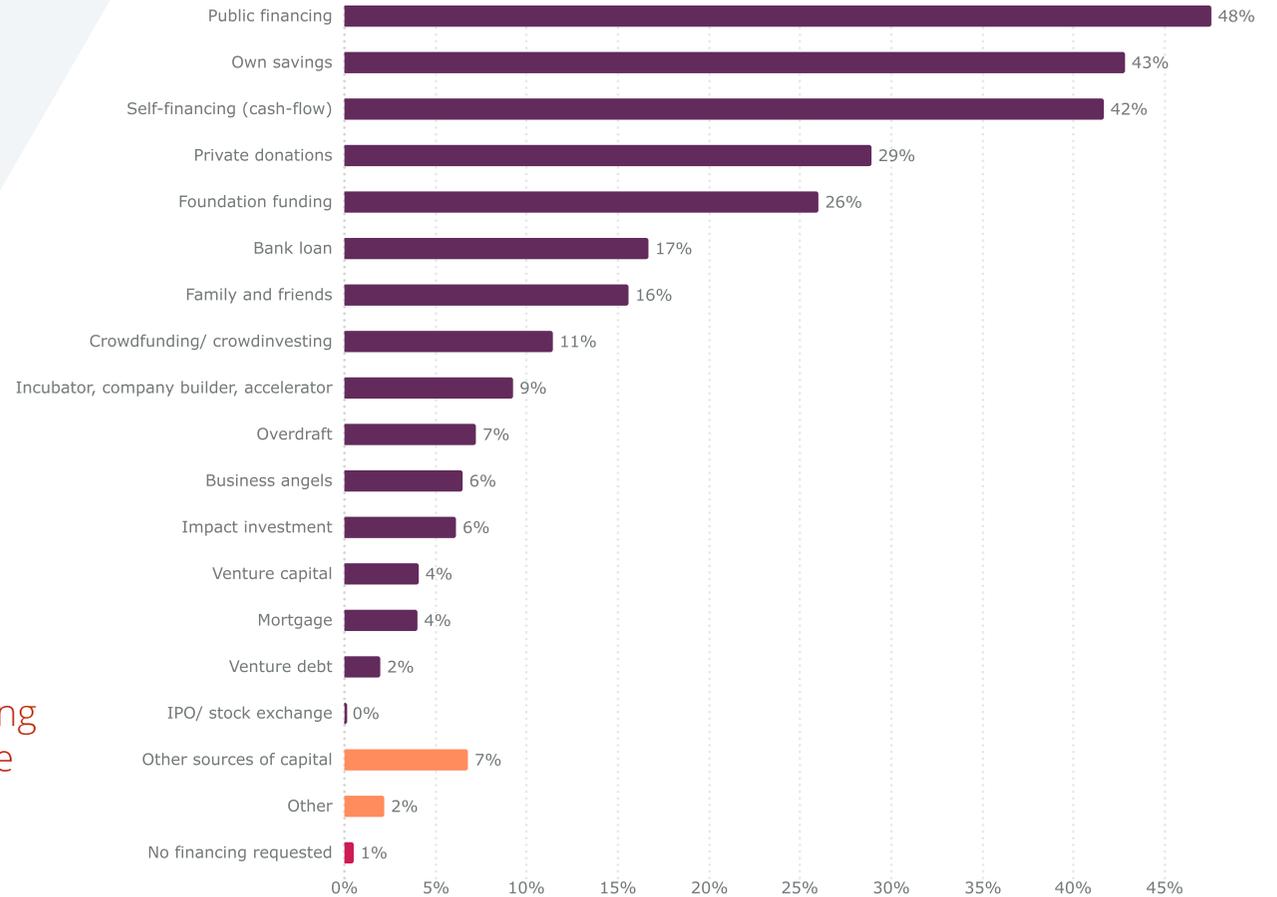
5.4 Financing and Investments

Financing Sources and Success

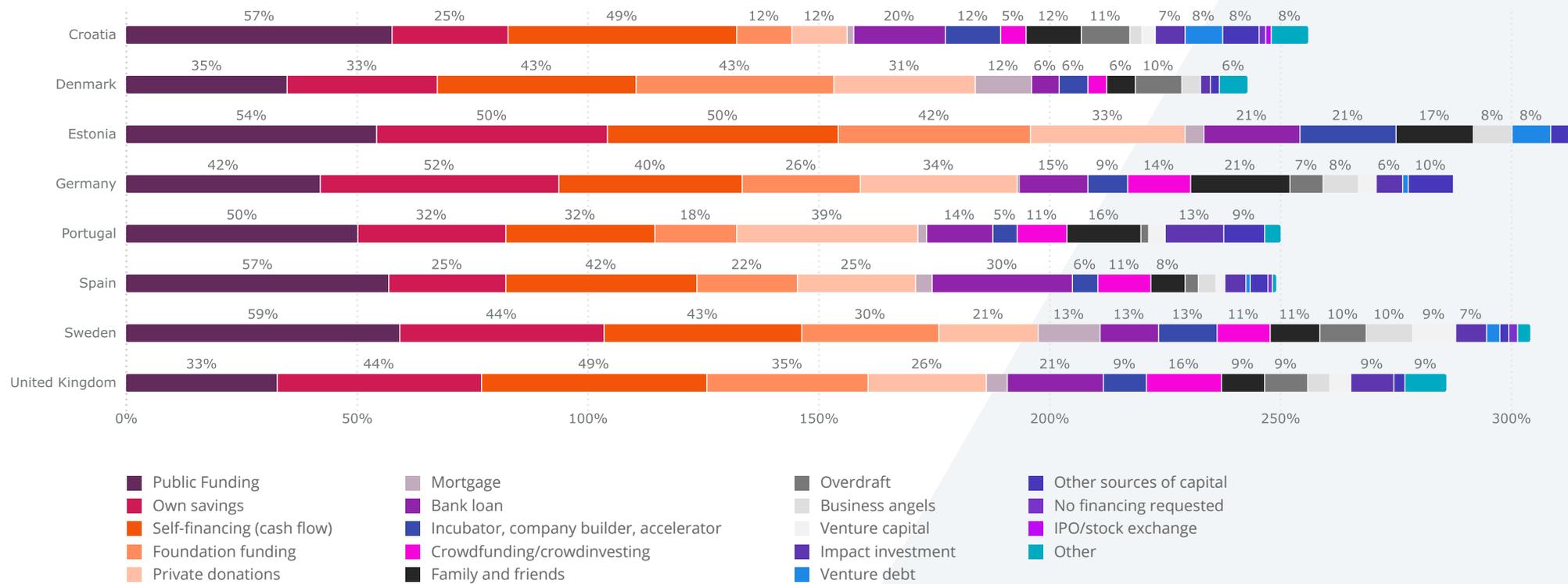
In the last 12 months, ESEM Social Enterprises most frequently requested public financing (48%), followed by their own savings (43%) and cash-flow (42%) to finance themselves. Financing through private donations and foundation funding also played an important role, 29% and 26% respectively requested these financing sources.

16% of ESEM Social Enterprises requested financing from family and friends and 11% used crowdsourcing. Business angels, impact investment and venture capital play a subordinate role so far in the financing of ESEM Social Enterprises, at 6%, 6% and 4% respectively.

> What types of financing did you request in the last 12 months?
(multiple selections possible)



> What types of financing did you request in the last 12 months? (multiple selections possible)



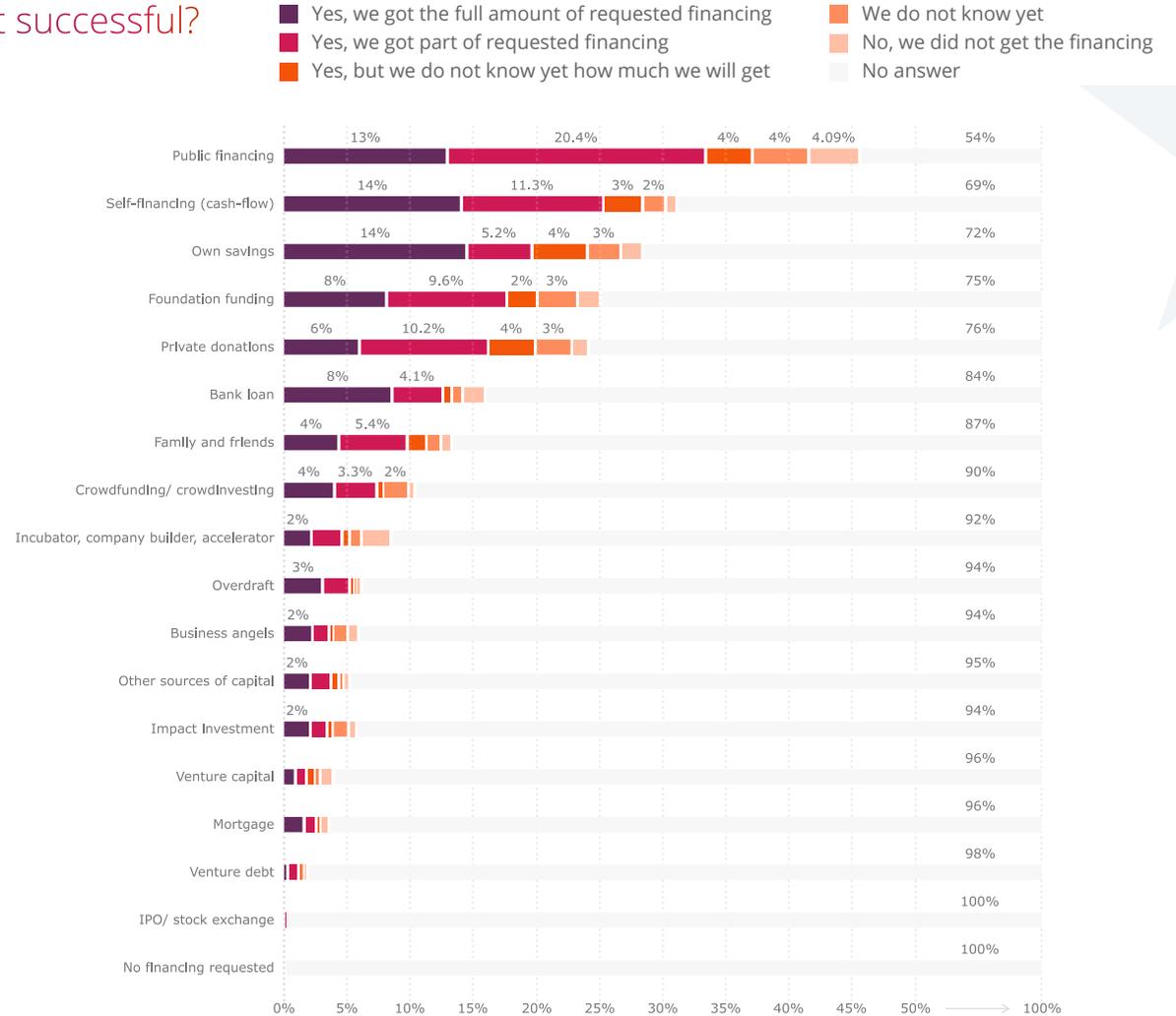
In order to gain a more detailed insight into the funding landscape, ESEM Social Enterprises were asked whether their funding applications in the past 12 months had been successful.

Most ESEM Social Enterprises were successful in receiving/ applying for: 1) public financing; 2) foundation funding; and/or 3) private donations. They were also successful in using: 4) their own cash flow; and/or 5) their own savings.

The low use of venture capital, venture debt, business angels and impact investment in the financing of ESEM Social Enterprises is striking.

In addition, applying for funding via impact investment also provides the least positive results. Of those who applied: 28% were declined for funding; 6% have received no answer yet; 17% received a positive response, but no answer on how much funding they can access; 22% received a partial amount; and only 22% received the amount of funding they needed and applied for. On the contrary, for public funding only 9% were declined for funding and 73% received the full or partial amount of funding they needed and applied for.

> Was it successful?



