



# COUNTRY REPORT GERMANY



A first analysis and profiling of social enterprises in Germany  
prepared by the SEFORIS research consortium

September 2016

# INTRODUCTION

Between April 2015 and December 2015, the SEFORIS consortium surveyed over 1000 social enterprises in Hungary, Romania, Spain, Portugal, Germany, Sweden, the United Kingdom, Russia and China. This means that thanks to the diligent cooperation of social enterprises and funding from the European Union, we have been able to launch the world's largest and most rigorous panel database on social enterprises. This report presents key findings for Germany. Where possible, we compare findings to the 2009 SELUSI survey, the predecessor of the SEFORIS project.

**What is the SEFORIS Survey?** - The SEFORIS database is unique in its scope and depth – in our (admittedly, lengthy) conversations with social entrepreneurs, we discussed in detail topics, ranging from their innovation habits to their perceptions of the market in which they operate. It is also unique in its methodology – we adopted a special type of snowball sampling method, called respondent-driven sampling, which allowed us to survey a representative sample of social enterprises in each country through tapping into their networks. Finally, our database is unique in its rigour as we took meticulous steps to ensure highest data quality. For instance, our interviewers (analysts) were extensively trained and we conducted ongoing checks to ascertain that interviewers are consistent in the way they recorded the answers of social entrepreneurs.

**Who should read this report?** - This report is designed to help social entrepreneurs benchmark their organisation against fellow social enterprises in Germany. We hope the report can help social enterprises to better place their organisation (e.g. what makes it distinct; readily spot differences and similarities with their peers). The report will also be useful for support organisations and policy makers to obtain an overview of social enterprises in Germany. If this report can be put to any other good uses, we would be most delighted. Of course a rich database like ours contains many more insights and policy implications, which will soon be published on [www.seforis.eu](http://www.seforis.eu).

Please feel free to contact us with any questions or remarks. Below you will find the contact details of Johanna Mair, Principal Investigator for Germany and Marieke Huysentruyt, Principal Investigator and President of the Academic Advisory Board of the SEFORIS Project. If you would like to read the other country reports or find out more about the other research initiatives within SEFORIS, please visit our website: [www.seforis.eu](http://www.seforis.eu).

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A Big Thank You from us all:

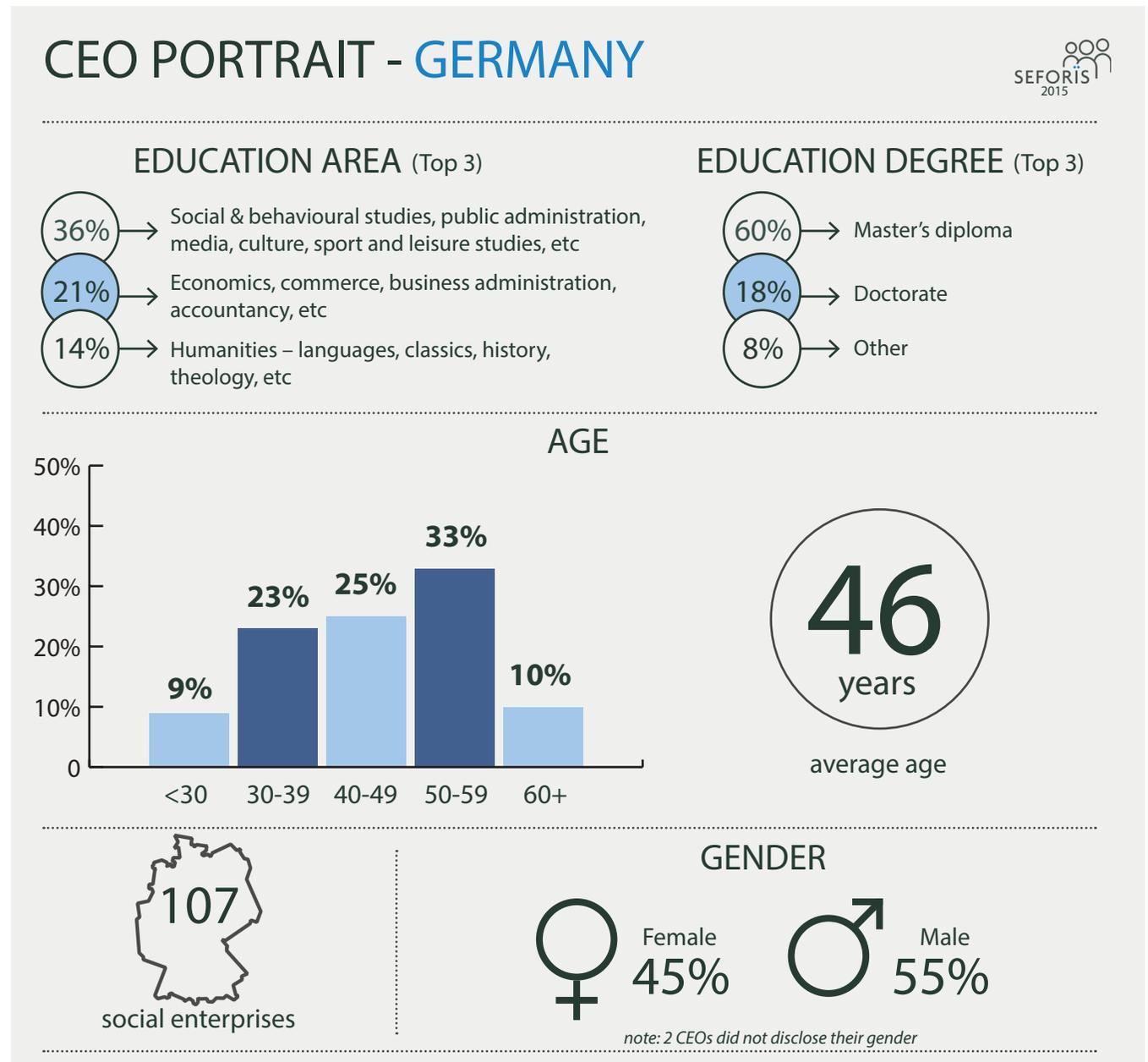


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# SOCIAL ENTERPRISES IN GERMANY

## How to read this report?

At the beginning of each topic section, we briefly recap what we measured and how to interpret the data summarised in the graphs or visuals. In case you are interested in more detail on how we analysed the information, you will find a more detailed description in the 'methods' boxes. We interviewed 107 social enterprises in Germany. Please note though that the total sample size we base this report on varies slightly across the different sections; this is due to some missing data, some questions not being applicable to all social enterprises, and some questions having multiple answers.



# 1. ORGANISATIONAL GOALS: MISSION AND VISION

A distinct feature of social enterprises is their pursuit of social goals. We were interested in capturing the goals that social enterprises aim to achieve more broadly and so asked social entrepreneurs to tell us about their organisation's mission and vision.

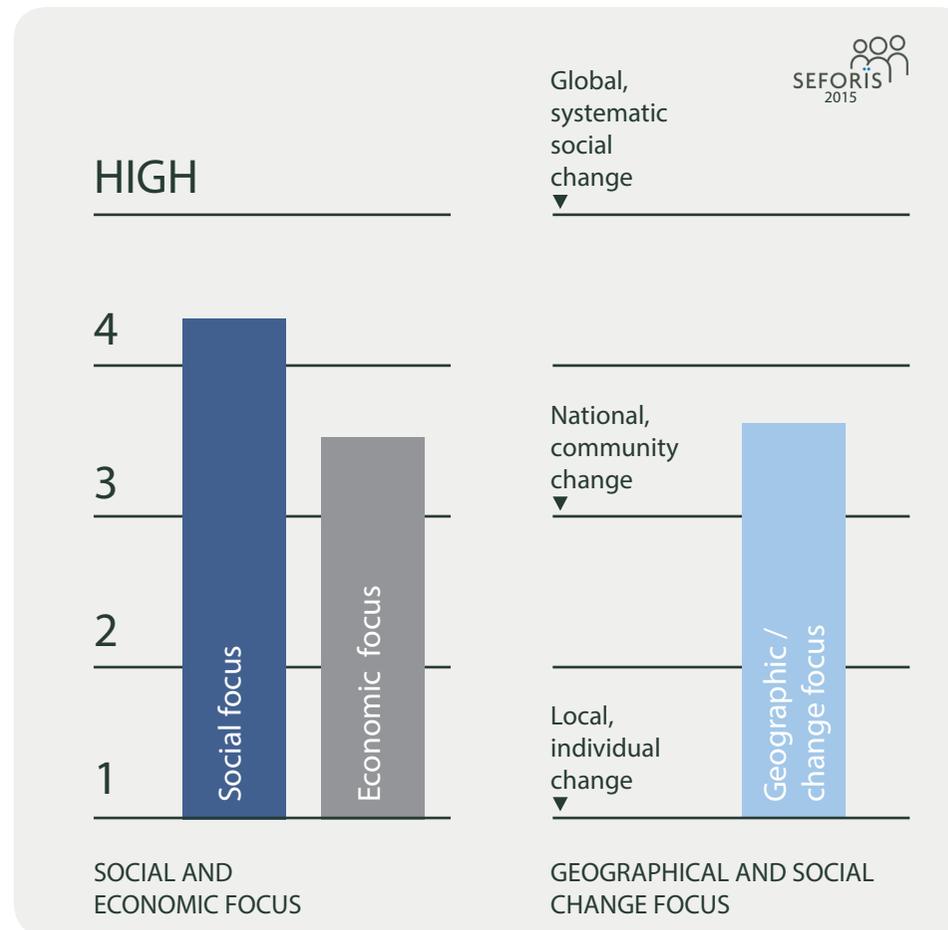
Figure 1 presents evidence on three categories of organisational goals (see also Methods Box A for more detail):

1. Social goals – capturing to what extent an organisation focuses on achieving societal change.
2. Economic goals – capturing to what extent the organisation focuses on economic success and financial viability such as developing revenue-generating activities to cover its costs and generating surpluses.
3. Geographic and social change focus – capturing to what extent the organisation works locally vs. internationally and aims to transform and empower individuals, communities or society as such.

We find that social enterprises in Germany have very strong social goals as reflected in concerns about well-being of others, social justice and environmental goals. In the

interviews, many of the social enterprises referred to their strong commitment to the public good as their primary concern. The economic focus, in turn, is less pronounced in German social enterprises and has often been referred to as a means to a primarily social end. Variations in social and economic focus are related to the legal form (non-profit and for-

profit) and to the activities of the organisations. The geographic focus of German social enterprises tends to be at the national and community level. However, most of the organisations aspire to scaling their geographic focus.



◀ **Figure 1: Organisational Goals – Mission and Vision. Note: N= 107. See Methods Box A for more information.**

# METHODS BOX

## A

A mission elaborates on an organisation's purpose of being and captures organisational goals, while a vision captures the closely related goals an organisation strives to achieve in the future. SEFORIS analysts scored mission and vision reports of the interviewed social enterprises using a total of 8 rating scales (scores ranged from 1 to 5). The rating scales were developed based on extant theories of social enterprise and

previous research into organisational goals. We factor-analysed the ratings to summarize the 8 scales according to their common underlying dimensions. The three underlying dimensions are: social goals, economic goals and geographic focus. These dimensions are summarised above and are described in more detail below.

The dimensions reflect:

### 1) SOCIAL GOALS

A score of 5 reflects strong social goals, in that the organisations mission and vision centre entirely on the alleviation of a social issue. This is reflected in great concern about the well-being of others, social justice concerns and/or environmental concerns. A high score in this dimension also reflects that the organisation had specified a theory of change, i.e. the logic of how it works to bring about societal change. A score of 3 reflects moderate and less specific social concerns, for instance when the target group or the social issue which the organisation aims to deal with are not clearly specified. A score of 1 reflects virtually no social goals.

### 2) ECONOMIC GOALS

A score of 5 reflects strong economic goals, in that the organisation's mission and vision put a high emphasis on economic success and financial viability of the organisation, such as earning high profits which can then be used to grow the organisation and scale social impact. A score of 3 reflects moderate economic goals, for example when the organisation addresses a social issue in a self-sustainable way such that it covers all its costs through own revenue-generating activities. A score of 1 reflects low concern for self-sustaining economic success, as is often the case with pure non-profits which are close to 100% grant financed or subsidised.

### 3) GEOGRAPHIC AND SOCIAL CHANGE FOCUS

A score of 5 reflects that the organisation operates internationally (across continents). Our analysis finds that these organisations typically aim for systemic societal change, i.e. aim to change society as such and in a way that the social issue that the organisation addresses would no longer exist. A score of 3 reflects that the organisation aims at community change, typically at a national level. In other words the organisation seeks to transform a community or segment of the population, with the aim of empowering that group. A score of 1 reflects that the organisation aims to change and empower individuals. These organisations typically work locally, e.g. within a certain city or town (not a region).

