



## COUNTRY REPORT GERMANY

**A first analysis and profiling of social enterprises in Germany**

**December 2020**



## ABOUT SEFORİS

The project Social Enterprises as a Force for more Inclusive and Innovative Societies (SEFORİS) started as an EU-funded and interdisciplinary research initiative on social enterprises internationally in 2014. Throughout 2015, social entrepreneurs were contacted and invited to take part in a new large-scale international survey that resulted in launching a novel panel database of over 1000 social enterprises in Hungary, Romania, Spain, Portugal, Germany, Sweden, the United Kingdom, Russia and China. This database is unique in its scope and depth – in our (admittedly, lengthy) conversations with social entrepreneurs, we discussed in detail a whole host of topics, ranging from their innovation habits to their perceptions of the markets wherein they operate.

The motivation for these research efforts was always to have a longitudinal understanding of social enterprises. That is why in 2020 the SEFORİS team initiated a follow-up data collection round among organizations previously surveyed in Germany and the UK. During this time the project also expanded to Brazil. In the 2020 survey we focused on understanding what had changed for social enterprises in our sample in terms of activities, revenue generation, competitiveness and collaboration, and social impact, but also how the COVID-19 pandemic affected their work.

With this report, we would like to give a brief overview of what we learned from the German social enterprises in our sample. We will continue to analyze the data we collected and develop policy recommendations. The report allows social entrepreneurs to benchmark their organization against fellow social enterprises in Germany and to gain some insights into the situation of social enterprises in 2020.

Please feel free to contact us with your questions or remarks. If you would like to read the [2016 country report](#) or are curious about other countries or other research initiatives within SEFORİS, please visit our website: [www.seforis.eu](http://www.seforis.eu).

### THE SEFORİS INVESTIGATORS TEAM

Prof. Johanna Mair, PhD – [mair@hertie-school.org](mailto:mair@hertie-school.org)

Alexandra Ioan, PhD

Josefa Kindt

Roxaneh Tehran

## Brief background overview

The social enterprises in our German sample have continued to flourish and prosper between 2015 and 2020. They remain a very diverse group of organizations spanning a variety of non-profit and for-profit legal forms, operating in various social sectors as independent organizations or as part of welfare associations or other umbrella organizations. They address a variety of target groups and are funded primarily through grants and donations, and commercial activities with individuals, other organizations and the government. Our interviews revealed an increased focus on environmental sustainability for the everyday operations of these organizations, in the context of increased global attention to the issue of climate change.

The institutional background for social enterprises has not significantly changed in terms of regulation and legislation that affects their work, but advocacy efforts have intensified. The purpose is to place social entrepreneurship higher on the public agenda and to gain more visibility and support for solutions of social enterprises to social problems. However, there is no consensus on who would best or legitimately advocate for social enterprises. Instead, social enterprises also report on their own ambition and impact to influence policy. They report high levels of engagement in policy and advocacy work related to the sector they operate in.

Social entrepreneurship has gained more attention on the political agenda, the most visible instance of this being the mentioning of social entrepreneurship in the governing coalition program 2018-2021. The topic has also been debated in the German Parliament in 2020, with each party presenting its position on the matter. Still, the political discussions are still at incipient and general level, with few concrete targeted policies and programs. Measures for supporting social entrepreneurship have started emerging at a local level, where governments in Hessen and Berlin for example have developed and funded strategies for encouraging the emergence of social innovation and social enterprises.

The COVID-19 pandemic has of course affected social enterprises as well, but to varying degrees depending on their sector of activity and their organizational and financial models. Some organizations reported difficulties in achieving social impact due to limited access to their target groups or due to effects of the pandemic on industries that their activities depend on (such as tourism and primary education). Other organizations on the other hand reported a maintaining of impact or even increase, as they have adjusted their work to the new circumstances and accelerated previously initiated digitalization efforts. By the end of 2020 the financial consequences of the pandemic on social enterprises have been surprisingly contained: social enterprises relying mostly on self-generated revenues were impacted the most, while the ones operating with grants and donations primarily have had more stability throughout 2020. Still, all social enterprises we interviewed highlighted that they expect the financial consequences of the pandemic for their operations and longevity be harsher and more visible in the next years.