EU-Funding

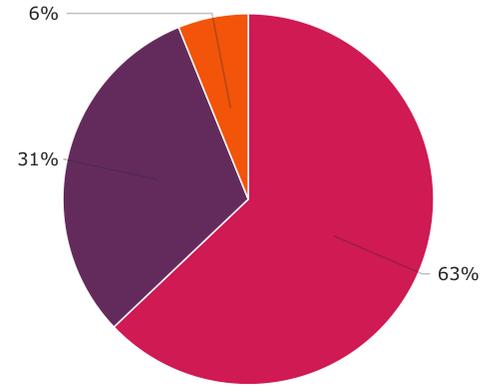
Close to 3 out of 10 ESEM Social Enterprises have applied once or more for EU-Funding. 63% have never applied to EU-funding so far.

Applying to EU-funding by ESEM Social Enterprises is most popular in Croatia (68%), Portugal (52%) and Estonia (46%). It is least popular in Germany (21%), Sweden (23%) and Denmark (24%).

The most popular funds to apply to for ESEM Social Enterprises have been the European Social Fund, followed by Erasmus+, Horizon 2020 and Interreg Europe.

In Croatia, 93% of former EU-applicants will apply again. In Sweden and Germany, only 52% and 58% respectively confirmed they were applying again.

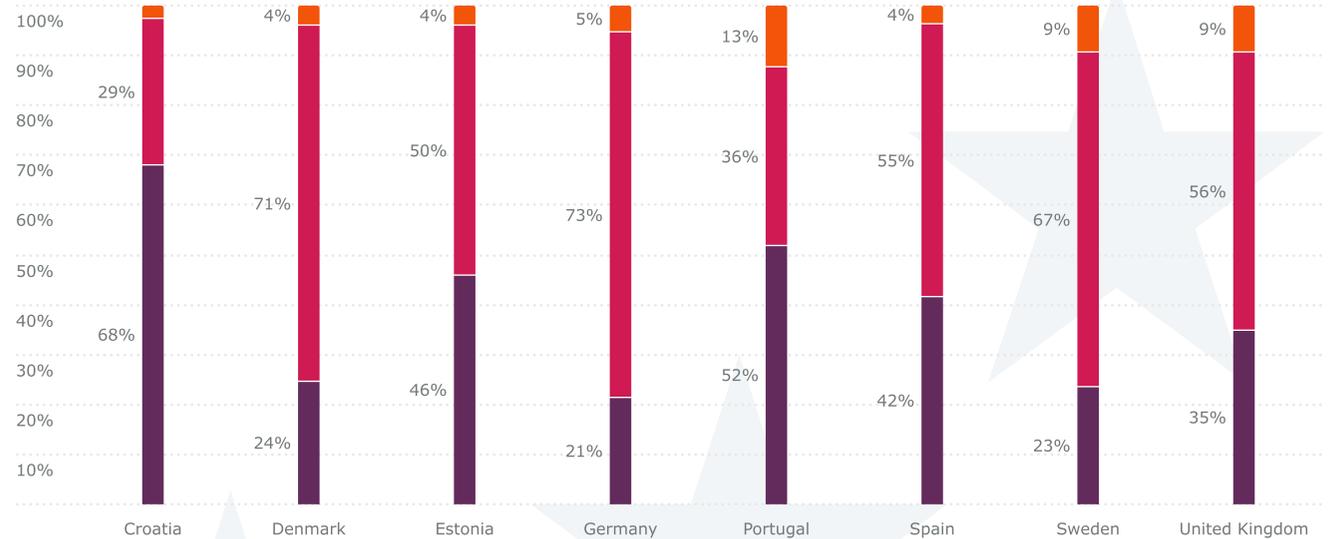
> Did you ever apply for EU funding?



■ Yes
■ No
■ Other

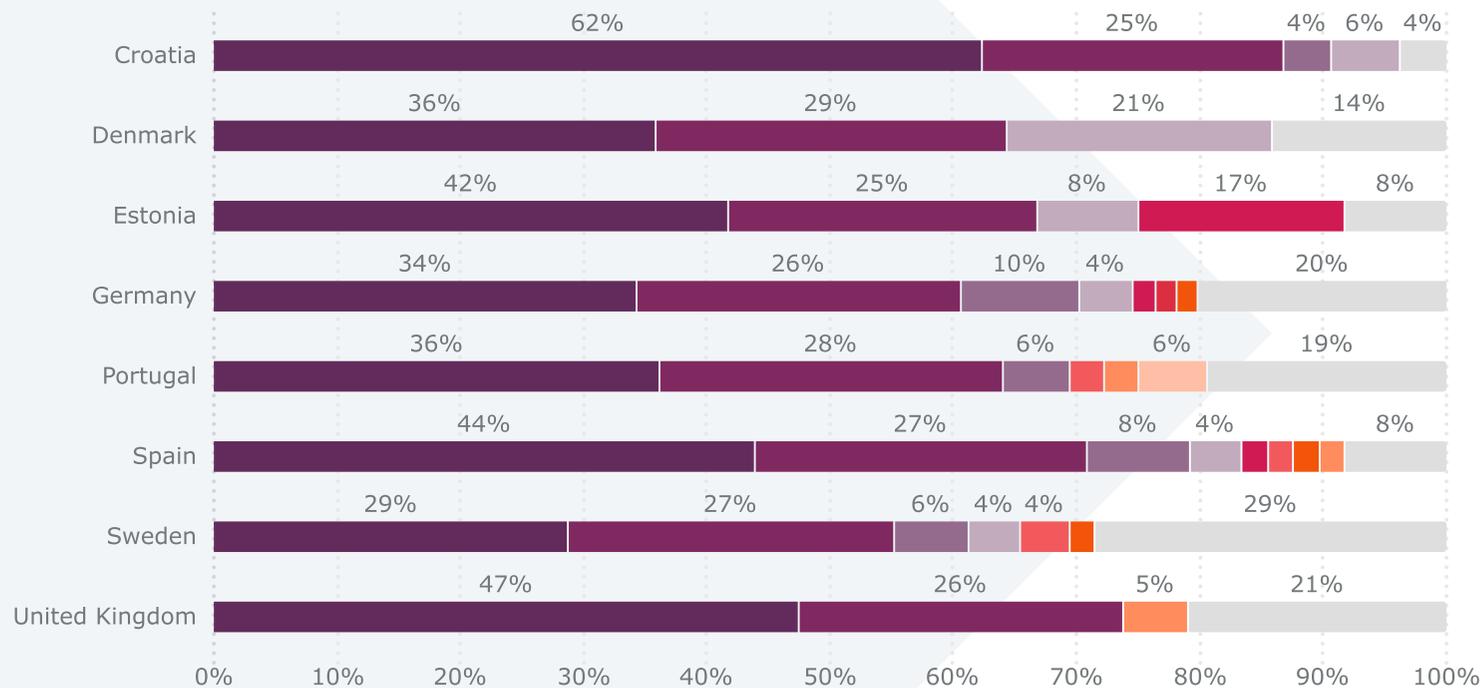
31%

of ESEM Social Enterprises have applied once or more for EU-funding. 63% have never applied to EU-funding so far.



> To which of the following EU-funds did you apply?

- ESF (European Social Fund)
- Erasmus+
- Horizon 2020
- Interreg Europe
- LIFE (EU funding for the environment and climate action)
- COSME (EU programme for the Competitiveness of Small and Medium-sized Enterprises)
- AMIF (Asylum, Migration and Integration Fund)
- EaSI (EU programme for Employment and Social Innovation)
- Europe for Citizens
- Portugal Inovação Social
- Other

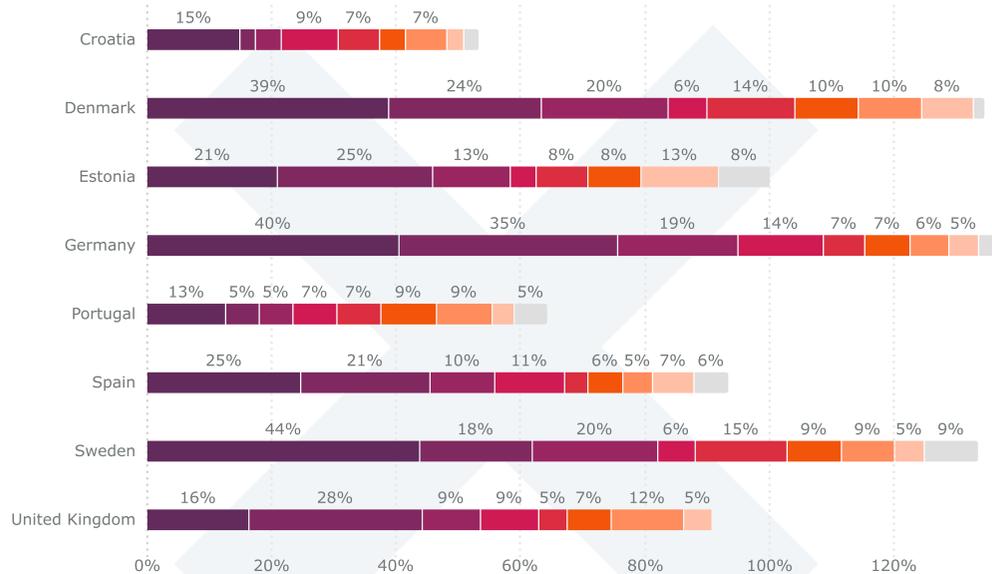


3 OUT OF **10**

Close to 3 out of 10 ESEM Social Enterprises have applied once or more for EU-funding.

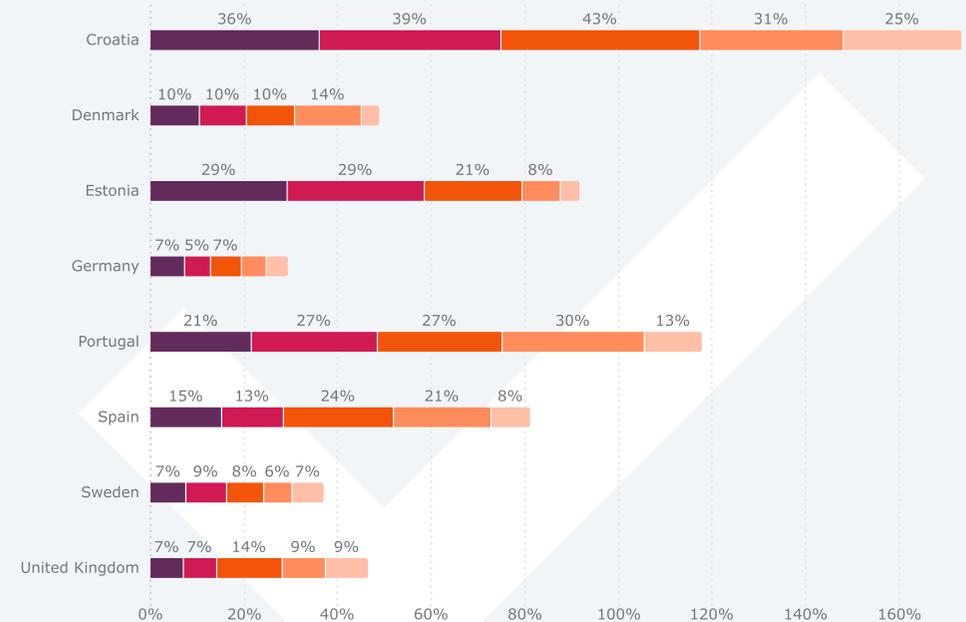
> If you didn't apply for EU-funding, what were the reasons?

(multiple selections possible)



- Too complex/time-consuming to apply
- Not aware of the opportunity
- Success rate to gain funding too small
- No program available that fit our needs
- Co-finance rate too high
- Financial capacity obligations too high
- No funding available related to my mission
- Operational capacity obligations too high
- Other

> If you applied for EU-funding, what are reasons to apply again?



- Provides access to international network/visibility
- Funding is a substantial amount
- Important income stream for our organisation
- Good experience with current/past EU-funding programs
- Enhances our reputation

6 OUT OF 10

Close to 6 out of 10 ESEM Social Enterprises have never applied to EU-funding so far.