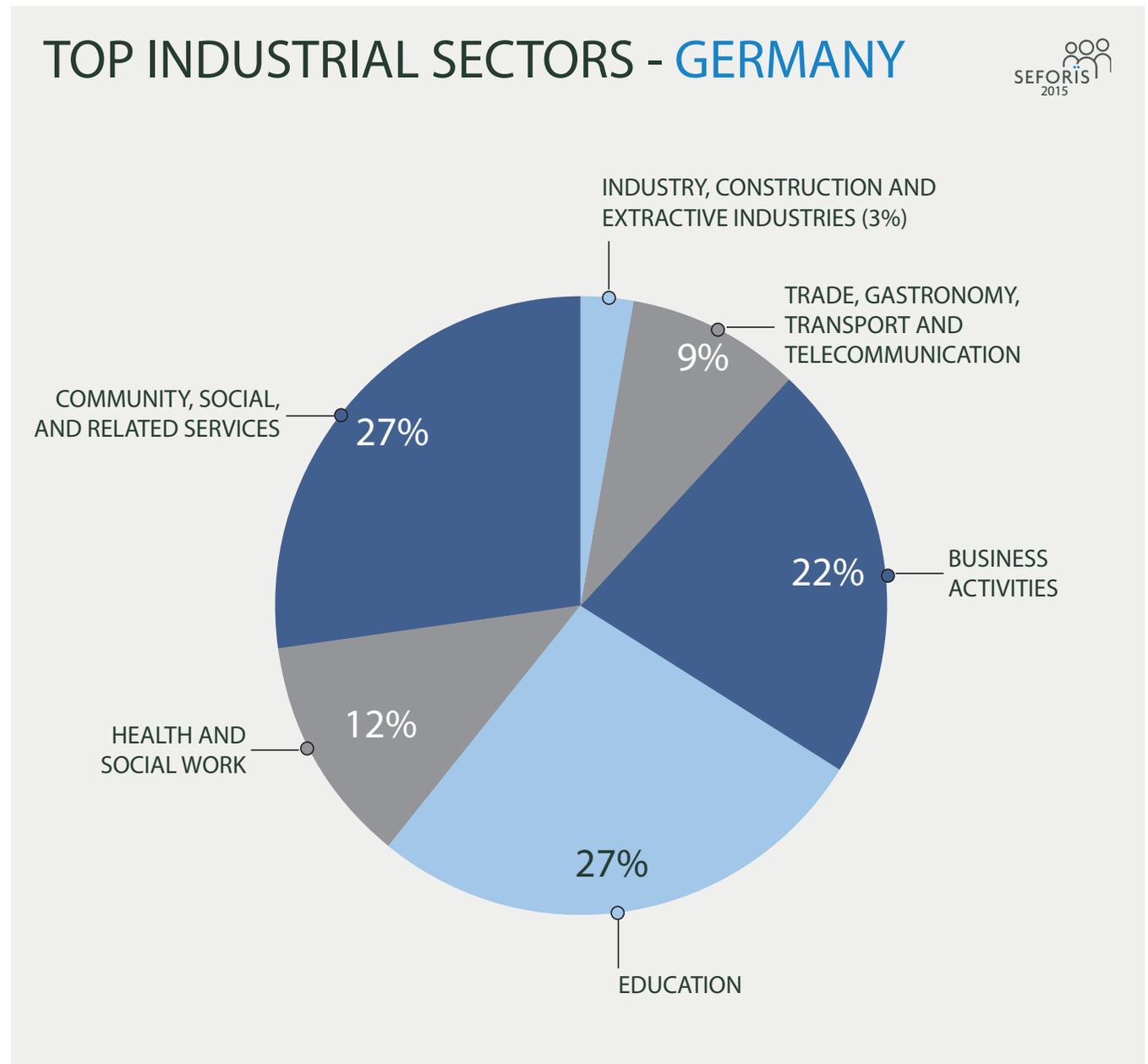
## 2. OPERATIONAL MODEL OF MAIN ACTIVITY

### Industrial sectors

In our phone survey, we asked about the products and/or services German social enterprises provide. Specifically, we asked what the organisation does, what its core services and/or products are and how the organisation self-generates revenues. We found very strong emphasis on education and on community and social services in the activities conducted by the social enterprises.

Studies have shown that in Germany, the social and financial background is still decisive for educational and employment opportunities, careers and personal futures. Social enterprises try to respond to this issue by developing a wide range of education programs that can reduce social disparities. The centrality of education in the public and political discourse around social issues is also encouraging for these enterprises. Our data also suggest that social enterprises operate as important social service providers in their communities.

Figure 2a: Top Industrial Sectors. Note: N=107. We used the the 'statistical classification of economic activities in the European Community' (NACE). See Methods Box B for more information.



# OPERATIONAL MODEL OF MAIN ACTIVITY (CONTINUED)

## Social sectors

More than 62% of the interviewed German social enterprises identified their primary social activities predominantly belonging to the following sectors: economic, social and community development, employment and training (for instance work integration), education and health. This reflects once again their strong focus on community development.



Figure 2b: Top Social Sectors. Note: N=107. We used the International Classification of the Nonprofit Organisations (ICNPO). See Methods Box B for more information.

## METHODS BOX

# B

Social enterprise represents a unique hybrid organisational form that combines aspects of charity and business at its core. To help give you a sense of the range of activities that the surveyed social enterprises undertake, we therefore draw on two established classification systems.

1

### **Industrial sectors**

The Statistical classification of economic activities in the European Community, abbreviated as NACE, was developed since 1970 in the European Union and provides a framework for collecting and presenting comparable statistical data according to economy activity at European and in general at world level.

2

### **Social sectors**

The International Classification of Nonprofit Organisations (ICNPO), was developed in the early nineties through a collaborative process involving the team of scholars working on the John Hopkins Comparative Nonprofit Sector Project and provides an effective framework for classifying non-profit organisations across countries.

# OPERATIONAL MODEL OF MAIN ACTIVITY (CONTINUED)

## Operational models

The three main operational models of German social enterprises are: fees for services, service subsidisation, entrepreneur support and market intermediary models. Compared with other countries like Spain, where the cooperative model is a popular operational model for social enterprises, less than 1% of organisations in the German sample draw on a cooperative model. Apart from the market activity of the social enterprises, the wide predominance of the fee-for-service model is also in tune with the German welfare provision system, in which organisations very often sell their services to the government. To see a more detailed description of the top 5 operational models please refer to Methods Box C.

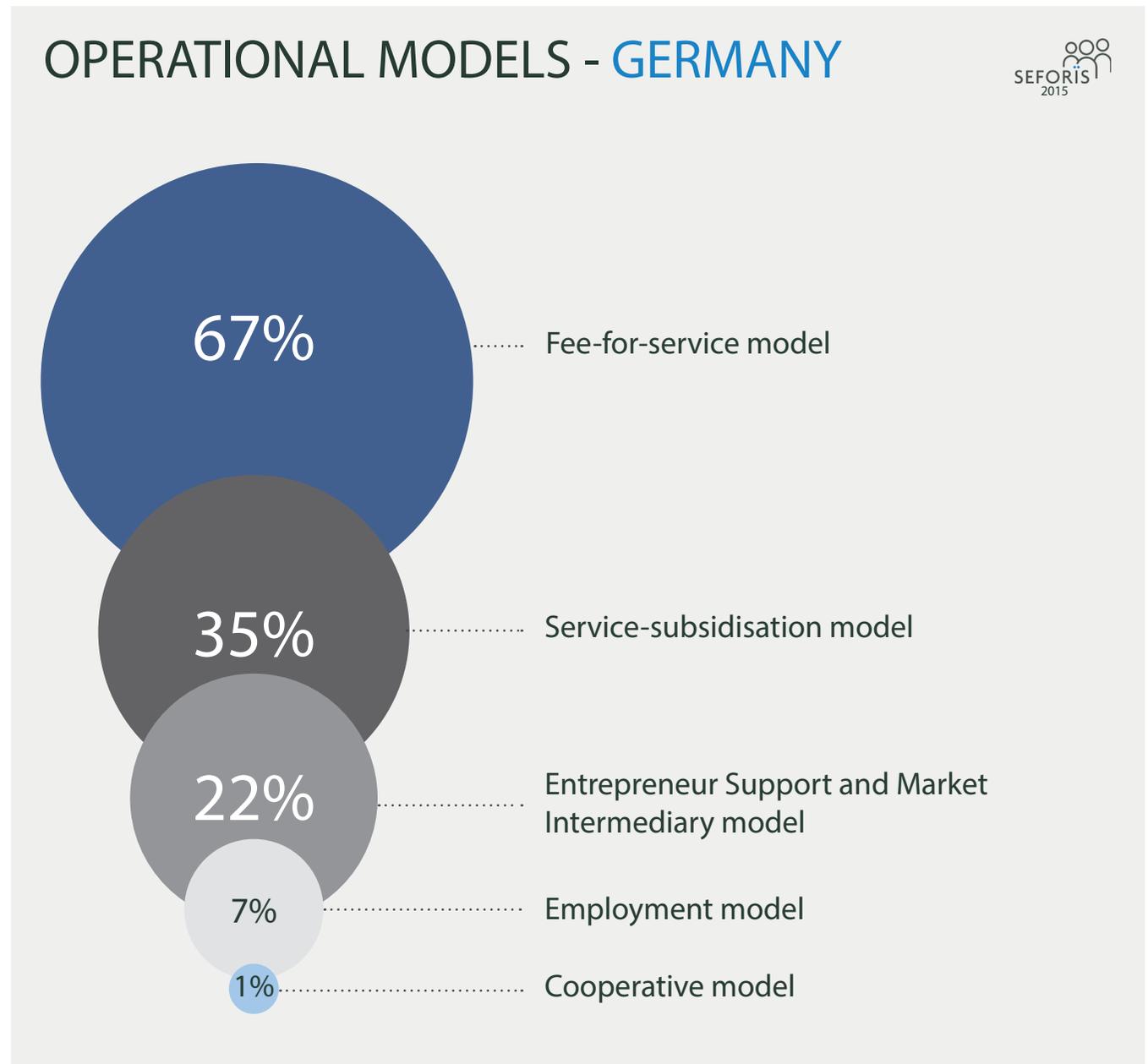


Figure 2c: Top Operational Models. Note: N=107. We adapted the typology of operational models developed by Alter (2008). See Methods Box C for more information.

# METHODS BOX



Operational models illustrate configurations of how organisations create social value (societal impact) and economic value (earned income). They are designed in accordance with the social enterprise's financial and social objectives, mission, marketplace dynamics, client needs or capabilities, and legal environment. Fundamental models can of course be combined and enhanced to achieve

maximum value creation (Alter, 2008). Our analysts recorded social entrepreneurs' answers verbatim, and used these answers to identify the enterprise's main operational model.

## 1. Entrepreneur-support & market-intermediary model

a) The Social Enterprise selling business support and financial services to its target population or "clients," which are other self-employed individuals or firms. Social enterprise clients then sell their products and services in the open market. Income generated through sales of its services to clients are used to cover costs associated with delivering the support services and the business' operating expenses.

b) Similar to a), the SE providing services to its target population/clients, small producers (individuals, firms or cooperatives), to help them access markets. The SE services add value to client-made products, typically these services include: product development; production and marketing assistance; and credit. Unlike a) the

market intermediary SE purchases the client made products or takes them on consignment, and then sells the products in high margin markets at a mark-up.

## 2. Employment model

The Social Enterprise provides employment opportunities and job training to its target populations or people with high barriers to employment such as the disabled, homeless, at-risk youth, and ex-offenders. The SE operates as an enterprise employing its clients and sells products in the open market.

## 3. Fee-for-service model

The Social Enterprise commercialises its social services, and then sells directly to the target populations or "clients," individuals, firms,

communities, or to a third party payer. Income generated through fees charged for services.

## 4. Service-subsidisation model

The business and social function of the social enterprise are separate. The SE sells products or services to an external market and uses the income it generates to fund its social programs.

## 5. Cooperative model

The Social Enterprise provides direct benefit to its target population/clients, cooperative members, through member services: market information, technical assistance/extension services, collective bargaining power, economies of bulk purchase, access to products and services, access to external markets for member-produced products and services, etc.

# CASE: HERO SOCIETY

## CEO

Marcell Heinrich

## MISSION

Hero Society is a community of proactive people that consciously shape society. Complex global problems are no longer solvable through individual effort but rather through synergies and connections of diverse competencies. In order to generate these synergies, Hero Society connects people of all ages that haven't met before. The Heroes bundle their resources, build new future perspectives and growth solutions. The people meeting here are doing what gives them purpose and meaning in life. A growing network of supporters and ambassadors, of companies and schools, of actors and public figures grants Hero Society its impact.

## ZOOMING IN ON THE 'OPERATIONAL MODEL'

Hero Society is one of the organisations employing primarily a fee-for-service operational model which is the most wide-spread model among German social enterprises. The workshops, trainings, camps and seminars that they offer focus on developing the professional perspectives of the participants, be it youngsters or adults.