## Social enterprises in Germany - an overview of our sample

Out of the 108 organizations in the 2015 sample, we managed to reach and directly interview 61. The other organizations which were not available for an interview will be represented in our database by use of publicly available secondary data. Further analyses of the complete sample will be conducted by the SEFORİS team.

This report is based on the answers of 54 social enterprises in our sample. Some of these social enterprises experienced significant transformation since we interviewed them in 2015: one social enterprise was integrated into state services, one social enterprise turned into a pure business, and one social enterprise was partly sold to another organization. Two organizations ceased to exist entirely. For the purposes of this report, the analysis focuses on the 49 organizations that still function as social enterprises.

Please note though that the total sample size we base this report on varies slightly across the different sections; this is due to missing data, a few questions not being applicable to all social enterprises, and a few questions having multiple answers.

Below you can find some general characteristics of the 49 social enterprises in our sample. Most of them (57%) are between 10 and 25 years old. A majority of organizations are based in or in proximity to bigger urban centers across Germany. As we heard in the interviews and as it is visible on the map as well, there is a tendency of social enterprises to have their headquarters and operate in states of former West Germany, with a lower density of organizations and networks in states of former East Germany. 65% of social enterprises in our sample also reported to have scaled internationally in 2019.

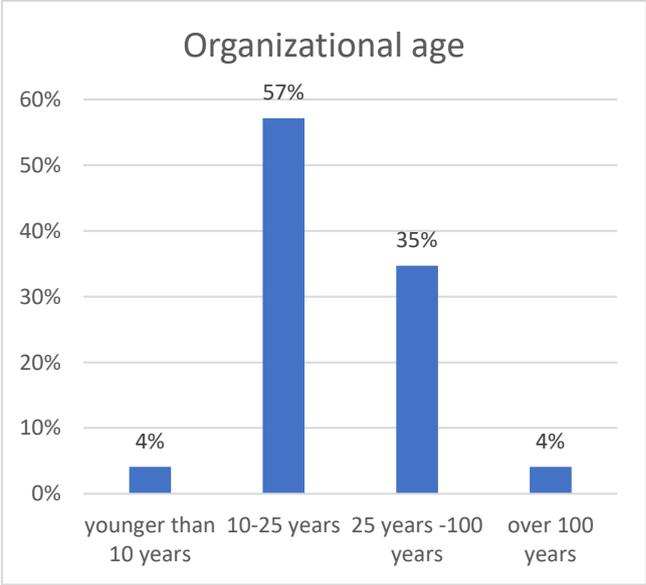


Figure 1. Organizational age of social enterprises. N=49



Figure 2. Geographical distribution around the country. N=49

Most of the social enterprises in our sample (39%) are registered as associations (*eingetragener Verein*), followed by limited liability companies with a public benefit status (*gGmbH* – 22%) and limited liability companies (*GmbH* – 18%). This distribution remains in line with the data from 2015.

35% of social enterprises in the sample have a dual legal form, with the same legal forms being the most common. Dual legal forms allow social enterprises to be more agile and flexible in adjusting their activities to the legal and fiscal frameworks in place in Germany – managing more efficiently in this way their revenue-generating activities and their social activities. Additionally, 41% of the social enterprises in the sample are members of welfare associations and other umbrella organizations.