Top 5 Reasons to Apply for EU-Funding:

- 1 Important income stream for our organisation
- 2 Provides access to an international network/visibility
- 3 Funding is a substantial amount
- 4 Good experience with current/past funding programs
- 5 Enhances our reputation

Top 5 Barriers Inhibiting EU-Funding Applications:

- 1 Too complex/time-consuming to apply
- 2 Not aware of the opportunity
- 3 Success rate to gain funding too small
- 4 No programme available that fits our needs
- 5 Co-financing rate too high

Case example - Impact Investing & Dormant Assets

In an increasing number of European countries, robust financial infrastructures are created for successful social innovations to be initiated and supported. The government in Great Britain has endowed the digital social innovation foundation Nesta with £500 million and has now mobilised over £2 billion through the Big Society fund of funds³⁸. In France too, the involvement of the government has mobilised several hundred million € in impact investing and this is expected to increase to one billion € within 5 years³⁹.

The German social enterprise sector is currently lobbying to ensure that in their country social innovations can also be supported adequately in future. SEND e.V. is cooperating with Ashoka Germany, the Federal Impact Investing Initiative, PHINEO, the Stifterverband für die Deutschen Wissenschaft and the Verband Deutscher Erbenermittler (VDEE) to set up a social impact fund through the use of dormant funds.

After two reform proposals⁴⁰ politicians have recognised the potential of such a social impact fund in Germany. Proposals were inter alia included in the impulse paper on social innovations of the high-tech forum of the Federal Government⁴¹ and in the final report of the Sustainable Finance Advisory Board⁴².

³⁸ More info can be found here: <https://bigsocietycapital.com>

³⁹ More info can be found here:

<https://www.ecologie.gouv.fr/french-impact-innov-au-service-linteret-general>

⁴⁰ Here you can read more about the 2nd edition of the reform proposal Dormant Assets: https://www.send-ev.de/uploads/nachrichtenlose_assets.pdf

⁴¹ Read more here: <https://www.hightech-forum.de/publication/soziale-innovationen>

⁴² Read more here: <https://sustainable-finance-beirat.de/publikationen>

The image features a background of a group of people in a meeting, with a large, stylized number '6' overlaid on the right side. The number '6' is rendered in a gradient of purple and red, with a white outline. The background is a faded, purple-tinted photograph of several people, including a woman in the center who is smiling broadly. The overall composition is modern and professional.

**Innovation
and growth**

6.1 Innovation and technology

Market novelties

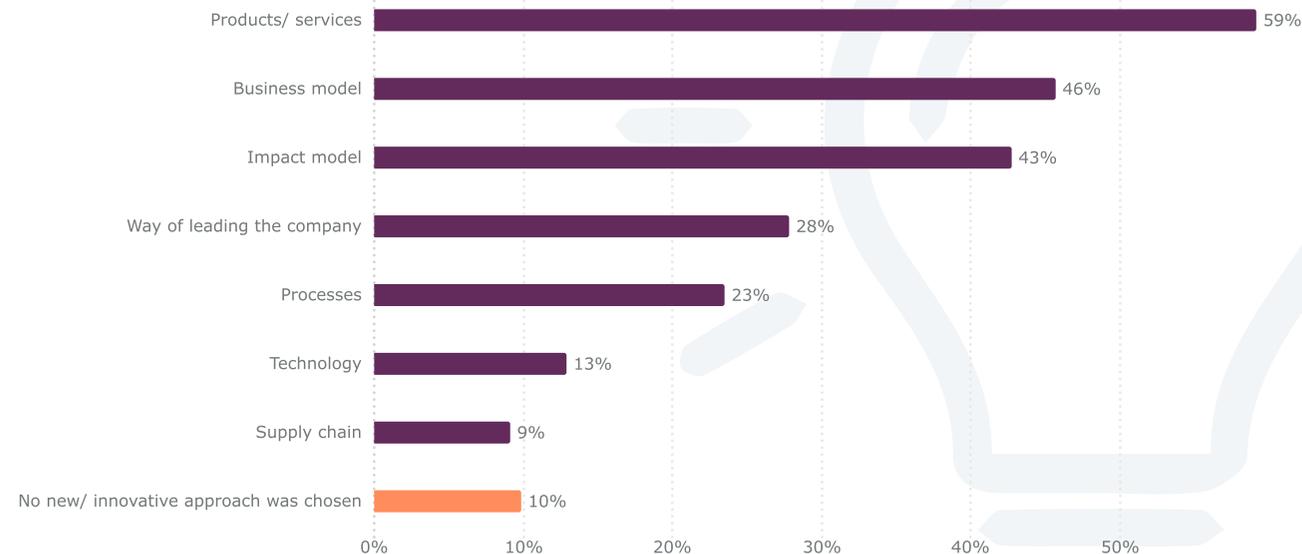
In order to meet the increasing social and environmental challenges of our society, we need social innovations: the development of new ideas, services and models allowing us to cope with social and environmental problems⁴³. Social enterprises develop and test innovative ideas, impact models and working methods and create solutions for the problems in our society.

In order to assess the innovative strength of ESEM Social Enterprises, participants were asked to indicate in which area of their organisation a market novelty was introduced at the time of their foundation.

Overall, 90% of ESEM Social Enterprises rate themselves as innovative in at least one area at the time they were founded. 93% of ESEM Social Enterprises from Germany rate themselves as innovative. This is the highest percentage across ESEM countries. The lowest percentage can be found in Estonia, where 75% of ESEM Social Enterprises rate themselves as innovative.

> At the time your organisation was founded, did your organisation choose a new/innovative approach in the following areas?

(multiple selections possible)



90%

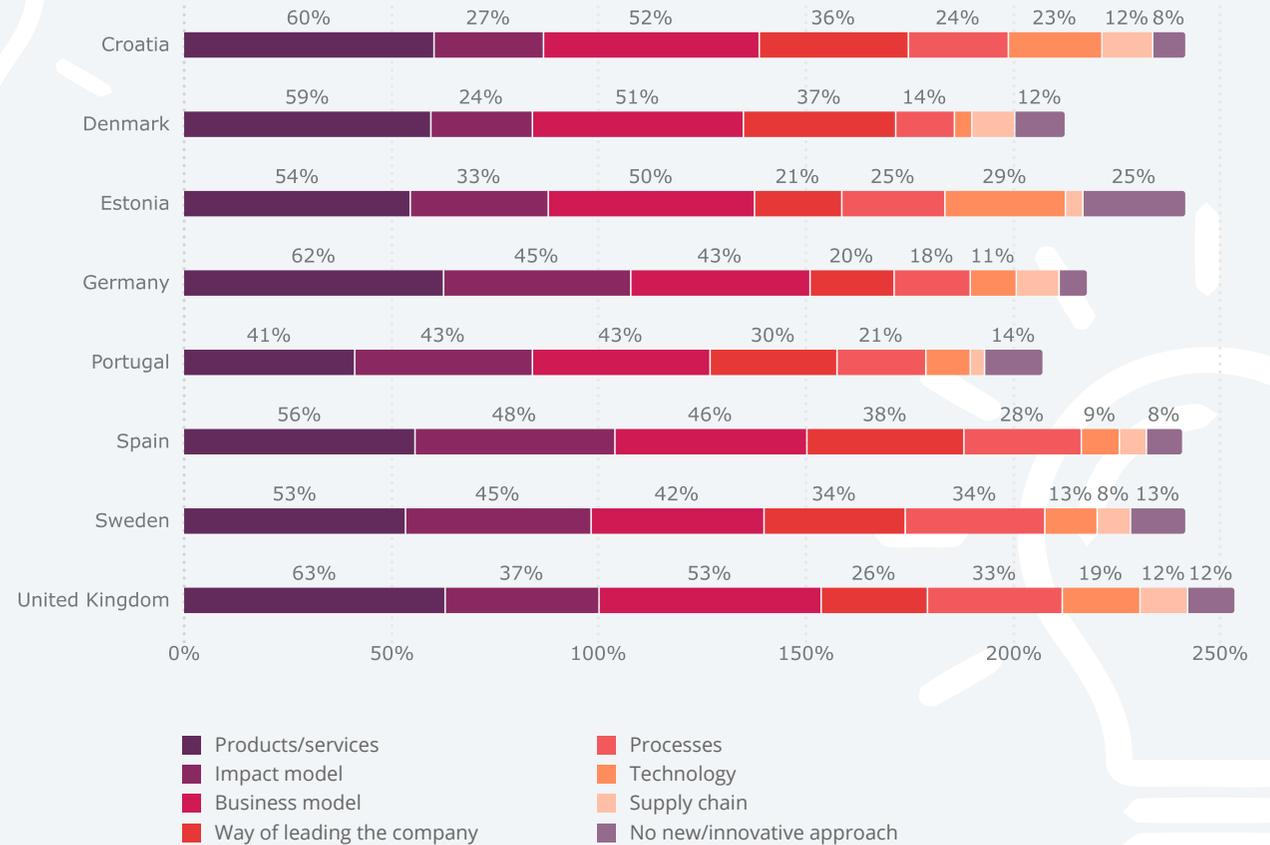
90% of ESEM Social Enterprises reported to introduce at least one market novelty at the time they were founded.

> At the time your organisation was founded, did your organisation choose a new/innovative approach in the following areas?

(multiple selections possible)

At the time of their founding, the majority of ESEM Social Enterprises were most innovative in developing new products/ services (59%). An approximately similar number of organisations use an innovative business model (46%) and an innovative impact model (43%). A quarter of companies present market innovations in both areas.

28% of ESEM Social Enterprises describes themselves as innovative in the way they run their organisation⁴⁴. Social enterprises are often characterised by a participatory and open organisational culture; sociocratic or holarctic enterprise structures, for example, are very popular in the sector.



⁴⁴ See also the governance dimension in the introduction

Digital technologies

For 49% of ESEM Social Enterprises technology is relevant for their business and/or impact model.

Mobile apps have the greatest relevance for ESEM Social Enterprises, they are relevant for 32% of them. This is followed by artificial intelligence/machine learning (15%) and the Internet of Things (14%). Participants had the opportunity to specify other, not-mentioned, technologies that had relevance for their organisation. Among other things, online platforms and digital interfaces were highlighted.

51% of ESEM Social Enterprises stated that technology was not of relevance for their business and/or impact model.

49%

For approximately half of ESEM Social Enterprises technology is relevant for their business or impact model.

> What kind of technologies are relevant to your business model and/or your impact model?

None

51%



Mobile Apps

32%



AI/Machine Learning

15%



Internet of Things

14%



6.2 Scaling

The great challenges of the 21st century need creative solutions, especially where existing structures are no longer sufficient and they need to be improved or supplemented.

Social enterprises develop new ideas which, if they are spread across the board, can solve social problems on a large scale and are also economically viable⁴⁵.