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*Hero Society has developed from a company to a movement where people from three worlds associate, namely from the educational world, from the cultural world - not just the mainstream pop culture but also the niches and sub-cultural industries - and also from companies that want to invest; they associate, get to know each other and are working together hand in hand on the paths that we are laying out right now. The access for biographies that were hardly conceivable until the end of the 20th century is now open. And then these*

*people see each other regularly, even several times a year, not only in the single annual meetings, but they are also in contact with each other. (...) So if you now consider the next 10 years, then we would have also scaled internationally. Music labels recruit talent from Hero Society, people associate not only because of the fun and festivals, but because actual career prospects emerge here and this generates opportunities for biographies. //*

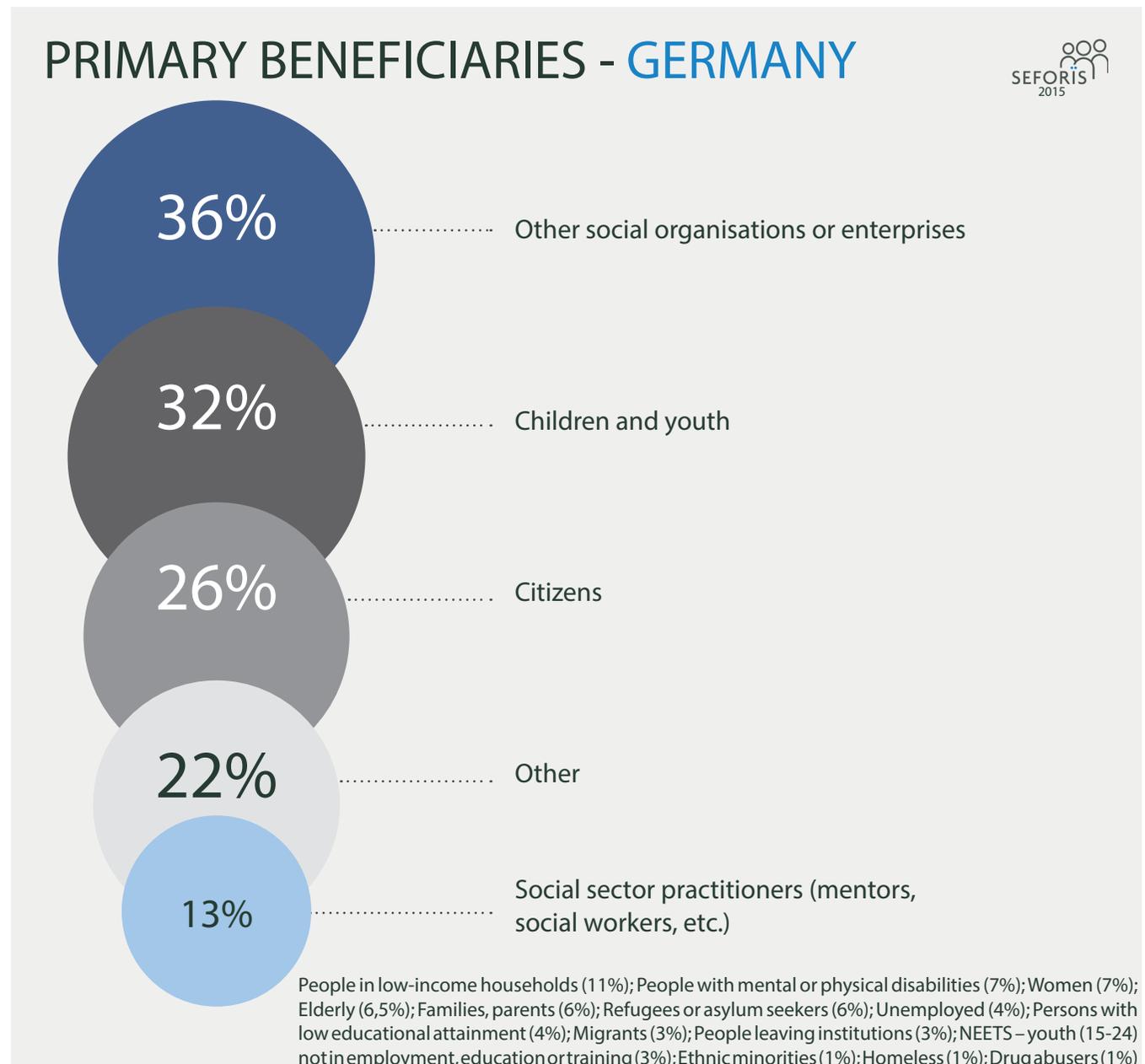
- Marcell Heinrich, CEO Hero Society



# OPERATIONAL MODEL OF MAIN ACTIVITY (CONTINUED)

## Primary beneficiaries

The main beneficiaries of the social enterprises surveyed are other social organisations or enterprises (36% of the sample), children and youth (32% of the sample) and citizens more broadly (26% of the sample). A significant part of the social enterprises interviewed thus focus on developing capacities of other organisations in the social sector. The focus on children and youth as a beneficiary group is strongly related to the fact that most of the organisations in the sample were involved in the educational sector. Additionally, the mentioning of citizens at large as main beneficiaries of their activities also underlines the role of social enterprises in the broader civil society in Germany.



**Figure 2d: Primary beneficiaries.** ►  
Note: N=107.

# CASE: YESIL CEMBER (GREEN CIRCLE)

## CEO

Gülcan Nitsch

## MISSION

The mission of Yesil Cember (Green Circle) is to increase awareness among the Turkish speaking community in Germany regarding an ecological and climate friendly living style and therefore to reduce the CO2 emissions which are the biggest cause of climate change. The organisation supports inclusive education on climate issues which is available to all citizens and it encourages the participation of all citizen groups in this matter. Through their educational and consulting services, Yesil Cember (Green Circle) contributes to setting up a sustainable society. At the same time, they are promoting more openness among environment organisations in Germany for new topics and target groups.

## ZOOMING IN ON THE 'PRIMARY BENEFICIARIES'

The activities conducted by Yesil Cember (Green Circle) reached approximately 5000 beneficiaries in 2014. This goes to show the reach that social enterprises can have among groups that are not usually targeted by other social organisations. By increasing awareness on environmental concerns among the Turkish community in Germany, Yesil Cember (Green Circle) manages to also create inclusiveness around these issues.

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*It is a mix of everything. People who are not so well integrated take responsibility through us. We are good at empowering the Turkish community. //*

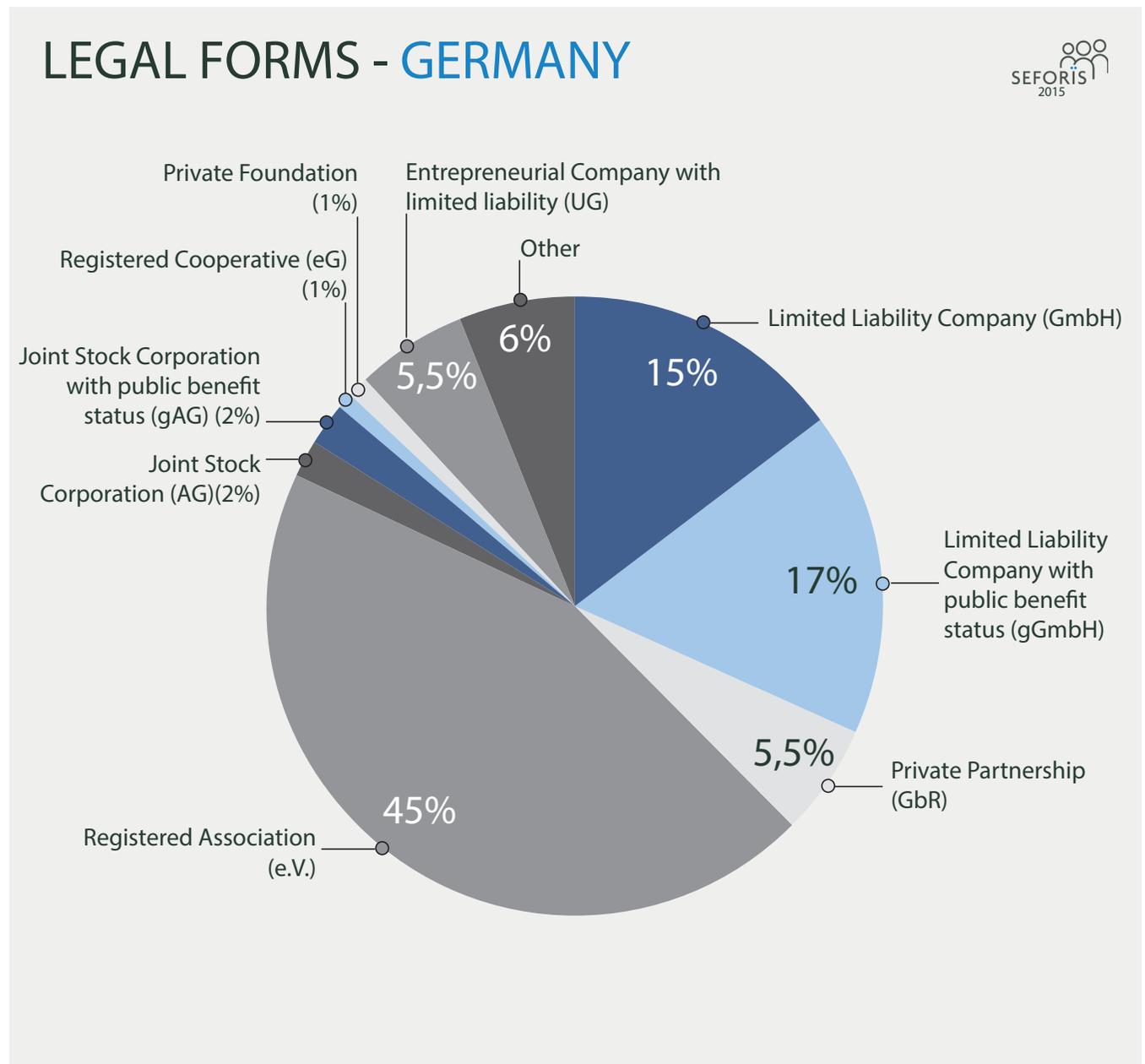
- Gülcan Nitsch, CEO Yesil Cember



# 3. LEGAL FORMS

The most popular legal forms of the German social enterprises included in the sample are non-profit legal forms, particularly associations (e.V.). These are closely followed by for-profit legal forms, such as limited liability companies with or without a public benefit status (GmbH or gGmbH respectively). The legal form tends to have consequences for the economic and social focus of the organisation, as the public benefit status is highly regulated by the state. Germany does not have hybrid legal forms comparable to the community interest companies (CIC) in the UK, for instance. Therefore, some social entrepreneurs establish both a for-profit organisation (GmbH) and an association (e.V.), in order to cross-finance the activities of the association through the revenue-generating activities of the GmbH. However, the number of social enterprises declaring two legal forms in our survey is relatively limited – only 11% of the organisations reported to have two legal forms. Additionally, the need for a special legal status for social enterprises in Germany has been mentioned in the survey only by approximately 10% of the sample which indicates that the legal form is not necessarily perceived as an impediment for the organisations in conducting their activities.

Figure 3: Legal forms. ►  
Note: N=107.



# 4. ALIGNMENT

In our survey we assessed the degree to which the revenue generating activities and the social activities of German social enterprises align. Answers were provided on a scale from 1 (“to no extent”) to 5 (“to the largest extent”). 57% of the organisations interviewed suggested that if they only ran their revenue generating activity, they would still generate social impact to the largest extent possible. This indicates a strong integration of social activities and revenue-generating activities in German social enterprises.

