

SOCIAL ENTERPRISES CONTRIBUTING TO SOCIAL INNOVATION

Following the EC definition, social enterprises are characterised by economic activity, a common good orientation, limits on profit distribution, and high participation opportunities for stakeholders. Many organisations in Germany fulfil these three defining characteristics. They are expected to contribute to social innovation.

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INTRODUCTION

Social innovation requires cross sector collaboration, and is not driven simply by one type of actor. In the last decade, we have seen increasing evidence that ‘third sector’ and civil society organisations (CSO) are important actors in the processes of social innovation. [1]

Beneath the wider term of CSO terms like ‘Social Enterprise,’ ‘Social Business,’ ‘Social Start-up,’ and ‘Social Entrepreneurship’ and even some of the more traditional ‘Welfare Organisations’ are quite present in the German debate on social innovation. These organisations are embedded in the discourses on sustainability, the Sustainable Development Goals or social impact investing. All these phenomena share an ambiguity; they are neither ‘business as usual’ nor altruistic engagement, rather these terms represent something new and fascinating in between.

WHAT ARE SOCIAL ENTERPRISES AND WHAT DO THEY DO?

According to the definition of the European Commission, Social Enterprises (SE) are oriented towards the common good and are economically active, but with clearly defined limits for profits (limitation of profit distribution and asset lock). They are characterised by particularly high participation opportunities for employees, clients and external interest groups. Sometimes they are even referred to as ‘democratic organisations’. A broad spectrum of organisations in Germany fulfils all or most of these defining characteristics.

Some are rather small, in early phases and particularly innovative such as those supported by the funding organisations *Ashoka*, *Social Entrepreneurship Network Germany* (SEND) or *Social Impact Lab*. An example of this is *Dialogue in the Dark*. The organisation is creating new working models for people with disabilities, in particular for blind people. This type of organisation is more likely to be called a ‘Social Start-up,’ which emphasises novelty and innovation. Other recent SE of a cooperative kind focus on innovation through participation.

However, SE can also be organisations that are associated with established welfare associations, have several hundred employees, a broader impact and operate on quasi-markets of the welfare state, e.g. in elderly care. Social start-ups, social coops and established social enterprises are important and necessary in view of the multitude of problems that need to be solved.

HOW CAN SOCIAL ENTERPRISES IN GERMANY BE IDENTIFIED AND NUMBERED?

SE are an international phenomenon. Yet, their numbers, types and the way in which they operate differs from country to country. Some countries such as Italy or Great Britain, have special legal forms for SE. In Germany, on the other hand, this is not the case, which makes it particularly difficult to identify them unambiguously. As a rule, one has to live with uncertainty and be satisfied with estimates.

We carried out such an assessment for Germany as part of the European Commission’s ‘Social Enterprises and their ecosystem in Europe’ project, predominantly relying on data from the ‘Civil Society in Figures’ (ZiviZ) Survey of the

Stifterverband der deutschen Wirtschaft. This survey covers associations, foundations, cooperatives and organisations in traditional forms of business that have a non-profit status and carry the addition 'g' in their name (e.g. 'gGmbH': limited liability company with common purpose). A representative sample (approx. 6,300 organisations) provides detailed information unlike any other survey in this field.

In order to realistically present the German picture, the sample was first reduced in two ways: umbrella organisations without any own market presence were excluded as were organisations without paid employees and annual turnovers below 35,000 € as these might still have a project character rather than being sustainable. This data set was then extrapolated aligning it with other (sectoral) statistics. Eventually we arrive at a maximum number of approximately 70,400 SE in Germany.

WHAT DISTINGUISHES SOCIAL ENTERPRISES?

Germany thus has one of the largest 'populations' of SE in Europe. No wonder – after all, Germany also has a long tradition of social entrepreneurship. Friedrich Wilhelm Raiffeisen and Hermann Schulze-Delitzsch, the founders of the German cooperative system, are often mentioned as pioneers of social entrepreneurial action. Nevertheless, Germany has one of the weakest ecosystems for SE start-ups. For years, social start-ups have been lacking attention, adequate financing and political support. However, this is gradually developing. In particular, the Federal Ministries of Economics and Energy, Labour and Social Affairs and Family, Senior Citizens, Women and Youth are active.

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From the ZiviZ sample, we can also derive some information about the nature of German SE. Only slightly more than 50% of the organisations have a turnover of more than 250,000 € per year. Slightly less than 50%, on the other hand, employ more than 30 people so they tend to be small organisations. About 60% of the employees work part-time, this indicates a strong presence of flexible but also precarious employment in the industry. As far as income flows are concerned, we had to resort to other data. Market revenues for foundations and cooperatives accounts for more than 60%, while for associations and gGmbHs it is only 20%. Benefits under the social code, state subsidies and private donations for SE are still highly relevant in the ecosystem.