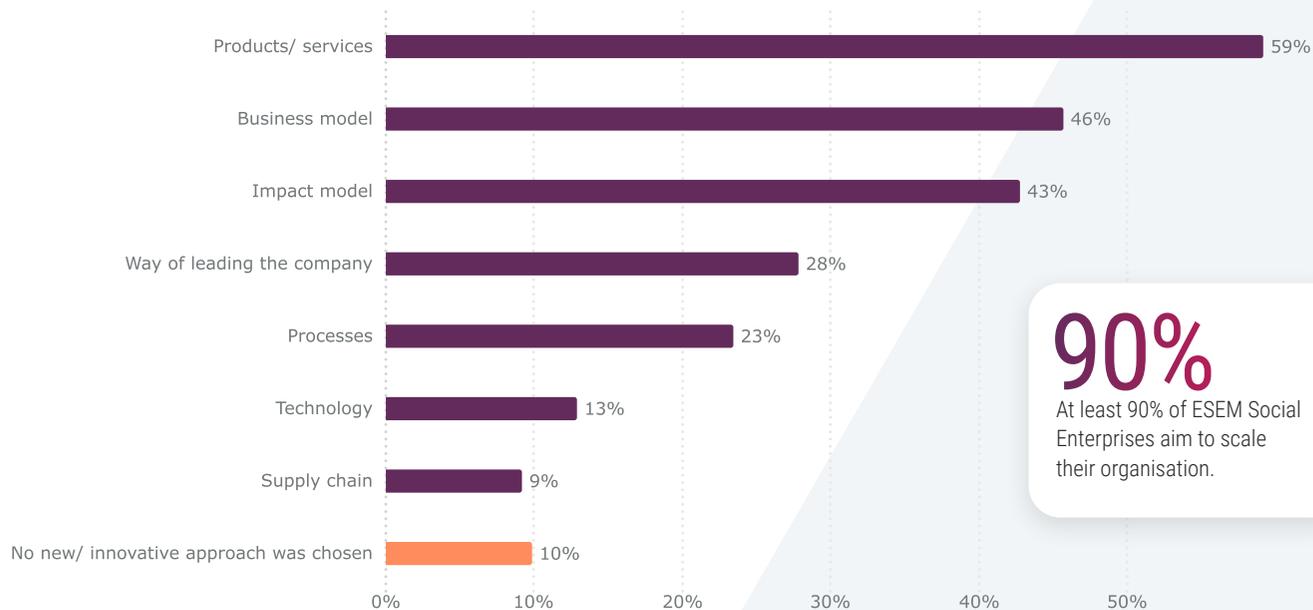
At least 90% of ESEM Social Enterprises aim to scale their organisation, while 6% indicate they do not want to scale. The scaling strategies chosen are very diverse⁴⁶. The most frequently mentioned strategies across ESEM Social Enterprises are: 1) the development of new products/services (67%); 2) an increased level of marketing/advertising (49%); and 3) the recruitment of new staff/increase the level of training (42%).

Social enterprises often see growth as a means to scale social impact. Cooperative growth strategies are also frequently chosen by social enterprises. For example, by winning business as part of a consortium (19%) or through social franchising (12%), which are popular strategies amongst social enterprise/ not-for-profit organisations⁴⁷.

The largest percentage of ESEM Social Enterprises that is not interested to scale, 10%, are from Sweden. On the other hand, in Denmark all social enterprises participating in the ESEM aim to scale.

> Does your organisation intend to scale?
If yes, what kind of activity do you plan to achieve scaling?

(multiple selections possible)



90%

At least 90% of ESEM Social Enterprises aim to scale their organisation.

⁴⁵ See also Ashoka und McKinsey & Company (2019).

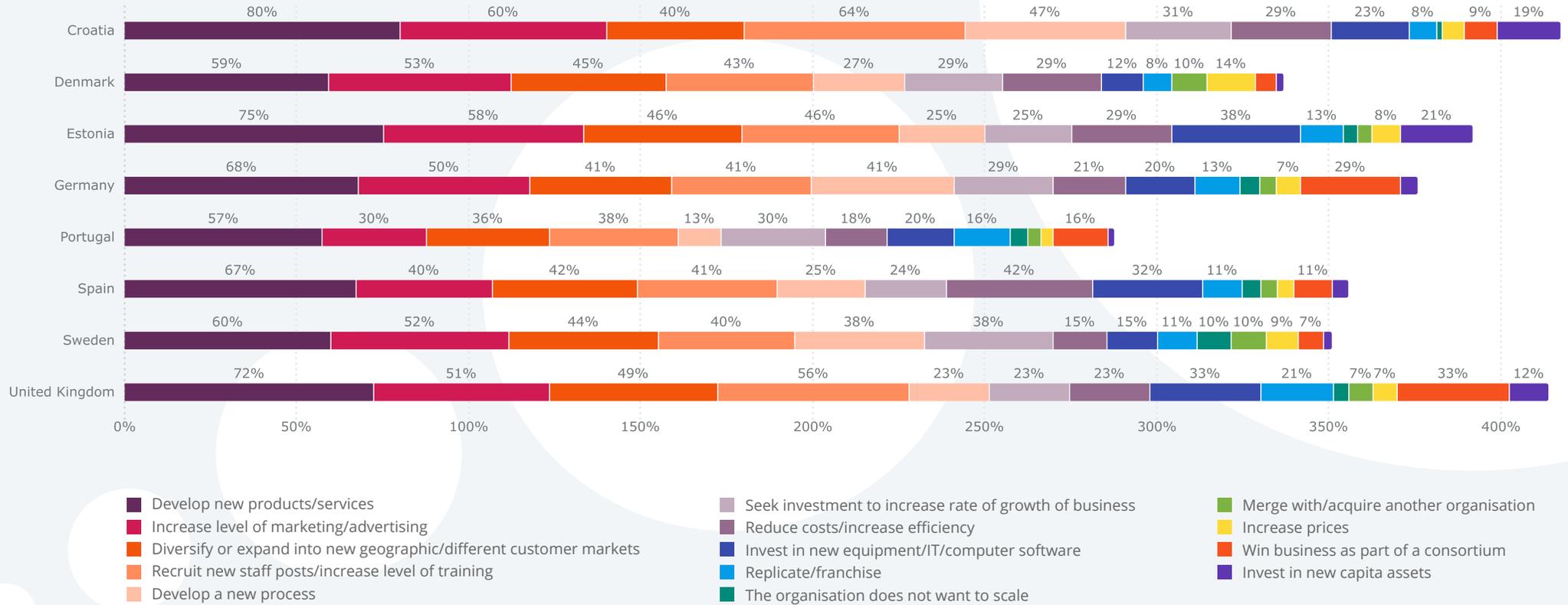
⁴⁶ See also Weber et al. (2015) for an overview of Social Enterprise scaling strategies.

⁴⁷ Learn more about social franchising in the Social Franchising Manual. Social Enterprise Coalition (2011).

Available here: https://www.socialenterprise.org.uk/wp-content/uploads/2019/05/Social_Franchising_manual-1.pdf

> Does your organisation intend to scale? If yes, what kind of activity do you plan to achieve scaling?

(multiple selections possible)





People & Governance

7.1 Staff

Current and Future Staff

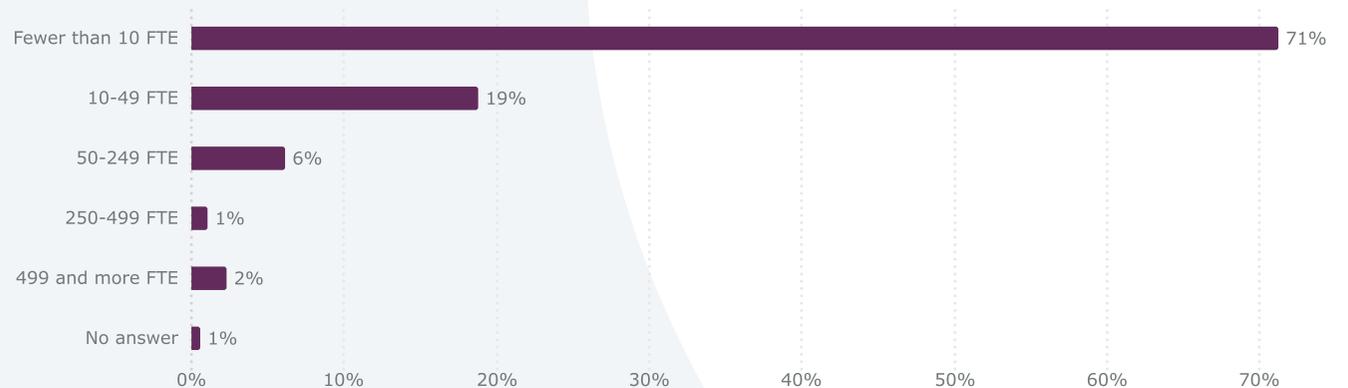
If one only considers the number of employees⁴⁸, 96% of ESEM Social Enterprises belong to the group of micro, small and medium-sized enterprises, or SMEs in short, with less than 250 staff⁴⁹. ESEM Social Enterprise SMEs are thus a little above the European average of 9 out of 10 companies being an SME⁴⁹.

While 28% of ESEM Social Enterprises employ 10 employees or more, 71% of ESEM Social Enterprises fall into the category of micro-enterprises (10 or fewer employees)⁵⁰.

28%

28% of ESEM Social Enterprises have 10 employees or more.

> How many people are employed (and paid) by your organisation?



The low median age of organisations across all ESEM Social Enterprise respondents (6 years), can explain partially the large number of micro-enterprises.

⁴⁸ The classification of different enterprise sizes consists of the number of employees and the turnover/balance sheet of the enterprise. To calculate this percentage we have only looked at the number of employees.

⁴⁹ The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding EUR 50 million, and/or an annual balance sheet total not exceeding EUR 43 million.' Extract of Article 2 of the annex to Recommendation 2003/361/EC

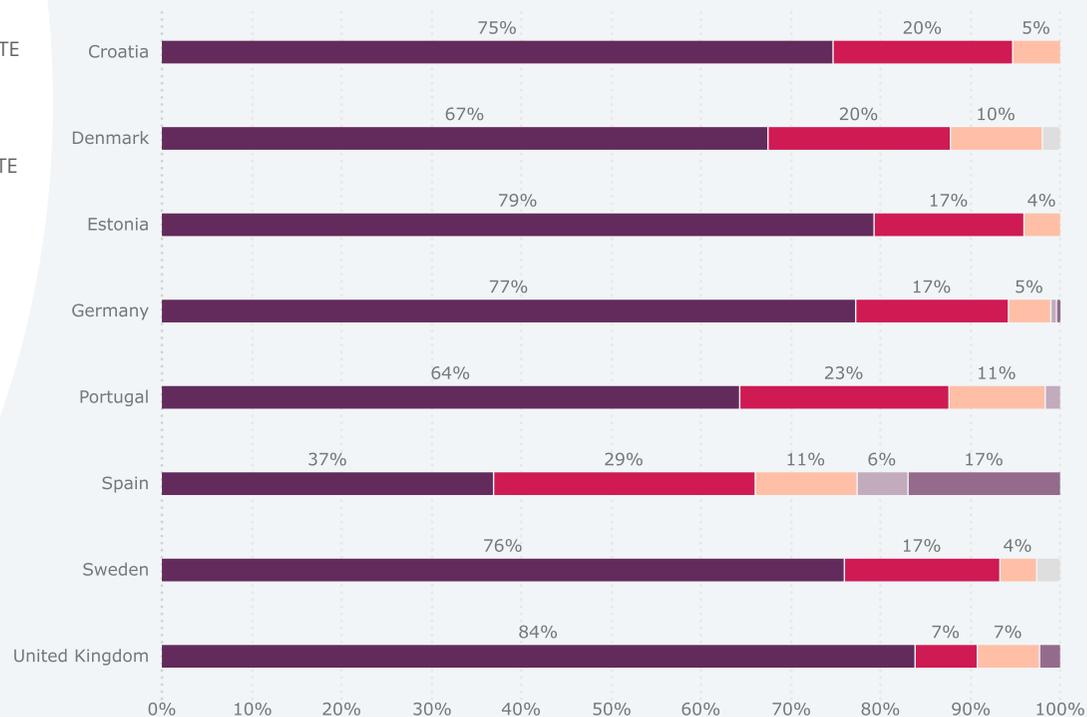
⁵⁰ European Commission, User Guide to the SME Definition (2015). Available at: https://ec.europa.eu/regional_policy/sources/conferences/state-aid/sme/smedefinitionguide_en.pdf

ESEM Social Enterprises in Croatia, Denmark, Estonia and Sweden all belong to the SME category. Estonia has the highest percentage of micro-enterprises (79%). Spain is the country where, of those social enterprises that participated in ESEM, most respondents were larger companies - at least in terms of employees. 6% of Spanish social enterprises employ between 250-499 employees, and 17% 500 or more.

The low median age of organisations across all ESEM Social Enterprise respondents (6 years), can explain partially the large number of micro-enterprises. ESEM Social Enterprises founded since 2018 account for 28% of micro-enterprises. ESEM Social Enterprises with over 250 employees are predominantly founded before 1998 and are indeed based in Spain.

> How many people are employed (and paid) by your organisation?