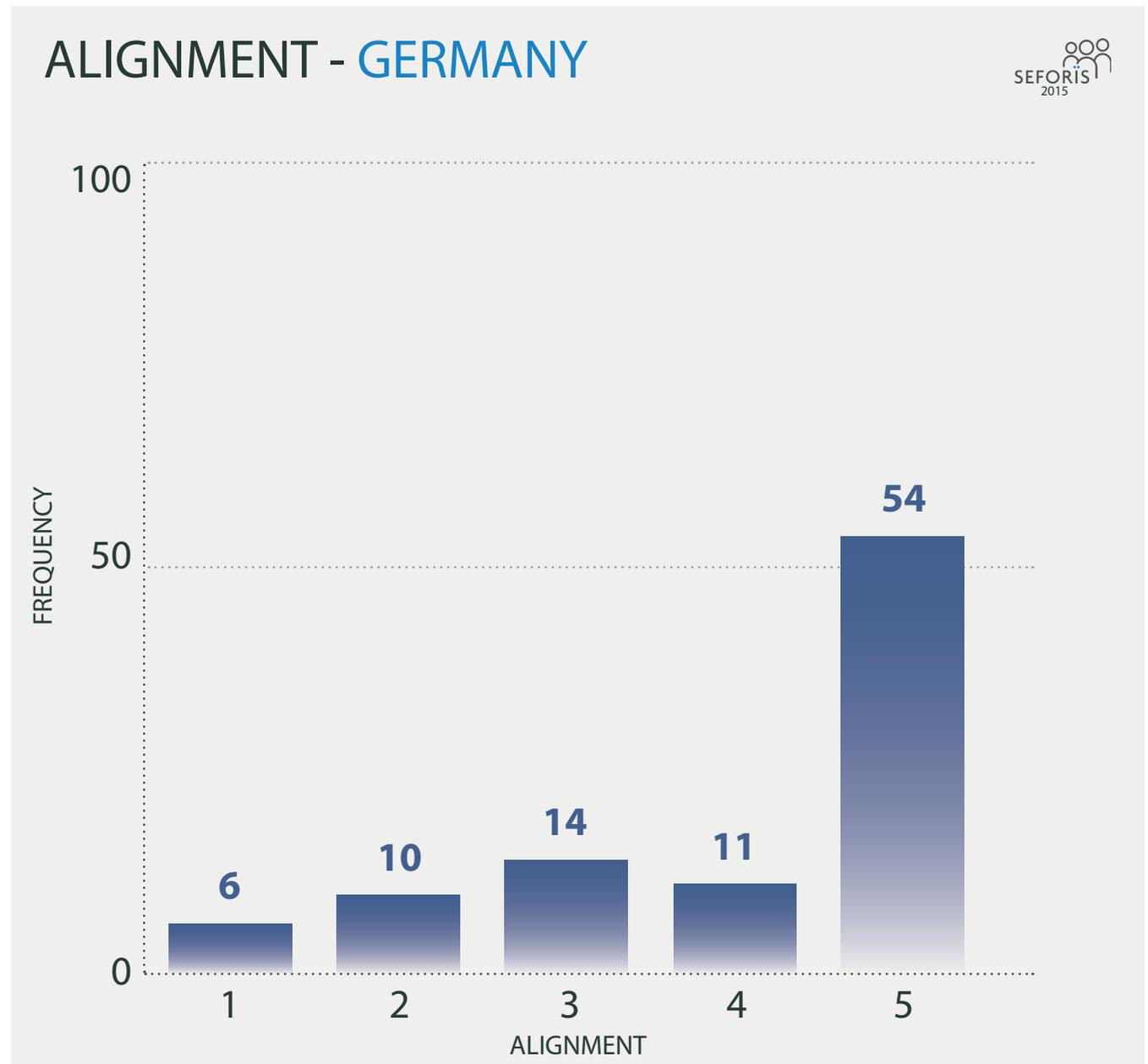
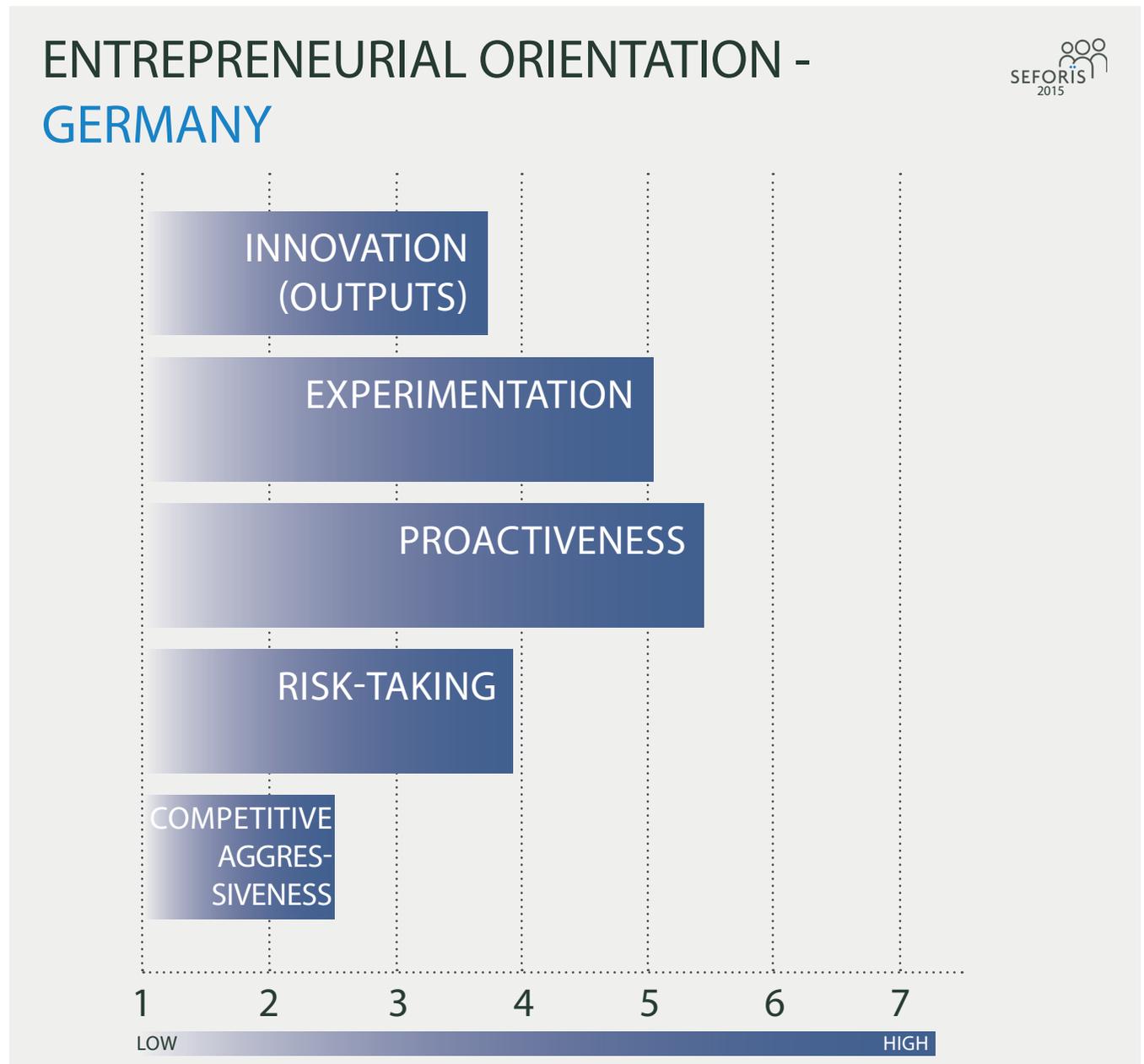


Figure 4: Alignment between Revenue-generation Activity and Social Impact Activity. Note: N=95.

# 5. ENTREPRENEURIAL ORIENTATION

We were particularly interested in the entrepreneurial orientation of social enterprises in the survey. In line with the literature, we gathered data on the five main components of entrepreneurial orientation: innovation, experimentation, proactiveness, competitive aggressiveness and risk-taking (see Methods Box D for more information). German social enterprises reported that they take a strong proactive stance in the sense that they are typically introducing products, services and processes in their activity ahead of similar organisations and/or competitors. They also score high on experimentation, meaning that they try new ways of doing things such as developing unique methods and processes to solve problems. Social enterprises are also prone to taking risks, and do not shy away from bold actions in uncertain situations. Although it is not the most pronounced characteristic in the scale, German social enterprises also report to be innovative and regularly introduce innovations in the market such as new products, services and processes. We find that German social enterprises score rather low on competitive aggressiveness which indicates rather a tendency to collaborate than to compete. This may well be connected to the organisations in the sample being anchored primarily in the non-profit sector.

**Figure 5: Breakdown Entrepreneurial Orientation in its Five Components.** Note: N=107. See Methods Box D for more information.



# METHODS BOX

## D

Organisations are typically understood to have an 'Entrepreneurial Orientation' when they act in the following ways (e.g. Rauch, Wiklund, Lumpkin and Frese, 2009):

### Components of Entrepreneurial Orientation (EO):

- 1 They regularly introduce innovations in the market such as new products, services and processes.
- 2 They experiment with new ways of doing things such as developing unique methods and processes to solve problems.
- 3 They behave proactively in the market, i.e. they are typically the first organisations to introduce a new product, service or process in the market – ahead of similar organisations and/or competition.
- 4 They are risk-taking, i.e. have a proclivity to engage in high-risk projects, and don't shy away from bold actions in uncertain situations.
- 5\* They have a competitive aggressive attitude, i.e. an attitude that prefers an aggressive stance toward similar and competing organisations rather than collaboration.

### Investigating EO in Social Enterprises (SEs):

To obtain data on these four components, Innovation, Experimentation, Proactiveness and Risk-taking, we derived a series of questions from well-established measures of entrepreneurial orientation, commonly used in business studies. Social entrepreneurs were asked to indicate on a scale from 1 to 7 how much their organisation behaved like described in each of those questions. Statistical analyses such as factor analyses confirmed that these four aspects of entrepreneurial orientation were indeed meaningful in the context of social enterprises in Germany.

#### \* **Competitive Aggressiveness and SEs**

Interestingly, competitive aggressiveness, emerged as a distinct aspect, not at all associated with the standard four aspects of a social enterprise's entrepreneurial orientation. This suggests that the entrepreneurial orientation profile of social enterprises shares with that of commercial enterprises the emphasis on innovation, experimentation, proactivity and risk-taking, but is also distinct since an aggressive stance towards competition, i.e. one in which an enterprise tries to 'outcompete' and 'fight' similar organisations in a field, is not integral to the entrepreneurial behaviours of social enterprises.

## 6. SOURCES OF LIQUIDITY

Fees for services or sales of products were clearly the most important source of capital among German social enterprises (43% of organisations indicated this as the most important revenue source). Another significant share of liquidity hailed from grant finance (mentioned by 29% of respondents), particularly from the government, foundations and for-profit companies. The other categories were of marginal significance. Particularly newer forms of financing, such as impact investing, crowdfunding or venture philanthropy play a very minor role in Germany at the moment but are, as we learned in our interviews, increasingly discussed as options in the field.

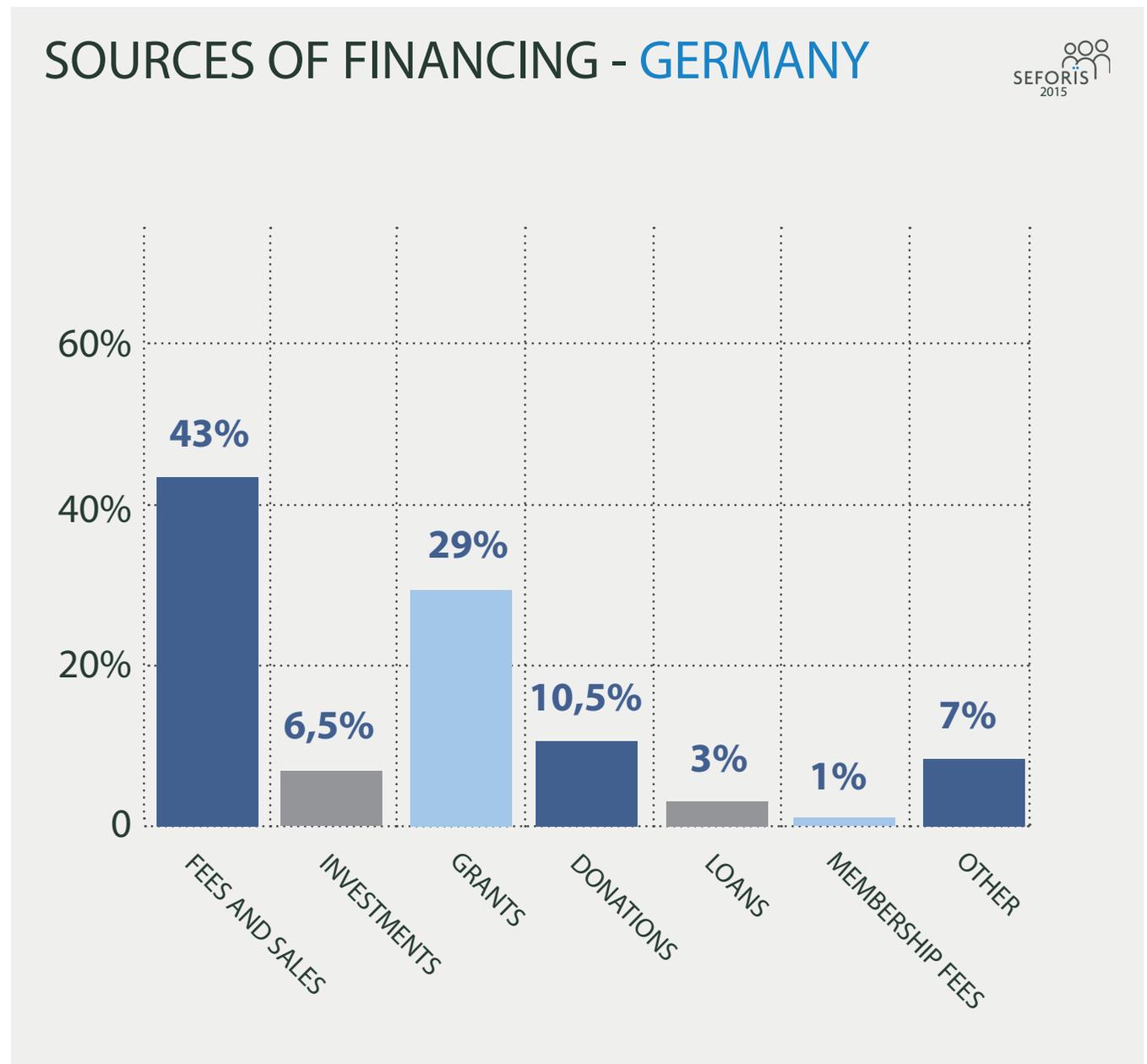


Figure 6: Sources of Liquidity in 2014. ►  
Note: N=101.

# 7. REVENUES

## Total revenues in 2014

In the survey we identified a split between high-revenue and low-revenue organisations. While 41% of the organisations reported revenues higher or equal to 1 million EUR, at the same time 27% of the organisations interviewed generated less than 80.000 EUR in 2014. This illustrates the spectrum of very diverse financial capacities of organisations functioning as social enterprises in Germany.