THE NEXUS OF SOCIAL ENTERPRISES AND SOCIAL INNOVATION IN GERMANY

It is evident that social innovation is pushed forward by SE of the 'social entrepreneurship type'. They started to evolve since the 1990s and the new Millennium, influenced to a large extent by the work of the globally active platform and support organisation *Ashoka* and the *Schwab Foundation* who promoted a new (Anglo-Saxon) concept of social enterprises and raised awareness. A group of 'new-style', innovative SE emerged to complement the more traditional 'social enterprise milieu', establishing themselves mainly in market niches. They are responding to trends such as aging, rural depopulation, changing family structures, stronger client demands for integration and autonomy, ethical trade, special pedagogic approaches or care solutions not foreseen by the social code. Hence, their services are frequently not financed through the traditional social security or the private insurance system. However, those organisations are young and small in most cases.

Dialogmuseum Frankfurt

Dialogmuseum Frankfurt gGmbH is a limited liability company with public-benefit status. It was founded in 2005 in order to offer everybody the opportunity to experience at least parts of the sensual world of blind people. The Dialogmuseum sets up everyday situations in complete darkness. Blind and severely visually impaired people guide groups of seeing people through different environments to get a glimpse of the difficulties encountered by blind people; at the same time, non-impaired persons learn to appreciate the special competences that the visually impaired people have developed. This strategy allows the Dialogmuseum not only to offer an unusual experience to non-impaired visitors and to enhance their understanding and appreciation of blind people; at the same time, it also offers singularly qualified jobs for its blind employees. The Dialogmuseum now also rents out its premises for special events, and it has started to offer training courses for companies.

Dialogmuseum is a paradigmatic case of a new-type social enterprise, and it is a case of pronounced social entrepreneurship. It also constitutes an unconventional case of WISE. It serves as a model for many other social enterprises that are based on the idea that people should not be perceived as handicapped or disabled but as gifted with special competencies that can be very useful to others.

Yet, welfare organisations and traditional third sector entities also change: social innovation, entrepreneurial spirit and performance-based management have become important elements in their strategies in recent years. Some seem to recollect their social-entrepreneurial roots from the 19th and early 20th century, when they were crucial actors in the forming of the German welfare state. Many organisations now are experimenting with innovative in-house approaches and looking at solutions developed by new 'market'-entrants.

First 'old' and 'new' actors saw themselves as competitors rather than partners. In recent years, a certain degree of cooperation has been established. Experts consider the establishment of an innovation system linking them as an important step towards the creation of a more effective and efficient third sector. Transformative innovation often comes from small actors who are not burdened with the inertia, blank spots and blindfolds of large organisations. However, the solutions developed by these smaller versatile organisations need the knowledge (a deep understanding of the legal and institutional framework of social care, for instance) of the established organisations, including access to their markets, capacities and financing power to take ideas to scale.

Mission Leben

Mission Leben is an example of a welfare organisation focusing on a broad range of key social-service areas (youth, disability, old age) in combination with its original urge to promote entrepreneurial action within the organisation and to promote the emergence of spin-offs independent from the organisation.

Mission Leben's history dates back to 1849 and it became a registered association in 1899. The provision of social work was started on the initiative of court chaplain Ferdinand Bender. Mission Leben gGmbH, the main service-providing entity, is held by foundation Innere Mission Darmstadt and has nine separate operating enterprises. Nowadays it has 1,835 employees and 520 volunteers who work in Hesse and Rhine-land-Palatine across 19 locations in more than 40 organisational establishments.

The organisation also runs some spin-off activities, under the "INTRA Lab" initiative, to foster entrepreneurial action among employees.

CONCLUSION

Germany has a lively landscape of SE that are the main actors with regard to social innovation. The capacity to innovate extends beyond any one type of social enterprise. It exists all over the SE spectrum. Especially when it comes to the implementation of new ideas, established welfare organisations have a huge potential for driving change. Together with all other types of SE they spread social

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innovation within society. Yet, it is likely that an acceptance for the concept of SE is crucial to fuelling innovation in civil society and the third sector. Further SE research is needed and can contribute greatly to improving the spectrum, metrics and measures that exist cross-nationally. This is essential also to arrive at a more holistic ecosystem map of some of the key actors contributing to innovation.

REFERENCES

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This article builds on a mapping report on social enterprises in Germany that followed ICSEM methodology and was performed for the European Commission. [2]