- Fewer than 10 FTE
- 10-49 FTE
- 50-249 FTE
- 250-499 FTE
- 499 and more FTE
- No answer



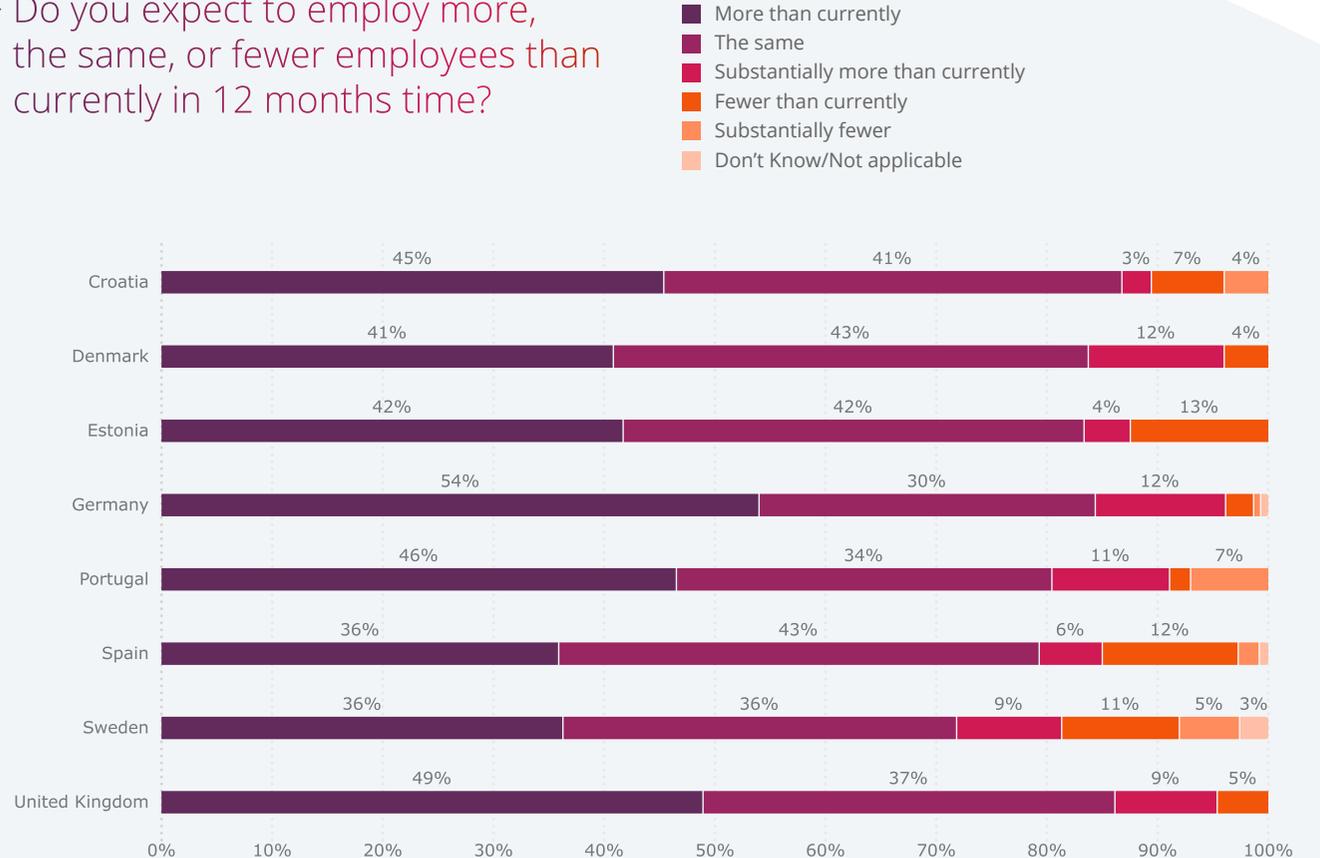
Approximately 6 out of 10 of ESEM Social Enterprises expect to employ more or significantly more employees than they do currently in the next 12 months. In contrast, just under 8% estimate that they will employ fewer or significantly fewer employees.

The forecasts coincide with expected revenue increases (see section 3.2). In addition, many organisations stated that they aim to scale up with the help of new staff (see 4.3), which in turn fits in with the high proportion of young organisations in earlier development phases (see 4.1). Overall, the results paint an optimistic picture and show a social entrepreneurship sector geared towards expansion.



Overall, the results paint an optimistic picture and show a social entrepreneurship sector geared towards expansion.

> Do you expect to employ more, the same, or fewer employees than currently in 12 months time?



Diversity and Inclusion

Globally in business, injustices regarding gender and diversity are important issues to be tackled. An inequality in number or a sheer lack of representation of women or minorities in leadership, both in the conventional private sector as well as in public institutions, is often a starting point for debates about the need for quotas or other corrective actions.

Social entrepreneurship takes on a pioneering role and positions itself as part of a future, gender-equitable and inclusive society.

ESEM Social Enterprises employ on average 62% women in their workforces. The management teams consist on average of 59% women and boards on average 51%. If one compares the proportion of women in the management of ESEM Social Enterprises with the management positions of conventional organisations, a clear difference becomes apparent.



Social entrepreneurship takes on a pioneering role and positions itself as part of a future, gender-equitable and inclusive society.

There are many reasons for the stronger representation of women in the social enterprise sector. The results of the Female Founders Monitor on the entrepreneurial goal dimensions of female founders show that purpose (i.e. a higher goal) is very important. In addition, the Monitor indicated that the motivation of female founders is often linked to environmental sustainability goals⁵¹. Accordingly, it is not surprising that women are more strongly represented in the social entrepreneurship sector given its focus on the common good, cooperation, social goals and sustainability.

59%

The average proportion of women on management boards of ESEM Social Enterprises is 59%.

> What is the percentage of women in your organisation?



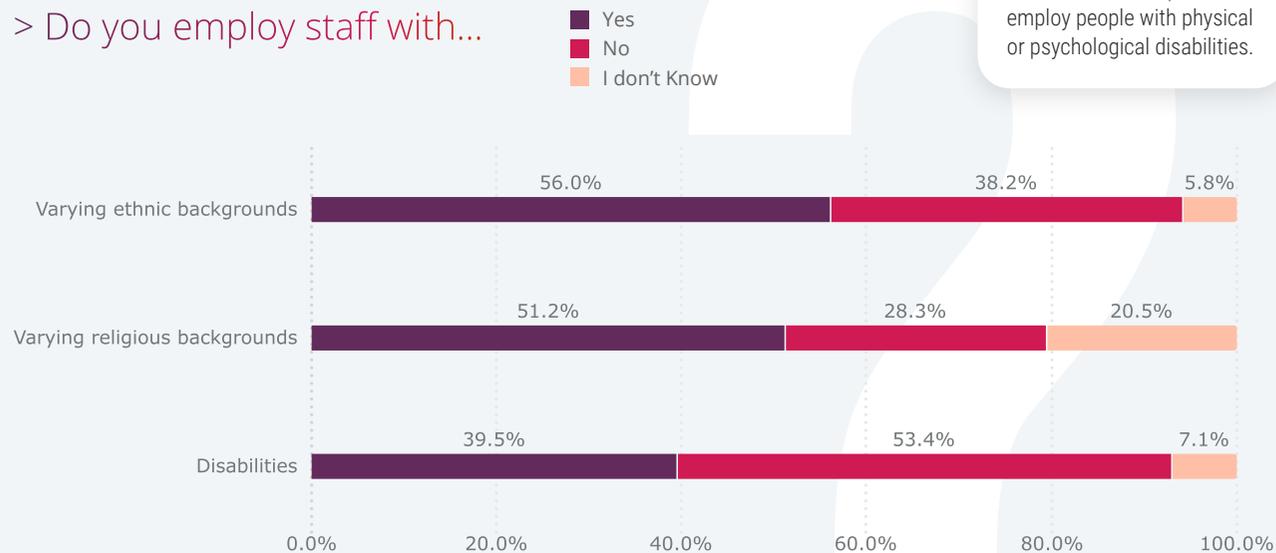
⁵¹ See also Hirschfeld 2020 et al., p. 26

Many social enterprises exemplify values such as inclusion, diversity and participation in their day-to-day organisation. 56% of ESEM Social Enterprises employ staff from diverse ethnic backgrounds. 40% employ people with physical or psychological disabilities. This does not indicate the overall percentage of disabled employees at ESEM Social Enterprises. Earlier research in Spain though shows that within companies and entities of the social economy 6.2 per cent of workers have a recognised disability—a much higher proportion than that observed in commercial enterprises (1.7 per cent)⁵².

Involvement of employees in the decision-making of the organisation represents an additional important aspect of social entrepreneurial organisational management⁵³. 3 out of 4 (75%) of ESEM Social Enterprises involve their employees in the decision-making of the organisation to a 'great extent' (29%) or to a 'very great extent' (46%)⁵⁴. Only 1% does not involve their employees in organisational decision-making.

In Estonian social enterprises, staff are notably either 'highly' or 'very highly' involved at 92% of organisations, compared to Spain where this involvement is at its lowest at 70%.

> Do you employ staff with...



4 OUT **10**

Approximately 4 out of 10 ESEM Social Enterprises employ people with physical or psychological disabilities.

75%

75% of ESEM Social Enterprises engage their employees strongly or very strongly into the decision-making of the organisation.

⁵² TFundación Once, CEPES, fsc Inserta (2015). Las empresas de la economía social como palanca de creación de empleo para las personas con discapacidad.

Available at: https://www.fundaciononce.es/sites/default/files/economia_social_resumen_ejecutivo_fdigital.pdf

⁵³ See also the social enterprise governance dimension in the introduction.

⁵⁴ ESEM Social Enterprises were asked to classify themselves on a scale from 0 (no involvement) - 100 (very high involvement) to what extent their employees are involved in the decision-making of the organisation.

> To what extent does your organisation involve staff in decision-making?

- Very High Involvement
- High Involvement
- Moderate Involvement
- Low Involvement
- Very Low Involvement
- No Involvement
- No Answer



7.2 Volunteering

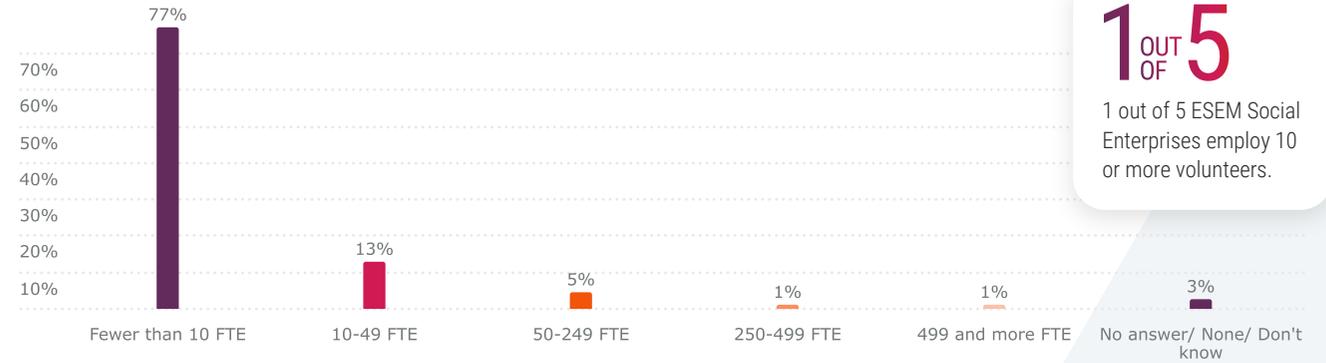
Social entrepreneurship relies on cooperation instead of competition, utilising the strength of the many who believe in a socially, economically and environmentally sustainable future.

For several social enterprises, commitment of volunteers plays a valuable role in realising their impact. Volunteers get involved, among other things, from altruistic impulses, such as the desire to help others or to do something for groups in need or of concern⁵⁵. The value-driven and common good-oriented mission of social enterprises serve as a further vehicle for civic engagement.