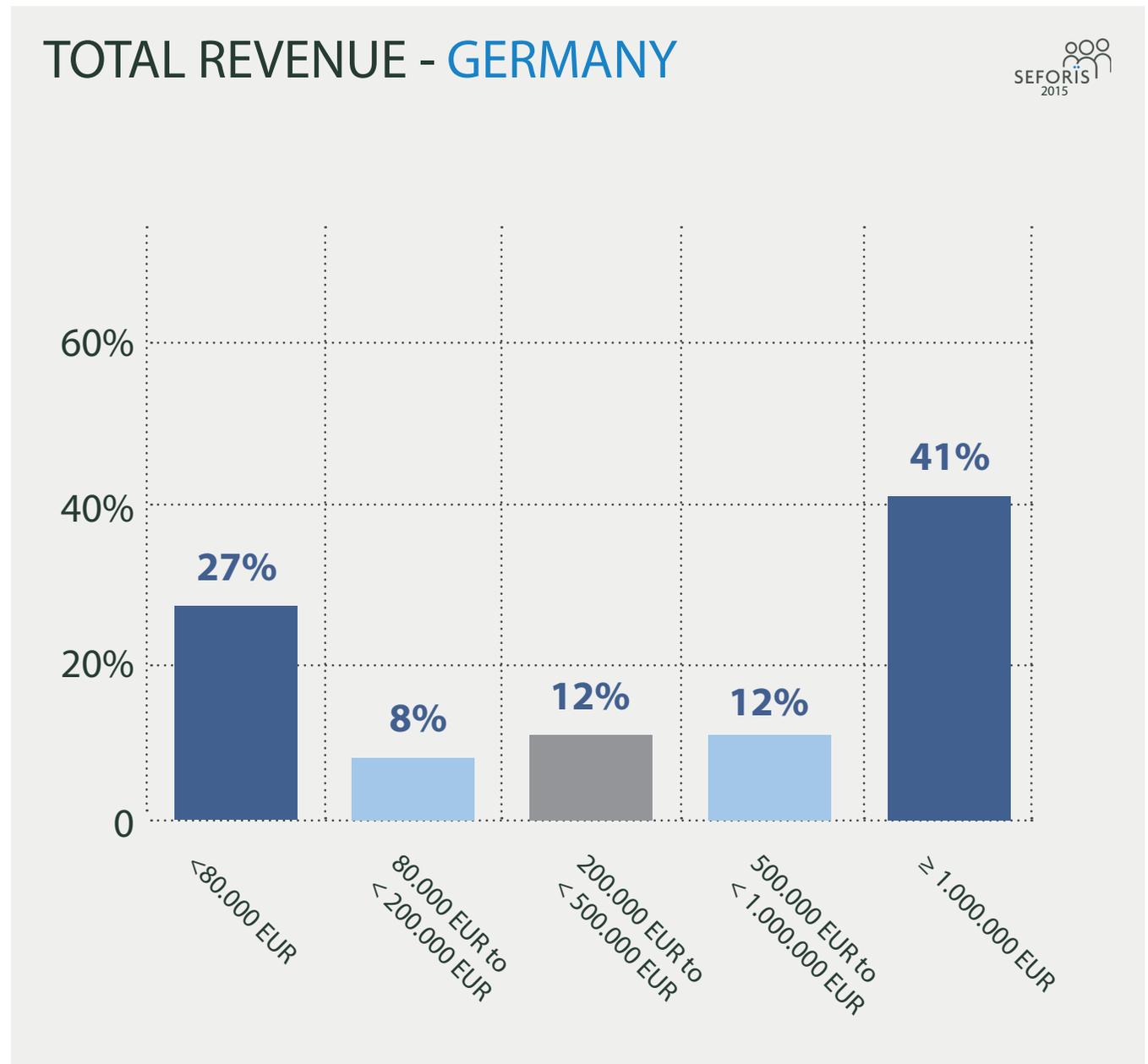


Figure 7a: Total Revenues (EUR) in 2014. Note: N=101. Figure shows percentage of social enterprises in each revenue category. Revenue categories were chosen taking into account revenue development across the entire sample of analysed countries. According to Eurostat, GDP per capita in Germany in 2014 was 36.000 EUR or 126% in PPS (percentage of EU28).

# REVENUES (CONTINUED)

## Change in revenues (2013 to 2014)

We found that German social enterprises in our sample have strongly increased their revenues compared to 2013. While only 9% of the organisations experienced a decline in revenues, 61% of the organisations increased their revenues up to 20%. 19% reported their revenues increased by over 40%. This indicates the constant development of these organisations and their general orientation around growth, both socially and financially.

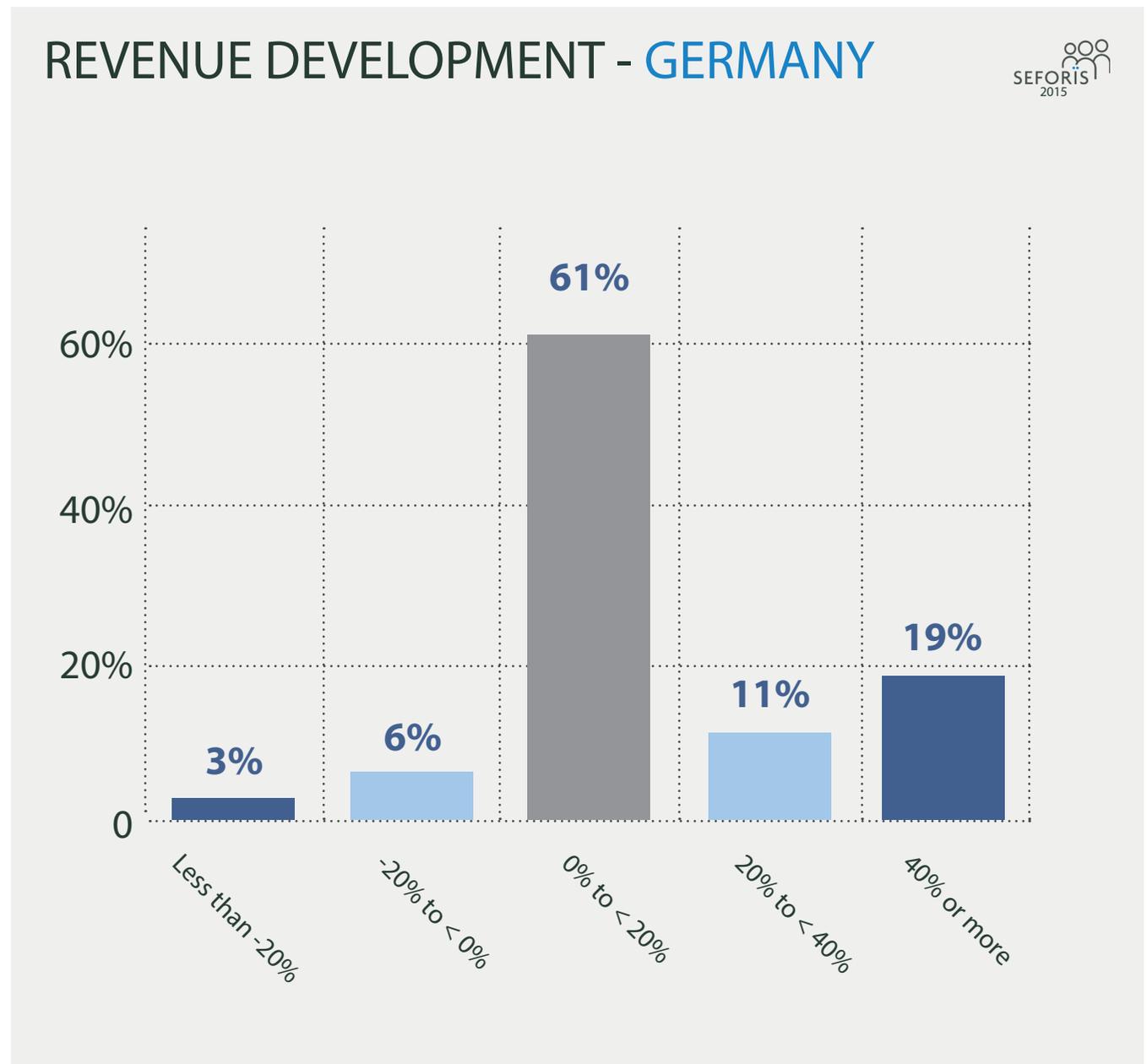


Figure 7b: Revenue Change from 2013 to 2014. Note: ► N=84. Figure shows percentage of social enterprises in each category. Number of companies for which this question does not apply because they were founded after 2013 is equal to 16.

# CASE: HAMBURG LEUCHTFEUER

## CEO

Ulf Bodenhausen

## MISSION

The goal of Hamburg Leuchtf Feuer is to offer people with serious illnesses a good quality of life and self-determination despite their afflictions. They support people in an early phase through psycho-social assistance in their own living space and offer for the last stages of life through their hospice a place where dignified and painless farewells are possible. The Lotsenhaus offers additional assistance in the grieving process.

## ZOOMING IN ON 'REVENUES'

Hamburg Leuchtf Feuer is an organisation that has been supporting chronically and terminally ill people since 1994. The social enterprise has three main activity streams: psycho-social assistance for people suffering from HIV/AIDS, hospice services for the terminally ill and assistance in the grieving process through the Lotsenhaus. The organisation is also working on a housing project where chronically ill can live independent and dignified lives. Through its work, Hamburg Leuchtf Feuer contributes to raising awareness around the quality of life of the chronically and terminally ill in Germany.

The organisation reported over 2,5 million euro in revenues in 2014. Their funding structure relies on donations, state reimbursements for rehabilitation and integration services as part of the psycho-social assistance program and reimbursements from health insurance companies for the hospice services they offer. Since none of their activities can be fully financed through state and health insurance funding, the organisation raises 550.000 EUR per year in donations. The assistance program for grief

in the Lotsenhaus is funded exclusively through donations. Hamburg Leuchtf Feuer is thus an illustration of the bigger German social enterprises in terms of their financial development, duration and complexity of activity.

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*We give opportunities to people to live their life self-determined and with a good quality of life (...) and the mission is that we extend our organisation so that if we see that there is a need but no offers to cover it, we can close that gap. That is how we live up to our non-profit goals, always supporting the chronically ill that are facing existential crises. //*

- Ulf Bodenhausen, CEO Hamburg Leuchtf Feuer



# 8. AGE AND LABOUR FORCE

## Organisational age distribution

In the online survey we also looked at the age of the organisations and found a strong variation in this regard. Almost a third of our sample consists of very young social enterprises (max. 4 years old). These organisations are frequently referred to as social start-ups in the public discussion around social entrepreneurship. We also identified a large number of older organisations, which have been active for over 20 years. This only shows that social enterprises have been operating in the German context for a longer time and also that new organisations constantly emerge in this sector.

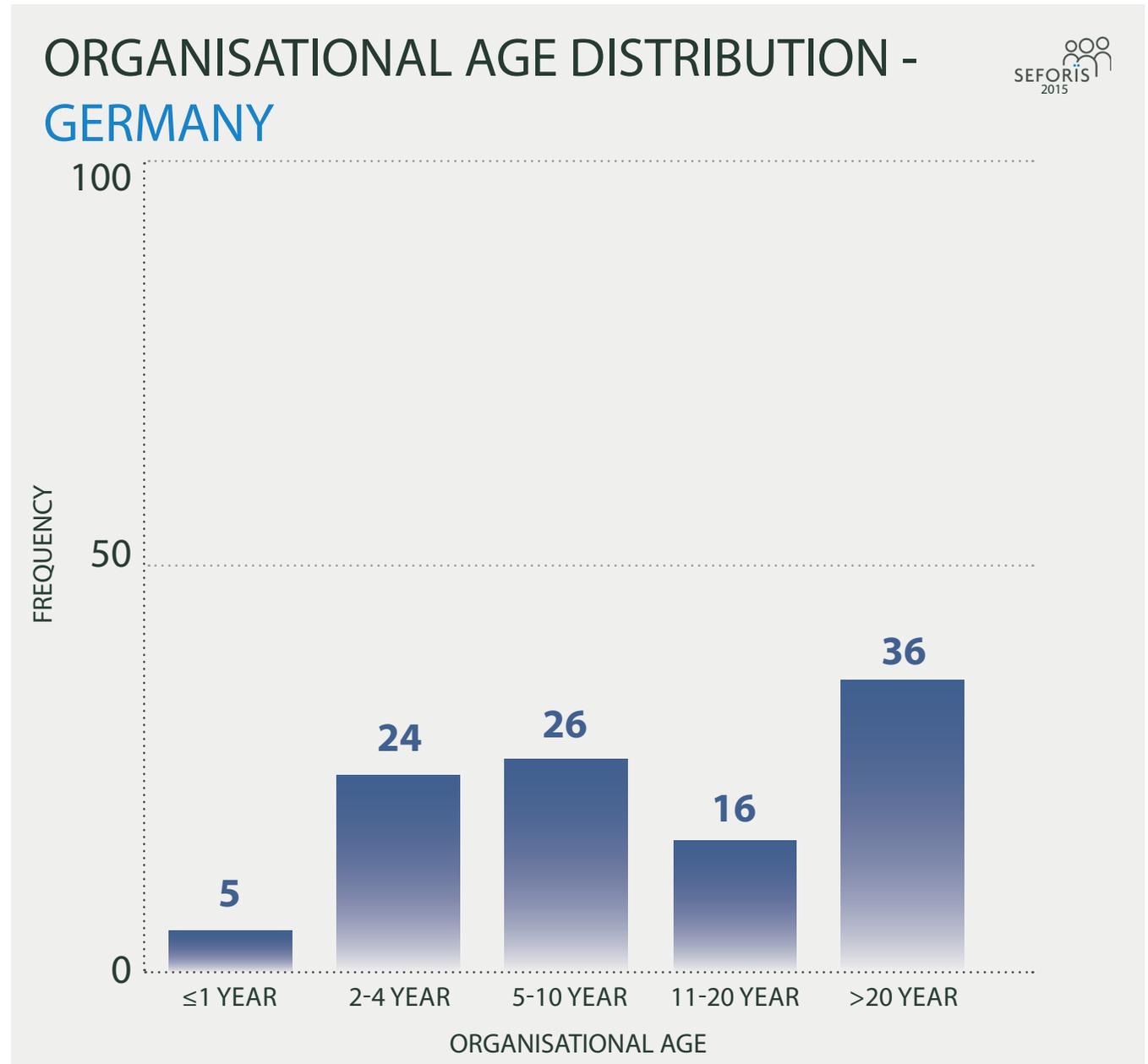


Figure 8a. Organisational Age ►  
Note: N=107.