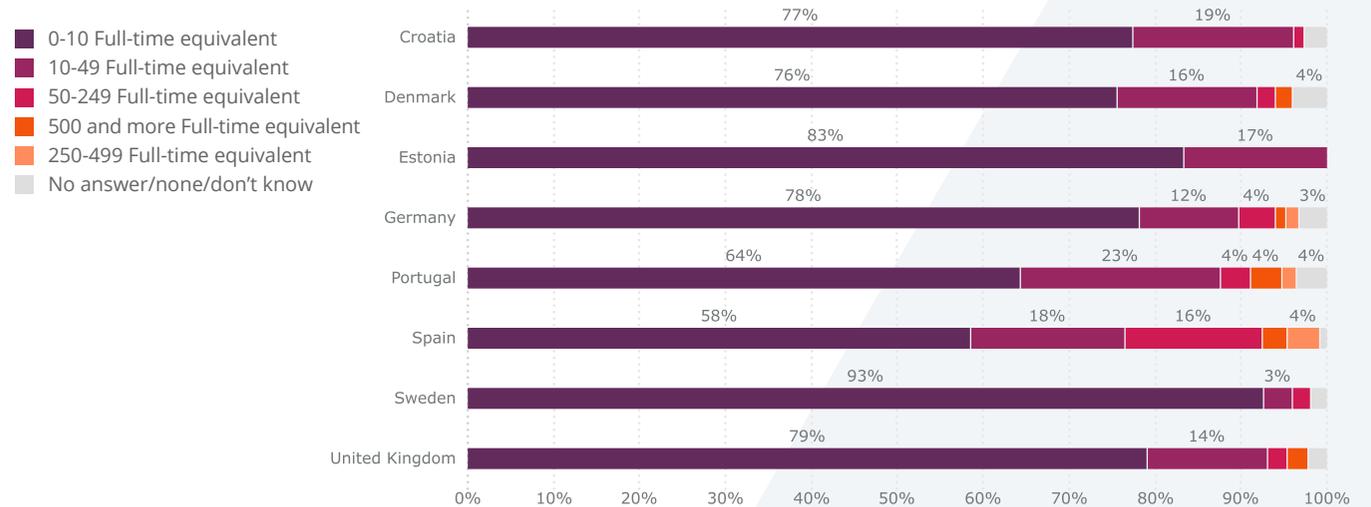
At 77%, the majority of ESEM Social Enterprises employ less than 10 full-time equivalents as volunteers or no volunteers at all. 20% employ 10 or more volunteers. This shows the relevance of non-financial benefits and volunteering for 1 out of 5 ESEM Social Enterprises⁵⁶.

Spanish social enterprises engage most volunteers with 23% engaging 50 volunteers or more. Croatian social enterprises engage fewest volunteers with only 3% engaging between 50-249FTE and no enterprises engaging over 250FTE volunteers.

> How many people work as volunteers for your organisation?



1 OUT OF 5
1 out of 5 ESEM Social Enterprises employ 10 or more volunteers.



⁵⁵ BMFSJ (2014).

⁵⁶ See also main sources of income, non-trading income in 5.1



Barriers and Enablers

Top 5 most influential barriers:

- 1 Lack of options to finance the organisation once started
- 2 Too complex public financing
- 3 Lack of patient capital
- 4 Lack of public support schemes
- 5 Weak lobby for social entrepreneurship

8.1 Barriers

In order to develop a better understanding of the barriers that social enterprises across Europe face, ESEM Social Enterprises were asked to choose from a selection of relevant barriers for their organisations. In addition, they were asked how strong the respective barriers had an impeding effect on their organisation.

When assessing the individual barriers, 27% of all ESEM Social Enterprises indicated that the 1) lack of options to finance the organisation once started, is of 'much' to 'very much hinder' to their organisation. The four other highest ranking barriers impeding the highest number of ESEM Social Enterprises are the following: 2) too complex public financing (experienced by 26% of ESEM Social Enterprises); 3) lack of patient capital (26%); 4) lack of public support schemes (25%), and 5) a weak lobby for social entrepreneurship (25%).

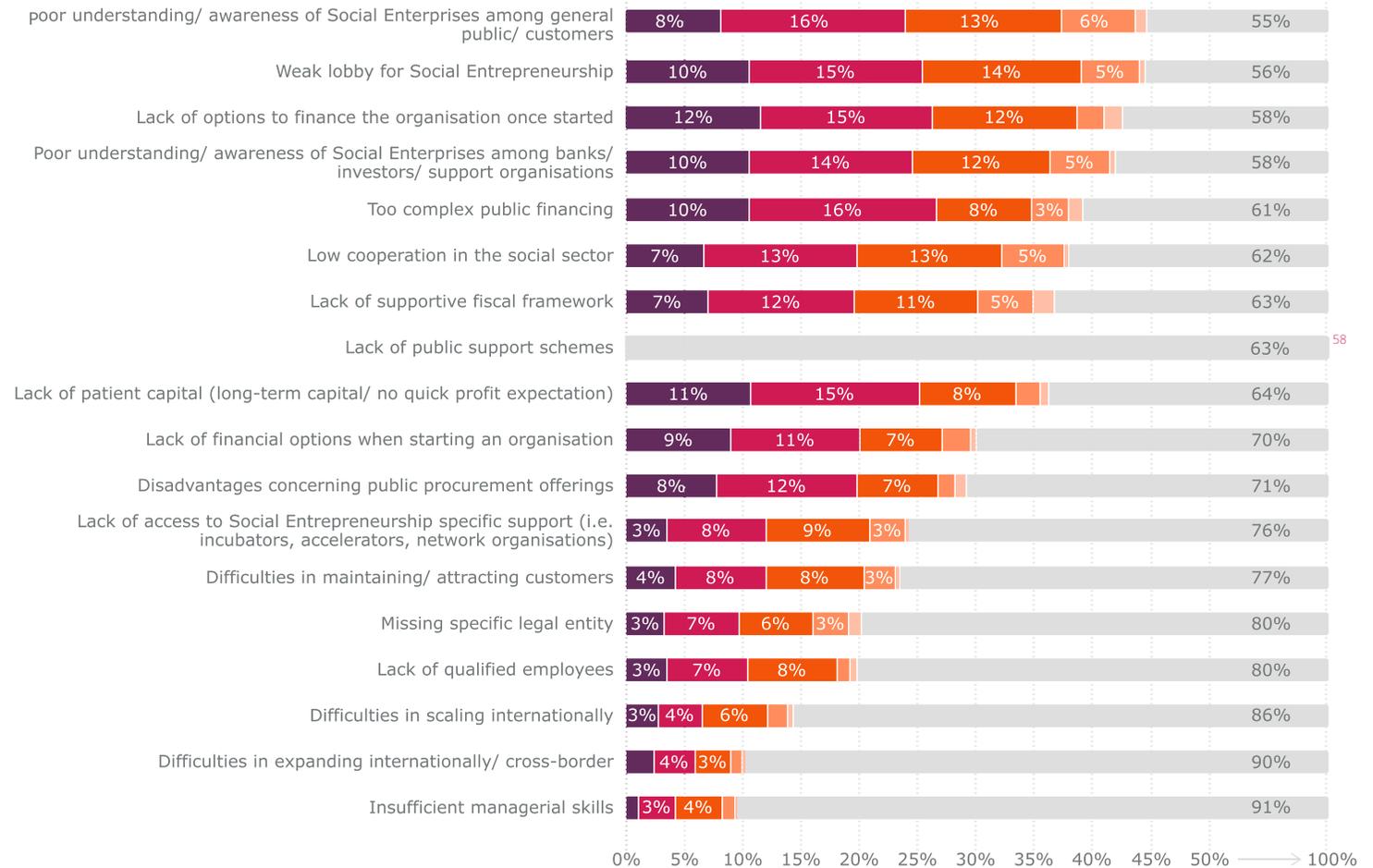
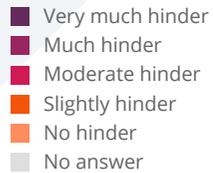


If one compares the influence of the different categories, it is noticeable that barriers from the area of “financial support” in particular are rated as obstructive.

All barriers can be divided into four categories: 1) financial support, 2) non-financial support/market access, 3) legal and fiscal framework and 4) visibility⁵⁷. If one compares the influence of the different categories, it is noticeable that barriers from the area of “financial support” in particular are rated as obstructive. This includes the three most influential barriers which are experienced by the highest number of ESEM Social Enterprises: “lack of options to finance the organisation once started”, “too complex public financing” and a “lack of patient capital”.

⁵⁷The category of financial support (1) includes the barriers: “lack of options to finance the organisation once started”, “too complex public financing”, “lack of patient capital (long-term capital/no quick profit expectation)”, “lack of financial options when starting an organisation”. The category non financial support/market access (2) includes the barriers: “weak lobby for Social Entrepreneurship”, “disadvantages concerning public procurement offerings”, “lack of access to Social Entrepreneurship specific support”, “low cooperation in the social sector”. The category legal and fiscal framework (3) includes: “lack of supportive fiscal framework”, “lack of public support schemes”. The category visibility (4) includes: “poor understanding/awareness of Social Enterprises among general public/customers”, “poor understanding/awareness of Social Enterprises among banks/investors/support organisations”.

> How much do these barriers impede your organisation?



⁵⁸ Due to an inconsistency in the data with regard to the answer option "lack of supportive fiscal framework", it was decided to not carry out the quantitative and qualitative classifications of this barrier.

The criticized funding logic suggests that there is a lack of funding in the social enterprise sector, which is evident in ESEM Social Enterprise responses from both founders and already existing organisations. 20% of ESEM Social Enterprises rate the lack of financial options when starting an organisation as a barrier that hinders their organisation “much” to “very much”, while an even higher percentage (27%) indicate to experience the same regarding follow-up financing for the organisation once started.

A potential solution to the financing problem lies in the greater use of patient capital⁵⁹. However, also this form of capital is not sufficiently available or accessible. 26% of ESEM Social Enterprises experience the lack of patient capital as a barrier that hinders “much” to “very much” their organisation.

In addition to the challenges in the area of financing, the lack of non-financial support is also a challenge. 25% of ESEM Social Enterprises perceive the lack of public support systems a barrier that hinders “much” to “very much” their organisation. In Portugal, the government initiative “Portugal Social Innovation”, aimed at promoting social innovation and stimulating the social investment market in Portugal and in Germany, the Social Economy Berlin project funded by the Berlin Senate, are positive examples of public funding programs and can serve as a template for public bodies that want to promote the social economy, social innovation and the SDGs.



A potential solution to the financing problem lies in the greater use of patient capital.

According to ESEM Social Enterprises, the sector still does not receive the necessary attention from politicians: a total of 25% of respondents rate a weak lobby for the social enterprise sector as a barrier that hinders “much” to “very much” their organisation. In 2020 this was, among other things, particularly clear when many social enterprises initially fell through the grid when emergency loans were granted at the beginning of the COVID-19 pandemic.

A related barrier concerns the “poor understanding/ awareness of social enterprises by the general public/ consumers/banks/investors and support organisations”, which 24% of ESEM Social Enterprises assess as a barrier that hinders “much” to “very much” their enterprise.

Respondents also had the opportunity to specify other barriers hindering their organisation. Among other things, the prevailing funding logic was questioned as being too often too focused on technological rather than social innovation.



8.2 Political support

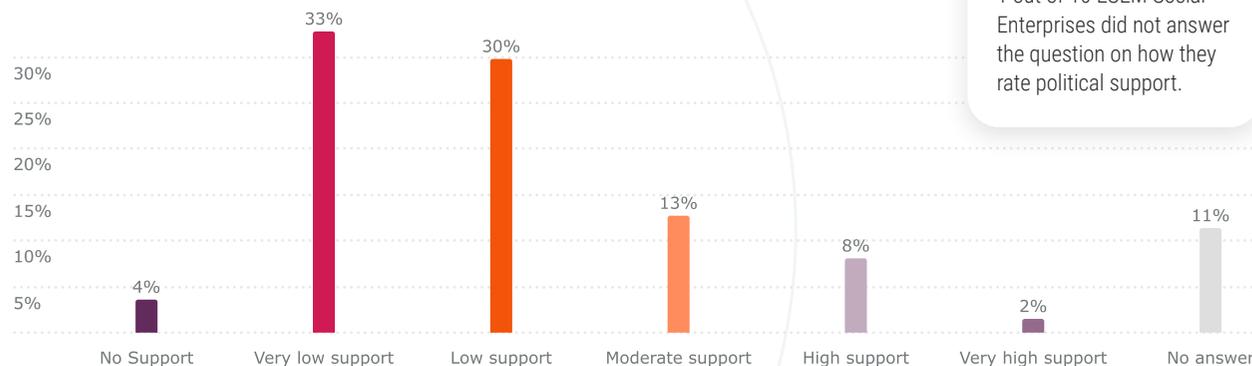
That there is still a strong need for action is clearly shown by the assessment that politicians receive for the extent to which they support social enterprises in their countries.