# AGE AND LABOUR FORCE (CONTINUED)

## Number of Full-Time Equivalentents (FTE)

Over 80% of the German social enterprises we interviewed have less than 49 full-time equivalentents, while only 6% have more than 250 full-time equivalentents. This goes to show that these organisations are relatively small in terms of the staff they employ.

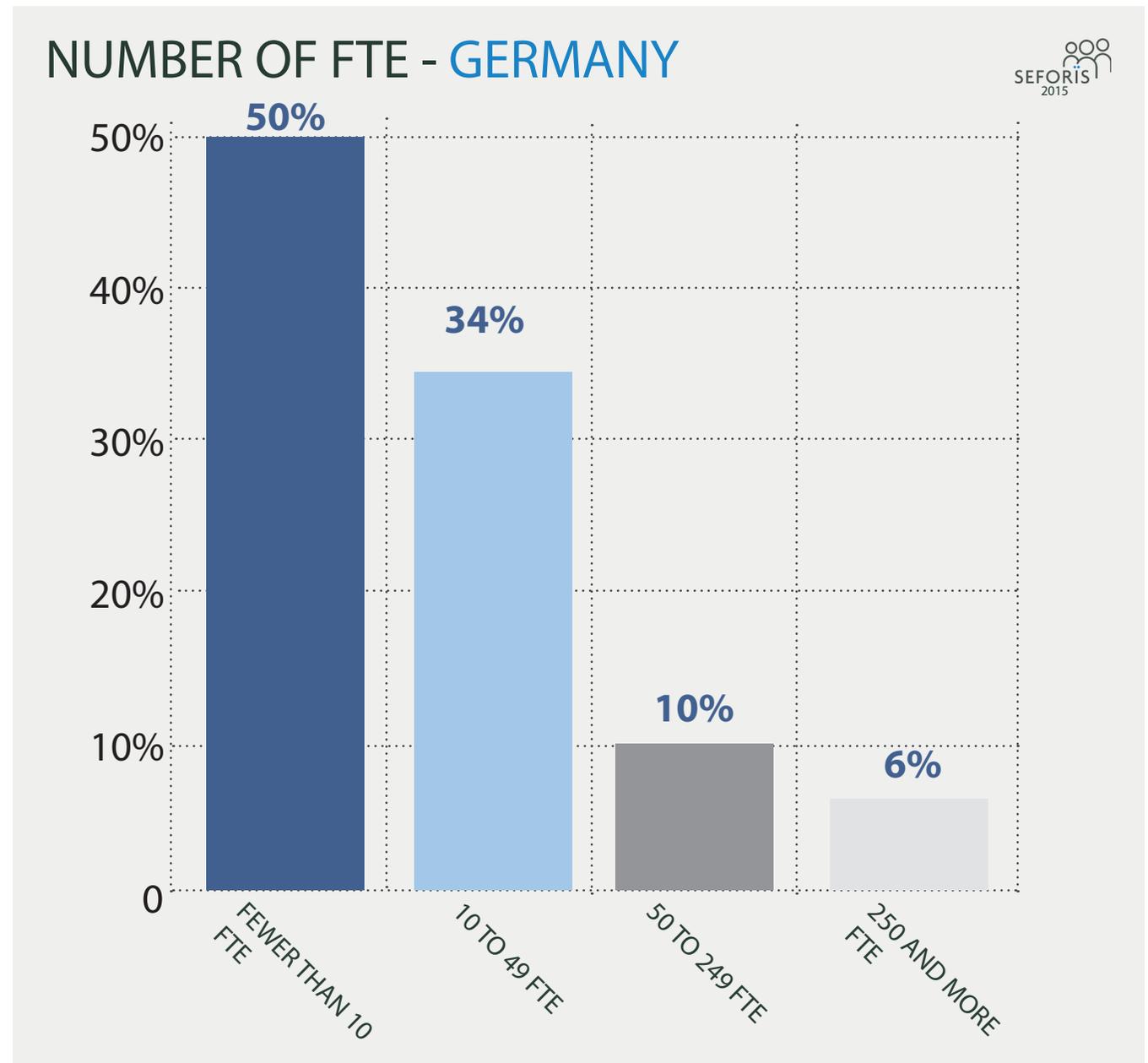


Figure 8b. Number of Full-time Equivalentents Employed (not including the owners). Note: N=107. ▶

# AGE AND LABOUR FORCE (CONTINUED)

## Number of volunteers

We found that most of the German social enterprises in the sample do not work with volunteers at all (over 55% of the organisations) and that most of the ones that do, have less than 10 volunteers involved with the organisation (33% of the organisations in the sample). Less than 12% of the organisations surveyed work with more than 10 volunteers. This complements the finding that social enterprises also have relatively small numbers of employees, thus maintaining a relatively small organisational size overall.

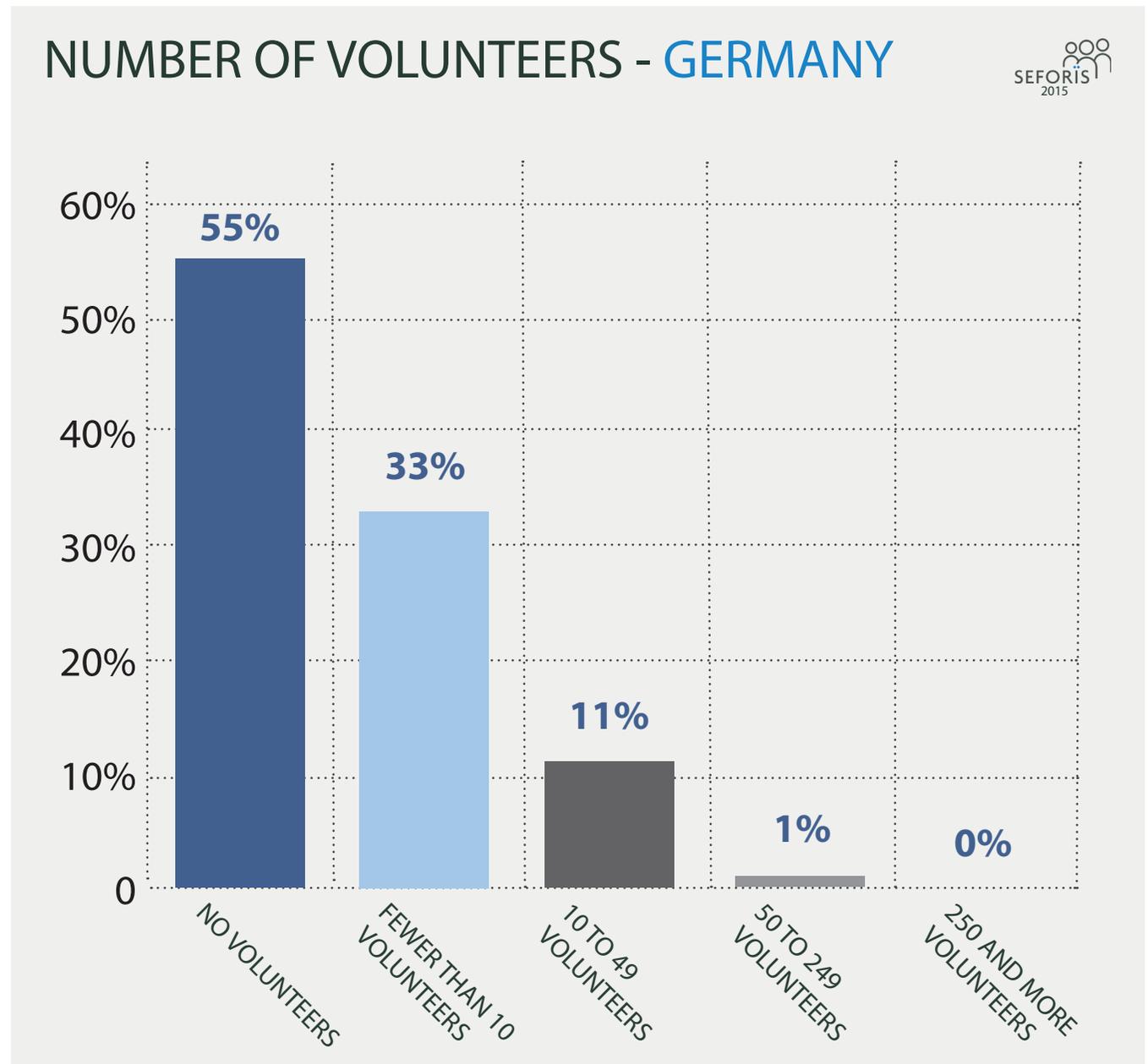
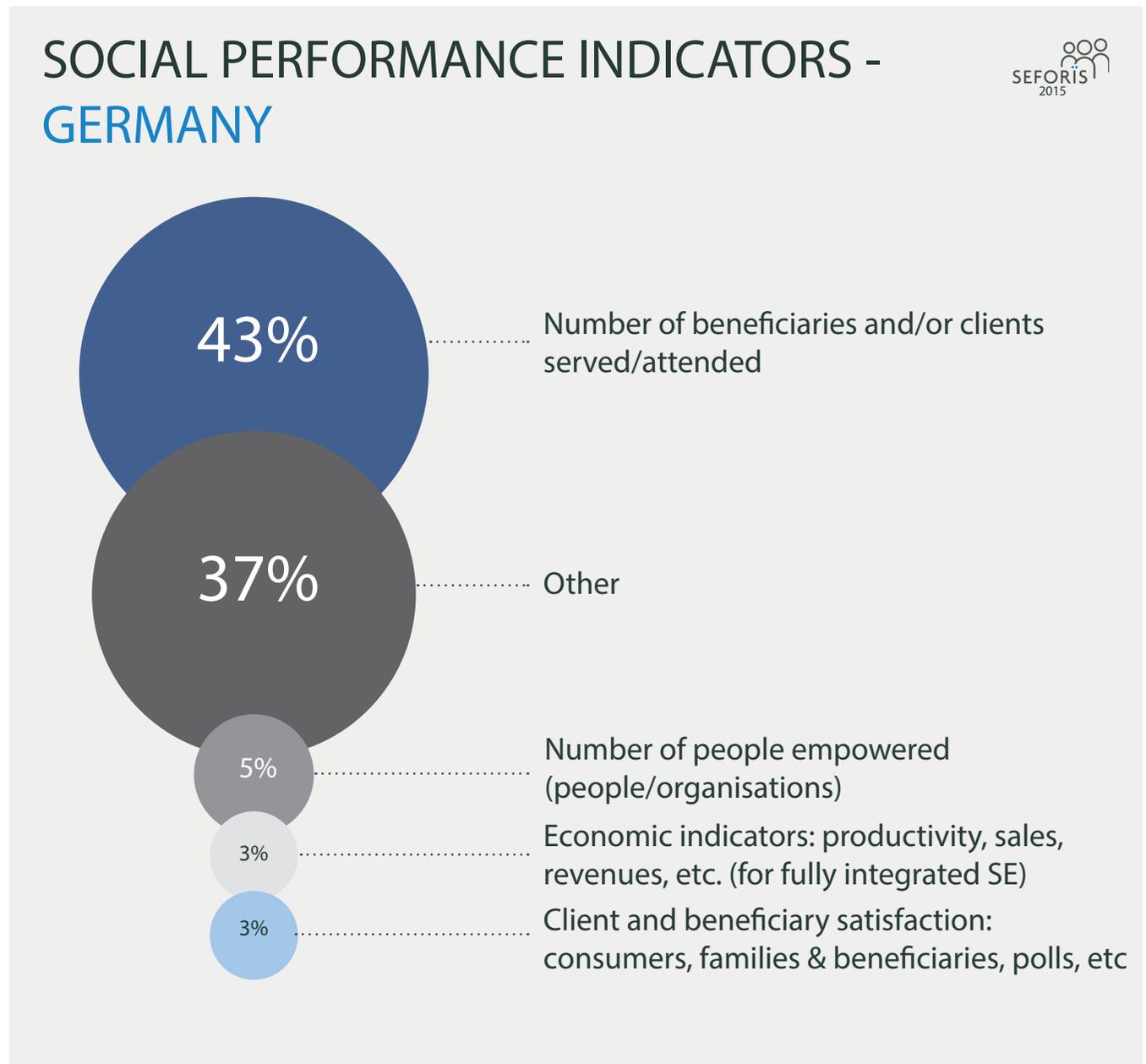


Figure 8c. Number of Volunteers Working at the Social Enterprise. Note: N=84. ▶

# 9. SOCIAL PERFORMANCE INDICATORS

Social impact measurement is an important topic for German social enterprises and the vast majority of social enterprises (71%) do measure their social impact. The most popular way of measuring impact is quantitative - by looking mostly at the number of beneficiaries/clients attended and the number of people empowered. Methods for social impact measurement, both qualitative and quantitative, remain a challenge for both practitioners and academics. However, German social enterprises are also very creative in measuring their social impact and frequently adapt their measurement very specifically to the particular products and services they provide. This is also the reason why a big proportion of the answers in this section could not be included in the categories already provided.



# 10. INNOVATION

## New-to-market innovations

Our survey indicated a high share of innovative organisations. Almost 88% of the social enterprises we interviewed reported that they introduced at least one new or significantly improved product, service or process in the last year. Out of these, 56% reported that they introduced completely new to market innovations over the past year. As innovation in social service delivery has been identified a major challenge for German society (Deutschlandforum, 2015), these results highlight the important contribution that German social enterprises can make to address this issue.

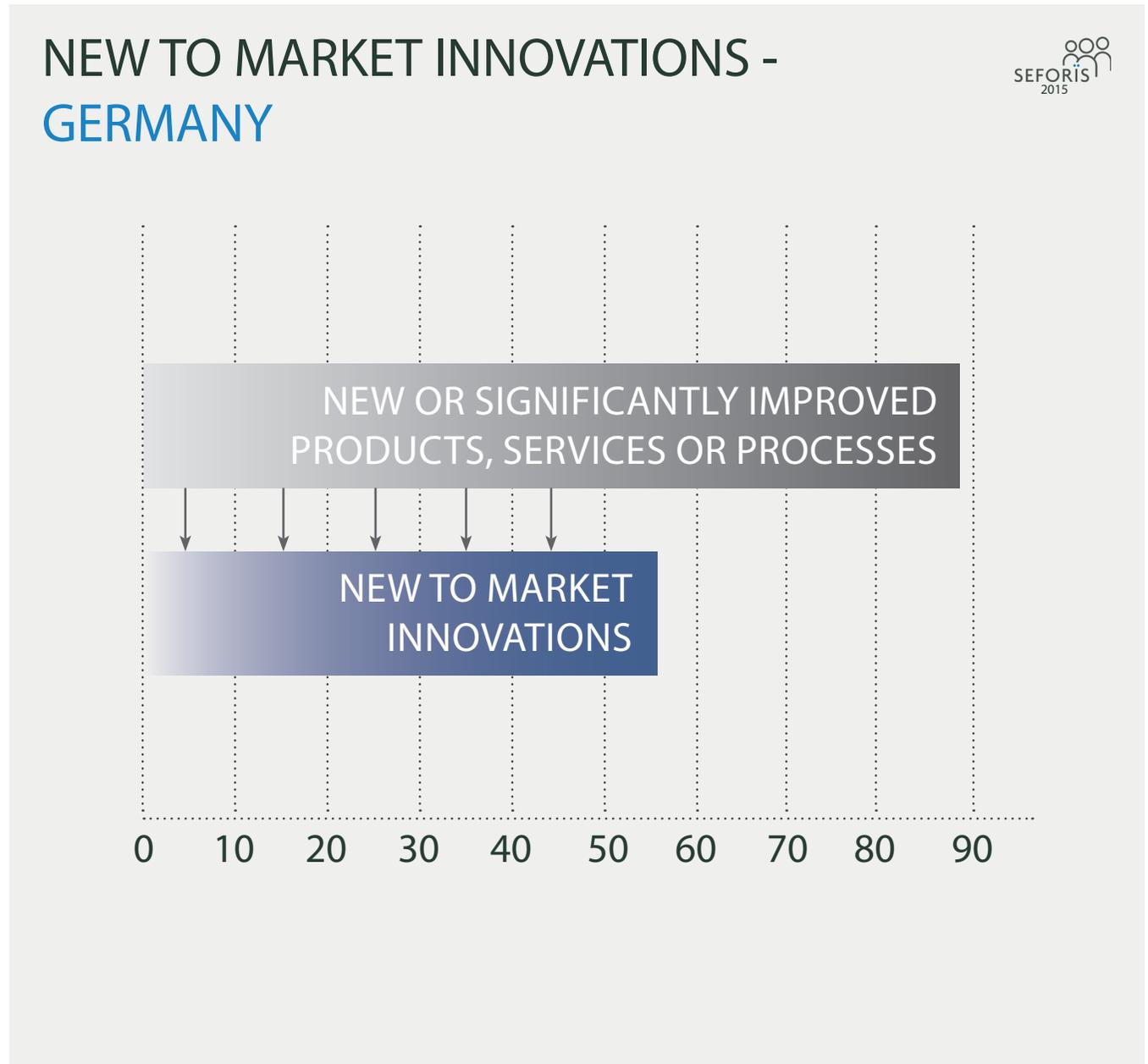


Figure 10a. Proportion of Social Enterprises that had introduced New-to-the Market Innovations during the past year. Note: N=107.

# INNOVATION (CONTINUED)

## Innovation barriers

When it comes to barriers for innovation, 49% of the surveyed social enterprises report finance-related barriers, especially regarding the lack of funding for innovation processes. This is followed by organisation specific barriers such as lack of time and lack of qualified personnel to engage in innovation processes which were mentioned by 23% of the respondents. 31% of the social enterprises state that they face no innovation barriers. To see a more detailed description of barriers to innovation please refer to Methods Box E.

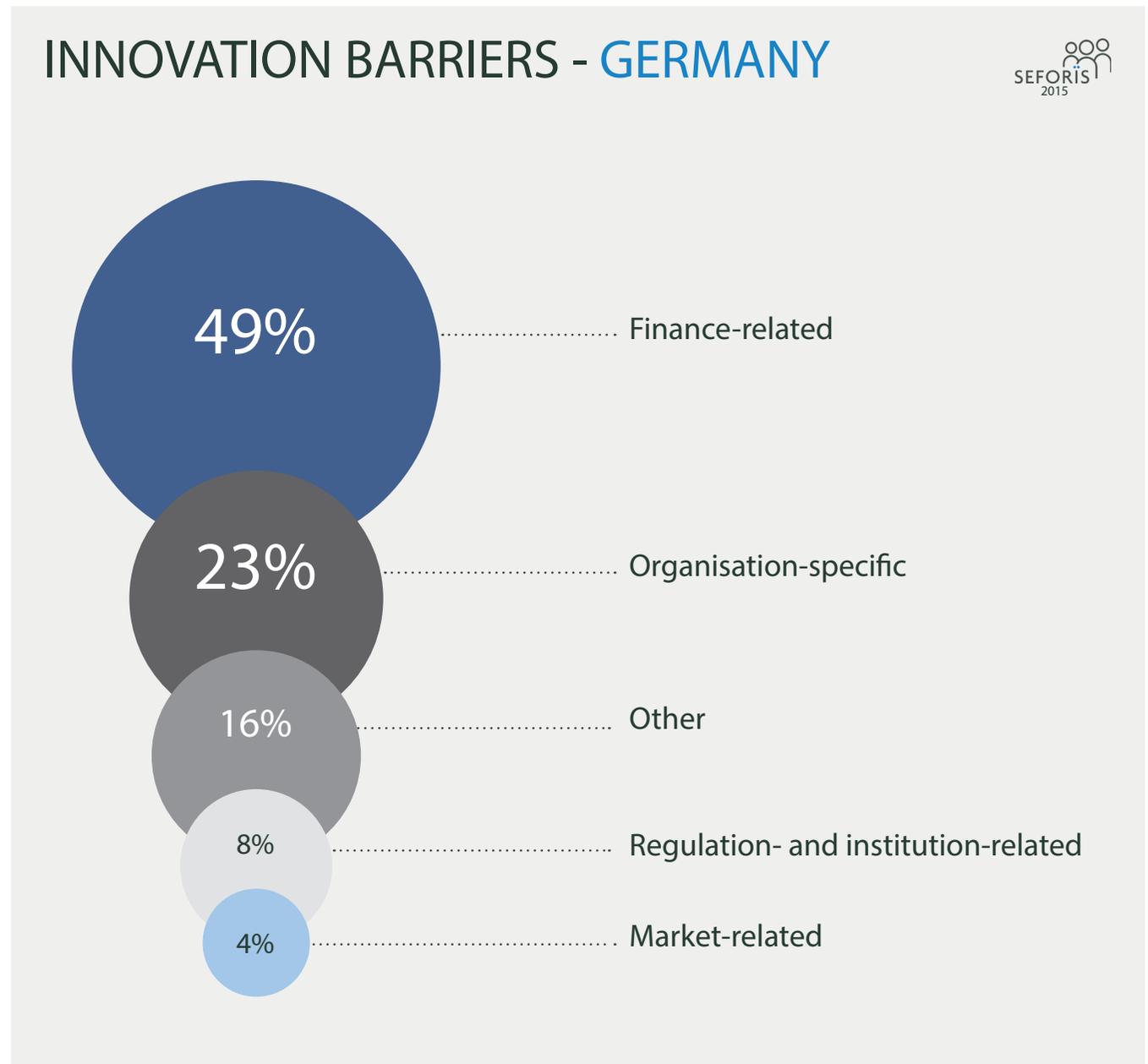


Figure 10b. Innovation barriers. Note: N=74. ▶ See Methods Box E for more information.

## METHODS BOX

# E

The barriers typically reported by commercial enterprises are more numerous and most frequently relate to the cost of innovation being too high, the economic return of an innovation being uncertain, and market-related barriers (D'Este, Iammarino, Savona & von Tunzelmann, 2008).

- 1 Finance-related barriers – reflect excessive economic risk that would be associated with pursuing an innovation, as well as the cost and/or lack of available financing for an innovation. This category also captures whether an innovation has not been pursued due to the ongoing economic crisis.
- 2 Organisation-specific barriers – reflect lack of time, lack of qualified personnel and/or lack of information on technology and/or markets to pursue innovation activities further.
- 3 Regulation- and institution-related barriers – reflect the fact that innovations were inhibited by the need to meet government and/or EU regulations and/or also the fact that social enterprises do not receive support from official institutions because these are not familiar with 'what a social enterprise is'.
- 4 Market-related barriers – reflect the fact that an innovation was not pursued because it was envisioned that it would not be accepted by the market, e.g. potential customers. Furthermore uncertain demand for an innovation as well as the dominance of another established organisation discouraged innovation activities of social enterprises.

# CASE: DISCOVERING HANDS

## CEO

Dr. med. Frank Hoffmann

## MISSION

Discovering Hands trains and deploys visually impaired women with their highly developed sensory skills to detect the early signs of breast cancer. The organisation is committed to offering meaningful employment to blind women, and creating an opportunity for them where they have competitive strength. At the same time, it is helping to improve breast cancer early identification situation and awareness for the most common type of cancer among women.

## ZOOMING IN ON 'INNOVATION'

Discovering Hands is the perfect example of how innovation in the social sector can contribute to solving some of today's most pressing issues. By focusing on the strengths and unique skills of visually impaired women, the social enterprise addresses one of the most important health issues among women. Their approach is unique both in Germany and internationally and highlights the extremely innovative ways in which social enterprises operate.