An approximate 7 out of 10 ESEM Social Enterprises rate the support of social entrepreneurship as non-existent, very low or low⁶⁰.

As seen in 8.1, 44% of ESEM Social Enterprises experience as a barrier to their organisations' success a weak lobby for social entrepreneurship, 39% too complex public financing, 37% a lack of a fiscal framework and a lack of public support schemes. 1 out of 4 ESEM Social Enterprises indicate that in general there is a lack of access to social entrepreneurship specific support.

Even though across all ESEM Social Enterprises the majority is dissatisfied with the current level of political support, there is a strong diversity across the 8 ESEM countries. Political support is considered strongest in Portugal: 18% of social entrepreneurs indicate there is high to very high political support, 29% indicate moderate support, and only 43% indicate there is low to very low support. This is in stark contrast to Germany where the categories of no, low and very low support add up to over 80%, almost double. In addition, only 5% of social entrepreneurs in Germany believe there is high to very high political support for social entrepreneurship in Germany.

> How would you rate the political support for Social Entrepreneurship in your country?



7 OUT OF 10

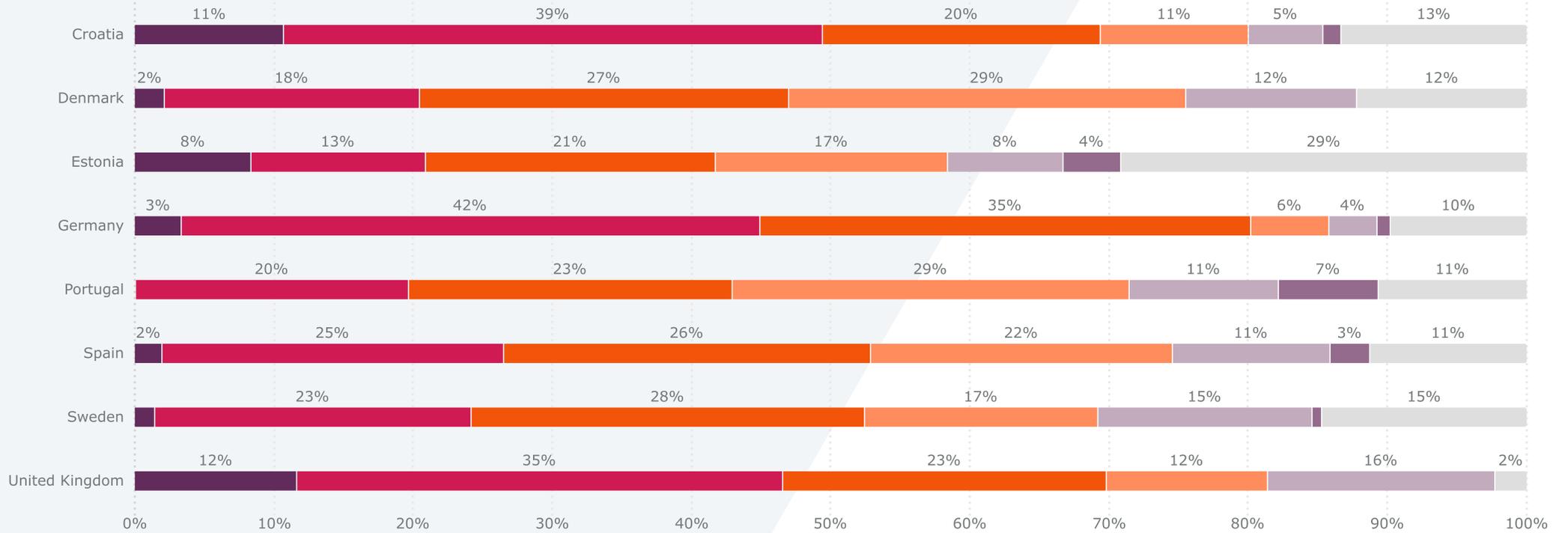
7 out of 10 ESEM Social Enterprises are dissatisfied with the political support that social entrepreneurship receives.

1 OUT OF 10

1 out of 10 ESEM Social Enterprises did not answer the question on how they rate political support.

⁶⁰ Due to the different grades in the different countries of the ESEM, respondents were asked to rate their satisfaction with political support on a scale from 0 (no support) to 100 (very high support).

> How would you rate the political support for Social Entrepreneurship in your country?





2. Get started

- Form teams
- Select case study
- Build Roadmap

euclid.
NETWORK



CIVIL
SOCIAL
POLICY
PROGRAM

8.3 Social entrepreneurship ecosystem support

Almost half of ESEM Social Enterprises (48%) take advantage of the offer of support organisations.

Access to a healthy ecosystem is essential for a successful start-up⁶¹. The presence of social enterprise support organisations, networks, funding programs, universities, investors, consultants and mentors play an important role in the successful development and scaling of social innovations.

The largest share is a member of a (national) network organization such as, for example, SEND in Germany, EsLider in Portugal, Social Enterprise Estonia, Social Enterprise UK or Ashoka (31%). As part of a network, social entrepreneurs benefit, among other things, from the cooperative exchange of know-how within the community, capacity-building support and funding opportunities. In addition, (intern)national networks for social enterprise also provide a voice to social entrepreneurs towards politicians, the public sector, investors and other relevant stakeholders. In an industry in which the focus is on cooperation rather than competition, this creates large synergy effects.



Access to a healthy ecosystem is essential for a successful start-up.

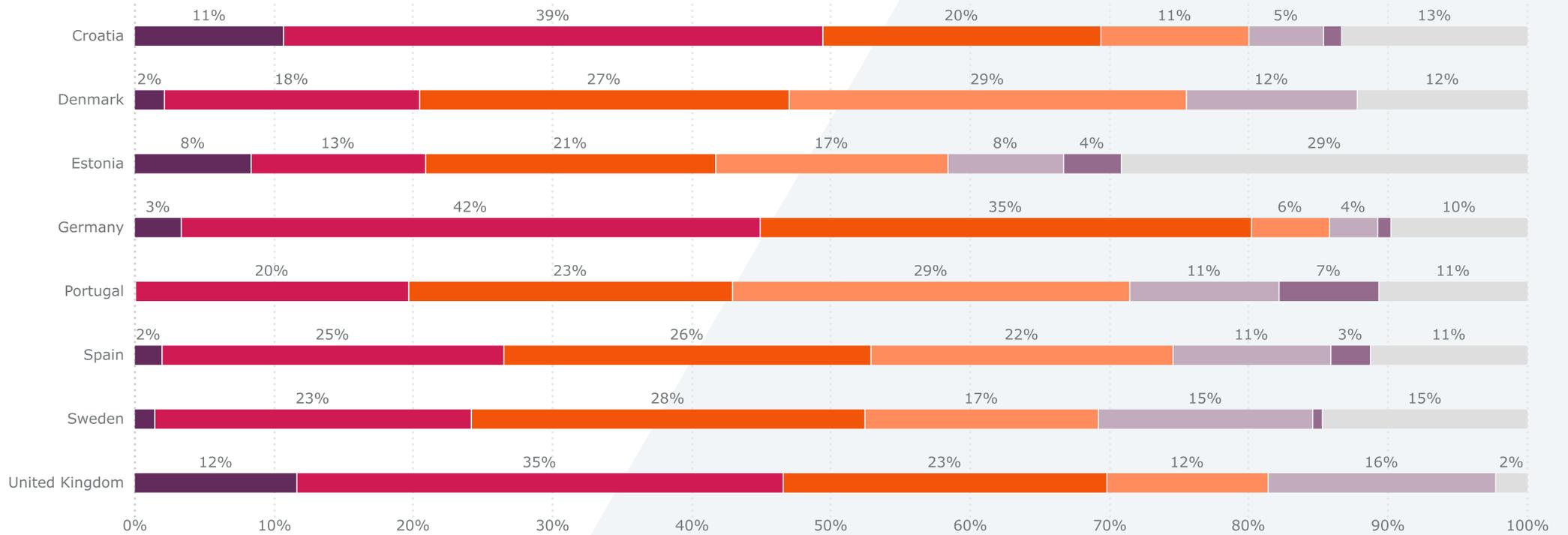
If one compares the benefits that social enterprises access from support organisations across ESEM countries, large differences become clear. In Denmark the highest number of social enterprises are not part of any support organisation (88%). In Spain and Sweden this is 71% and 70% respectively. In Germany, Estonia and the United Kingdom, the highest number of social enterprises are part of a support organisation, 39%, 50% and 51% respectively). In all three countries social entrepreneurs can benefit from the support of a membership network or national network for social entrepreneurs (such as SEND in Germany, Social Entrepreneurship Estonia and Social Enterprise UK).

Overall, almost half of ESEM Social Enterprises take advantage of the offers of support organisations.



> Are you part of any of the following business support organisations?

(multiple selections possible)





Conclusion

In 2020 we entered the decade of change: just 10 more years to reach the SDGs and now with a pandemic causing a global health and socio-economic crisis of unprecedented scope and reach.

The crisis stressed, once more, the harmful effects of inequality and ecosystem degradation. It also created a burning platform for the world to 'build back better' and to rebuild our economy with people and the planet at the centre.

The pandemic has and continues to act as a magnifying glass on existing structural challenges in our society. It is promoting a debate about which industries and professions create particular value for society and are systemically relevant and essential, which sectors have future potential and which have passed their zenith.

Social enterprises are part of the "next generation of companies"⁶² engaging the "new generation of employees"⁶³. They are the "pioneers of change"⁶⁴ which are driving the transformation to a fairer, more sustainable and more resilient society. The pandemic that has affected us all acts as an accelerator of already existing tendencies. This includes a growing tendency for enterprises to be expected to act responsibly and in the best interest of society rather than in the interest of just the few.

Decision-makers now have the opportunity to set the course for a successful transition into a sustainable economic paradigm. The ESEM provides insights into one of the most important organisational concepts, if not the most important one, that will enable this to be achieved: the social entrepreneurial model.

This report provides an understanding to decision-makers into this concept, the status quo of social entrepreneurship and social enterprise ecosystems in eight countries in Europe: Croatia; Denmark; Estonia; Germany; Portugal; Spain; Sweden; and the United Kingdom. The ESEM provides data and insights into the organisational models of social enterprises, their impact goals, financial health, challenges and needs. This will pave the way to developing evidence-based policies and non-financial and financial support structures and programmes.

This report highlights that social enterprises by their very nature contribute to a more just and green society and economy. As crucial vehicles for delivering on the SDGs by 2030, it is important that we take away the barriers for social enterprises to start-up and scale-up.

Two influential barriers coming across in the ESEM study are in the realm of social enterprise financing and market access.

⁶² Gatterer & Tewes (2020)

⁶³ Dijk van, S. et al. (2020)

⁶⁴ Schneidewind (2018), p. 467



The pandemic has and continues to act as a magnifying glass on existing structural challenges in our society.

80% of ESEM Social Enterprises indicated they face critical financing barriers that impede their success and 29% of ESEM Social Enterprises face disadvantages in procurement processes. There are several issues here to address with the two most important ones highlighted here.

1. Firstly, the value of social and environmental impact is often not properly taken into account by financiers and buyers. For example, in current private and public procurement frameworks, social enterprises are in many cases at a disadvantage as buyers most often do not take into account social and environmental value or costs into their decision-making. Social clauses in public procurement and supply chain due diligence are a few examples of valuable social innovation in this realm⁶⁵.