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*We work with disabled people, people with visual impairment and want to integrate them into the labor market, make use of their strengths for society and use their tactile sense to discover breast cancer. This triggers a change of perception of those women and advantages for the customers. We improve the situation of the health insurances too, as we improve breast cancer behaviour. (...) MTEs (medical tactile examiners) one day have to be for breast cancer early detection what midwives are today for giving birth. //*

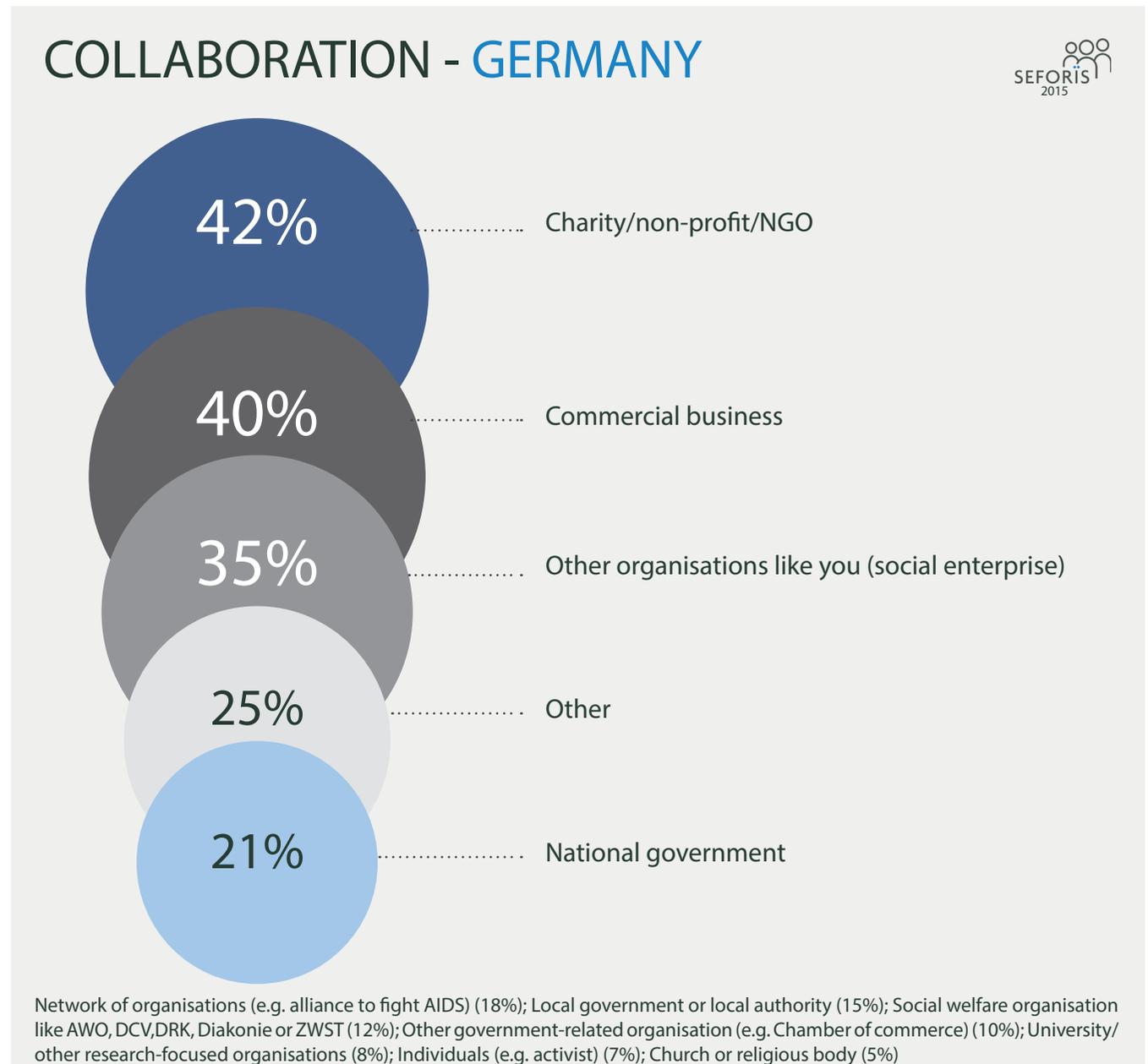
- Frank Hoffmann, CEO Discovering Hands



# 11. COLLABORATION

## With whom do social enterprises collaborate?

35% of the social enterprises interviewed indicated that they collaborate with other social enterprises. 42% of them collaborate with non-profits, 40% with commercial businesses and 21% with the national government. 12% of organisations indicated that they collaborated with social welfare organisations which are the largest and most established social service delivery organisations in the country. Overall, German social enterprises are equally well connected with a variety of organisations that act as partners for their activities.



**Figure 11. Top 5 organisational types with whom Social Enterprises have collaborated at least once. Note: N=107.**

# CASE: ETHNO-MEDIZINISCHES ZENTRUM

## CEO

Ramazan Salman

## MISSION

The goals of the Ethno-Medizinische Zentrum e. V. (EMZ) are to offer intercultural health support and a “healthy integration” of migrants in Germany. The center is active since 1989 in implementing various projects that allow migrants to have access and equality of chances in the use of the health care system since the majority of this population is not sufficiently familiar with the structures of the German health care system. By training migrant mediators, the center provides support for other migrants in navigating these structures.

## ZOOMING IN ON ‘COLLABORATION’

Ethno-Medizinisches Zentrum relies strongly on collaborations in implementing their programs. The partnerships with over 450 other organisations contribute to a bigger outreach among migrants. As is the case in other German social enterprises too, working with trained mediators that are active in numerous communities around the country requires the construction and maintenance of a strong network of collaborators. For the Ethno-Medizinisches Zentrum this network is definitely at the core of its operations.

//

*My organisation stands for a technology and for quality. We have created a product that was not known as a product before. That is why we also established the first ever integration brand. There is no brand Integration as such. Our MiMi is a registered trademark of integration and many want to use it because of the reputation, because they know that if they then submit*

*applications, they will be doing well. But you have to be careful not to have free-riders. Because that will immediately destroy our brand's reputation because people will use the name but they don't want to go through the effort of maintaining the quality. That is why it is important for me that we generate integration through an integration technology that we can measure and steer. (...)Migrants will be thereby perceived as equal partners (...). //*

- Ramazan Salman, CEO Ethno-Medizinisches Zentrum



# 12. POLICY SUGGESTIONS

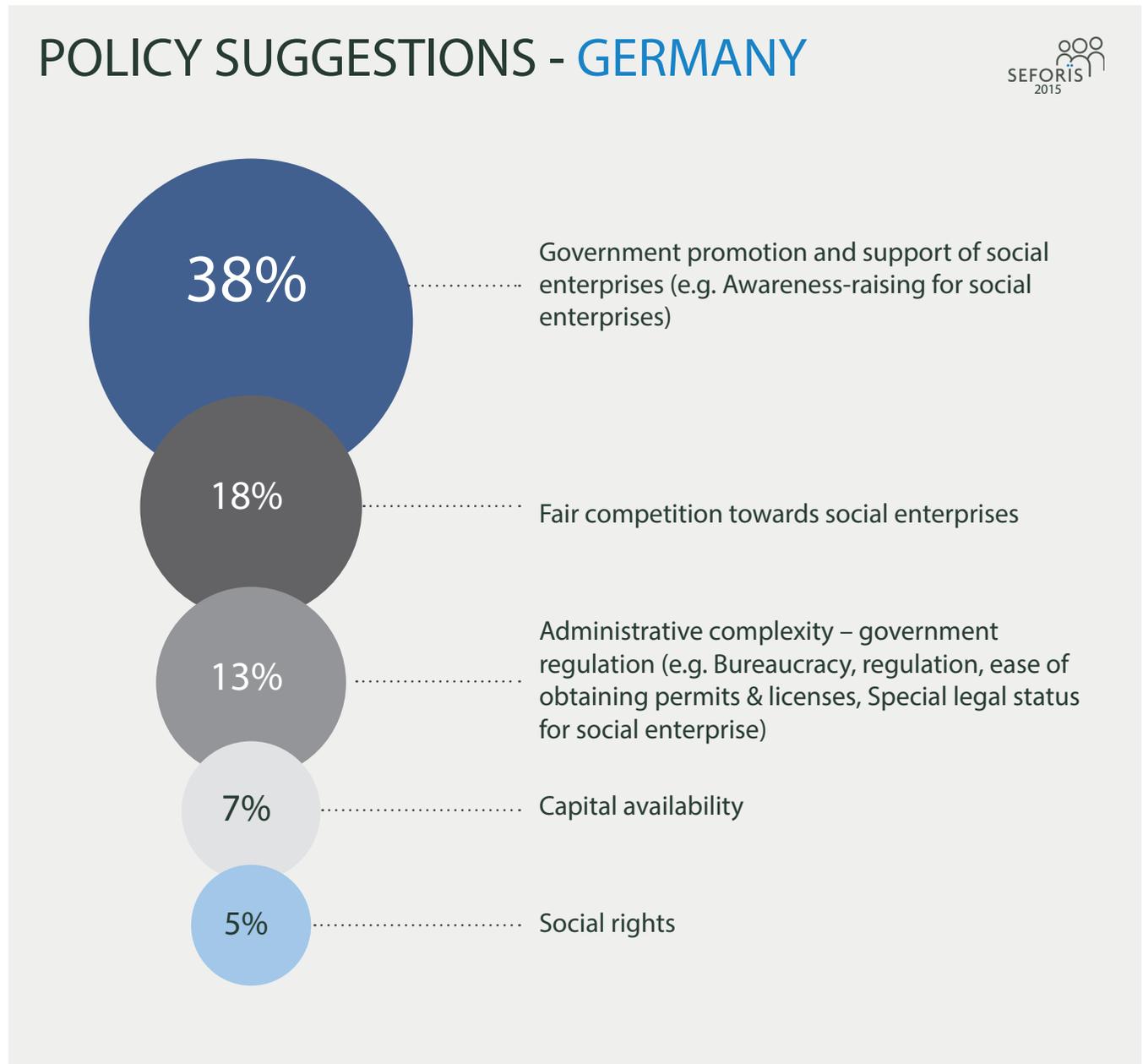
## Top 5 Policy Suggestions to Germany's Government

We asked all social enterprises about suggestions they may have for their country's policy makers to support social enterprises. We classified all policy suggestions into common categories, as well as selected quotes to illustrate the 5 most recurring policy suggestions for Germany's government.

### Government promotion and support of social enterprises (e.g. Awareness-raising for social enterprises) (38%)

*"I believe that the question of what is a social enterprise is quite central. As long as we have not clarified what it is all about, we cannot design appropriate measures and develop instruments. (...) Apart from this, we already told the federal government that we would like to expand the concept of innovation. These are not only technological innovations but also digital and social innovations. If new funding instruments for innovation and social entrepreneurship would be opened, this would help a lot further. Apart from this, it would be good if politicians would be supportive (...).*

Figure 12. Overview of Policy Suggestions to their Country Government. N=96. We adapted a typology of policies used by the European Commission: [http://ec.europa.eu/policies/index\\_en.htm](http://ec.europa.eu/policies/index_en.htm)



# POLICY SUGGESTIONS (CONTINUED)

*So that the people working in the sector also become more well-known, that there are also there career options and development opportunities.”*

*“It is important that the topic of social business is on the political agenda. That must be the claim. Social business must be embedded in the educational policies and translated to educational curricula. Economy must be taught in all of its forms.”*

## **Fair competition towards social enterprises (18%)**

*“It would make sense to change something in the public benefit status but it doesn’t need to be a legislation change. Systems for reserve funds, exit strategies, equal treatment of social enterprises and normal enterprises, adoption of classical support instruments, third innovation pillar in the catalogue of the national government. Through deregulation in the social legislation establishing equality of chances between social enterprises and welfare facilities.”*

## **Administrative complexity – government regulation (e.g. Bureaucracy, regulation, ease of obtaining permits & licenses, Special legal status for social enterprise) (13%)**

*“Changing the fiscal legislation in order to deal with social enterprises in the context of the public*

*benefit status (Gemeinnützigkeit), eliminating the limitations of the public benefit status and other facilitations for social enterprises, adapting the financing instruments – a lot of the support schemes are not accessible or have been shut down, creating a climate for new, value-oriented action, promoting social enterprises in public tenders, prioritizing sustainability criteria in public tenders.”*

*“I believe that the biggest problems lie in the barriers in the cooperation of important social actors - that is because of our federal structure, the separation in Health, Social, Culture and Education - which relates to the federal structure, but also the country’s structure, and, indeed, also the federal structure (...).”*

## **Capital availability (7%)**

*“It is unbelievably difficult to grow as a social enterprise and local and federal politics should try to create opportunities, to provide start capital because I think it is also the task of the state to fund the social domain (...). And that not just the foundations that provide money short-term for three years or maximum five years slip into this role but rather that also the state becomes more active and at least tries to not fall into a project ideology or to say we always need innovative projects but rather concretely to look for what functions well and to invest more there. So I would ask the local*

*politics and especially the federal politics to look closely at really effective projects, but I don’t mean just quantitatively but also qualitatively and to guide themselves by the principle of not always new and not always innovative but rather to look which projects had which success and how can you build on their success. And when such a project managed to successfully reach its target groups, the funding should not be interrupted at some point but on the contrary, the innovation capacity of these should be more strongly supported by offering more money exactly to these projects.”*

*“Supporting new financing opportunities, for example social impact bonds.”*

*“To have a financing support mechanism that is easily accessible for social enterprises in their first two years (...).”*

## **Social rights (5%)**

*“More activities for the integration of migrants. Education is also poverty prevention that is important in order to ensure social peace. That is why more support is needed in this field.”*

# A FEW CONCLUDING WORDS

*SEFORİS stands for “Social Entrepreneurship as a Force for more Inclusive and Innovative Societies”. It is a multi-disciplinary research programme, funded by the European Commission, that investigates the potential of social enterprise in the EU and beyond to enhance the inclusiveness of societies through greater stakeholder engagement, promotion of civic capitalism and changes to social service provision. SEFORİS combines insights from policy makers and social enterprise practitioners with cutting-edge academic research to build robust and novel evidence on social entrepreneurship. We develop theoretical frameworks for inclusion and innovation processes in context, employ novel experimentation with social enterprises, build a unique international database of in-depth case studies, and test and validate conclusions using robust longitudinal survey data. To find out more, latest news, reports, publications and upcoming events go to [www.seforis.eu](http://www.seforis.eu).*



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