2. Secondly, there is a lack of capital to finance the social enterprises once started (in total negatively impacting 45% of ESEM Social Enterprises, hindering “much” to “very much” 27% of them), a lack of patient capital (36% and 26%) and a lack of financial options when starting an organisation (30% and 20%). Where available capital does exist, it can be at least very difficult for social entrepreneurs to access it. Similarly, public funding schemes are considered too complex (37% and 26%) which also impedes on social enterprises to successfully make use of this financing source. Valuable examples of making patient capital effectively available to social enterprises and social innovators are offered in the United Kingdom and France⁶⁶.

A further third and fourth critical barrier surfaced from the close to 1,000 social entrepreneurs who participated in this study. Namely these are: the poor understanding and visibility of social enterprises; and low levels of current political and public support.

60% of ESEM Social Enterprises indicated they face critical barriers due to poor understanding and visibility of their work and 67% of ESEM Social Enterprises experience low, very low or no political or public support. These two items go hand in hand.

1. There is a clear indication of appreciation for political support in those countries where this support is higher. There is room for improvement, since across all participating ESEM countries in this study on average 60% of ESEM Social Enterprises experience low, very low or no political support at all. 44% believe there is a weak lobby for social entrepreneurship. 37% of them indicate there is a lack of public support schemes for social enterprises in place. The level of perceived support varies considerably across countries. The ESEM data and insights act as a starting point in the identification of best practices across ESEM countries on political support. Across ESEM Social Enterprises, the Portuguese ESEM Social Enterprises portray the highest appreciation for political support to social entrepreneurship in their country, the German ESEM Social Enterprises indicate the lowest level of perceived political support.
2. 60% of ESEM Social Enterprises face a critical barrier to their success due to the poor understanding or awareness by relevant stakeholders (including banks, investors, social enterprise support organisations, general public and consumers) about the social enterprise concept.

⁶⁵ See, for example, European Commission social procurement guidance and awareness-raising activities and publications or the recent European Parliament proposition for supply chain due diligence (2021).

⁶⁶ European Commission (2020). Impact of the Social Business Initiative. Available at: <https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8373&furtherPubs=yes>

The aforementioned barriers indicate the importance and value of international and national social enterprise networks and bodies. These organisations work on increasing visibility and awareness of the social enterprise concept, amongst others through research, sharing success stories and identifying role models. In addition, they perform lobby activities on behalf of social enterprises and the sector. This is leading to an increased understanding and support for social enterprise and social entrepreneurs at the political level, with the general public and other relevant stakeholders, more adequate financing of social enterprises and new legislation supporting the transition towards a new economy with people and the planet at its centre.

In the past decade, the public sector and several political parties and politicians have as well initiated valuable actions to address the aforementioned critical barriers. The ESEM consortium specifically commends the European Commission for their trailblazing efforts in this. For example, the European Commission Social Business Initiative and the related activities and funding have contributed to a plethora of successful activities and policy-making changes since 2011, on which we can build today.

The EU Action Plan for the Social Economy, to be launched by the European Commission in 2021, is an important next critical stepping stone. The Action Plan will help to ensure that we continue on this path of developing more successful

and comprehensive support for the social economy, social enterprise and social innovation, working together for a better world.

The ESEM aims to make a valuable evidence-based contribution to the EU Action Plan, supporting this work that is paving the way to the economy of tomorrow and removing the barriers that social entrepreneurs face today. This will allow social entrepreneurs and social innovators to play their crucial role in the transition towards a just and green society and economy in the next decade and facilitate their contribution to the achievement of the SDGs by 2030. The ESEM will help policymakers and relevant actors in (social entrepreneurial) economic activity to focus on the most relevant and critical barriers and challenges and devise supportive and corrective action.

Every day longer that social and environmental impact are considered only an additional 'nice to have', our society and planet will suffer. If we succeed to properly address this, it will not only create social added value, it will also promote self-sustaining, socially entrepreneurial business models. This will help transform business into a positive force for good. Now is the time for social entrepreneurship and social innovation to reach its full potential. So that our youth and children can live in a just and green world in a not so distant future.



Now is the time for
social entrepreneurship
and social innovation to
reach its full potential.



Aim, Conceptualisation and Methodology of the European Social Enterprise Monitor

Aim

The aim of the European and national Social Enterprise Monitors is to decrease the lack of data on social entrepreneurship in Europe.

The results are meant to:

1. increase awareness and understanding of decision-makers in politics, business and civil society of the concept of Social Entrepreneurship and (in)effectiveness of the current social enterprise support ecosystem;
2. show the important potential of social enterprises to (help) reach the United Nations Sustainable Development Goals and 'build back better' during and post the Corona crisis;
3. drive evidence-based policy-making and development of suitable measures and actions by relevant stakeholders enabling social enterprises to reach their full potential of positive impact.

Conceptualisation

The European Social Enterprise Monitor (ESEM) is a pan-European study on social enterprises and the social entrepreneurship ecosystem in Europe. The ESEM project is led by Euclid Network (the European Social Enterprise Network), co-initiated and co-led by SEND (Social Entrepreneurship

Network Germany) and supported by the European Commission, Bertelsmann Stiftung, ImpactCity, SAP and the World Economic Forum COVID Response Alliance.

Reporting is based on a questionnaire developed through the integration and improvement of questionnaires used by SEND, Social Enterprise UK and Social Enterprise NL for their national monitoring reports the past up to 14 years. The questionnaire has been double reviewed by a European Academic Research Board. The European and national Social Entrepreneurship Monitors take into account and complements existing research results, which also provide important insight into the (social) entrepreneurship ecosystem in Europe (e.g. Social Enterprises and their Ecosystems in Europe, SEFORIS, SELUSI, the Global Entrepreneurship Monitor - for a full literature review see appendix 2).

The strength of the new and aligned cross-country questionnaire provides an opportunity to gain a European dataset and enable national comparisons and benchmarking. In its augural year the survey has collected data simultaneously in eight countries: Croatia, Denmark, Germany, Estonia, Portugal, Sweden, Spain and the United Kingdom. This provides the basis for eight country monitors as well as a comparative European publication, the ESEM.

Methodology

The survey of the 1st European Social Enterprise Monitor 2020 was carried out through the digital survey portal Qualtrics between September 22, 2020 and December 31, 2020.

The survey was launched during the digital Social Enterprise World Forum (SEWF) 2020 and promoted through press releases, blog posts, direct mails, webinar sessions at several other international events and conferences (e.g. ImpactCity ImpactFest, European Commission European Social Economy Summit) and via a social media campaign.

Furthermore, Social Enterprise members and partners of 19 ESEM consortium countries and research partners received the link to the survey. In addition, 100+ promotion partners of the ESEM (see Acknowledgements) were asked to promote the survey directly to founders, managers and employees of social enterprises, amongst others. These partners included the link to the survey in their marketing, newsletters and social media channels.

A total of n = 1,990 individuals started the 1st ESEM survey. n = 1,091 participants completed the survey. The largest group of respondents who stopped answering the questionnaire were mostly those that found out their country was not covered this year yet (n = 367).

In order to ensure comparability of respective country data of the ESEM project, common criteria for data cleansing and a detailed data cleaning plan and procedures were developed at European level, including a data cleaning guide, data cleaning steps to develop proper documentation for each data point and cleaning step, data cleaning decision rules, information on type of editing, dates, and individuals involved. Each data cleansing decision was reviewed by 2 or more individuals for accuracy and consistency across the full set of data.

All information from participants who met the following criteria were evaluated and cleansed:

- Responses answering less than 80% of the questionnaire were removed;
- Organisations in the idea stage, which had not been founded yet i.e. did not yet have a legal form when filling in the survey were removed;
- Observations which were identified as duplicate data were removed as well;
- In addition, basic data cleansing resulted in individual further observations being dropped from the final data set.



The primary goal of social entrepreneurship must be the solution to social challenges.

In regards to data cleansing criteria, cleansing was performed with regards to the question of the social enterprise definition, which is controversially discussed internationally, both in science and in practice. What is understood by social entrepreneurship in the respective countries is largely based on the conditions for the emergence of social enterprises as well as the existing political, legal and cultural framework in the respective countries⁵⁹. In order to do justice to the country-specific differences, an essential condition was agreed: The primary goal of social entrepreneurship must be the solution to social challenges.

To find out if this would be the case, participants were asked to rate both the importance of financial interests and social impact for their organisation in strategic business decision-making.

⁵⁹ See also European Commission (2020). Social enterprises and their ecosystems in Europe. Comparative synthesis report. p.148

For the study, all enterprises were taken into account for which social impact is more important or at least as important as financial interests in their strategic business decisions, i.e. these enterprises appear in below figure on or below the 45 degree diagonal.

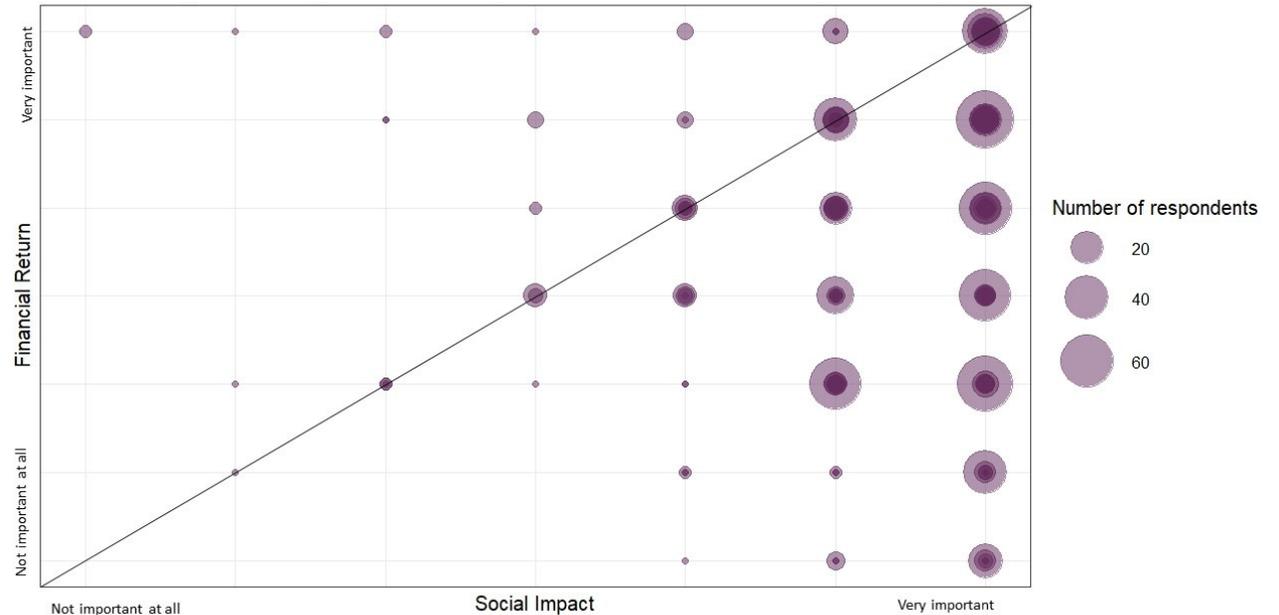
Among $n = 1021$ survey responses upon initial data handling and cleansing, 91 were above, 791 below and 139 on the 45 degree diagonal. A total of $n = 930$ observations remained to be analysed and were included in the ESEM 2020-2021.

Regarding data cleansing within the remaining dataset, missing information was replaced by "no answer" and individual texts provided by respondents for the answer option "other" were analysed and transferred to corresponding scales, if and where applicable.

In general, the ESEM does not pretend to be a full survey of all social enterprises in Europe and, in view of the unknown population of social enterprises, or the estimated 2 million social economy enterprises by the European Commission⁶⁰, this study cannot be considered to be accurately representative.

The aim is to increase the number of countries and the number of respondents in future ESEM studies.

> How much importance is given to social impact and financial interests in your strategic business decisions?



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Research Partners and Research Board:



Founding Partners & Sponsors:



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Local Partners:



Local Partners Continued:



Local Partners Continued:



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Social enterprises illustrate that an economic model that puts people and the planet at its centre is not only possible, it is a necessity.”

Nicolas Schmit

European Commissioner for Jobs and Social Rights



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