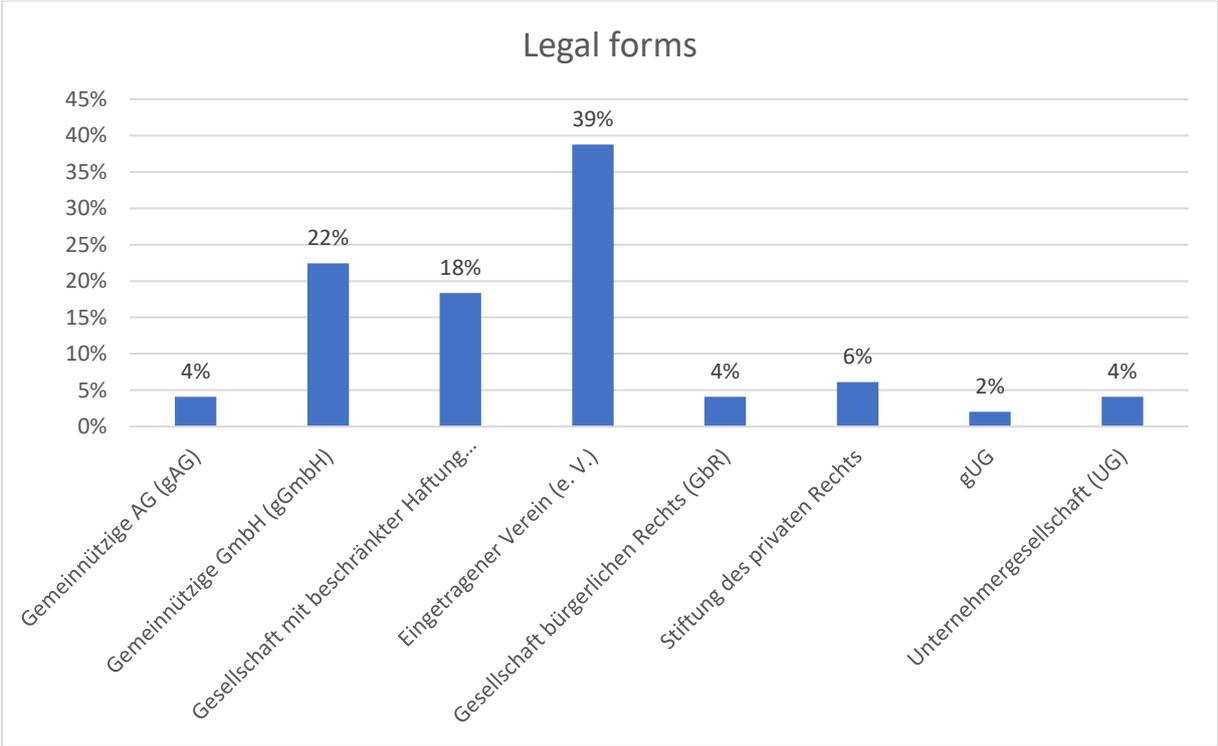


Figure 3. Legal forms of the social enterprises in the sample. N=49

**Sectors of activity**

In 2015, the most represented sectors in our sample were development and housing, education and research, health, law advocacy and politics (based on the International Classification of the Nonprofit Organizations - ICNPO). For more details please see the [2016 country report for Germany](#).

Over the past five years, there have been no sector changes (so a total shift from one social sector and target group to another) among the social enterprises in our sample. Even the five organizations that experienced transformation in the form of merging or selling remained within their initial sector.

However, almost all organisations experienced internal changes, such as the introduction of new programmes, means of digitalisation or qualitative enhancements of their existing services. For seven organizations, internal changes manifested through expansion of activity branches within the organizations’ same areas of expertise. New branches of activity included: consultancy, training, coaching, franchising, and research. Additionally, two organizations that did not embark on new branches of activity, however, expanded their target group (beneficiaries to include for example also children where only adults were targeted before), adjusting their services and programmes accordingly.

## Social impact

The main beneficiaries of the social enterprises in our sample are children and youth (51% of organizations) followed by other social organizations or social enterprises (16%). 63% of organizations in our sample indicated that they serve specific target groups such as teachers and educators, freelancers, other social entrepreneurs, persons suffering from rare and terminal diseases, medical personnel, people suffering from addictions, policy-makers or ventures from the Global South, among others etc. This depicts the variety of social issues and the very specific social groups addressed by the organizations, as well as a strong focus on developing the sector further through the support of other organizations. Education remains an important field of focus.

These results are in line with the main beneficiary groups recorded in 2015, where most social enterprises reported targeting primarily other social organizations or enterprises and children and youth. Although in 2015 the third most represented beneficiary group was citizens in general, the organizations in the 2020 sample have a significantly lower focus on this group.

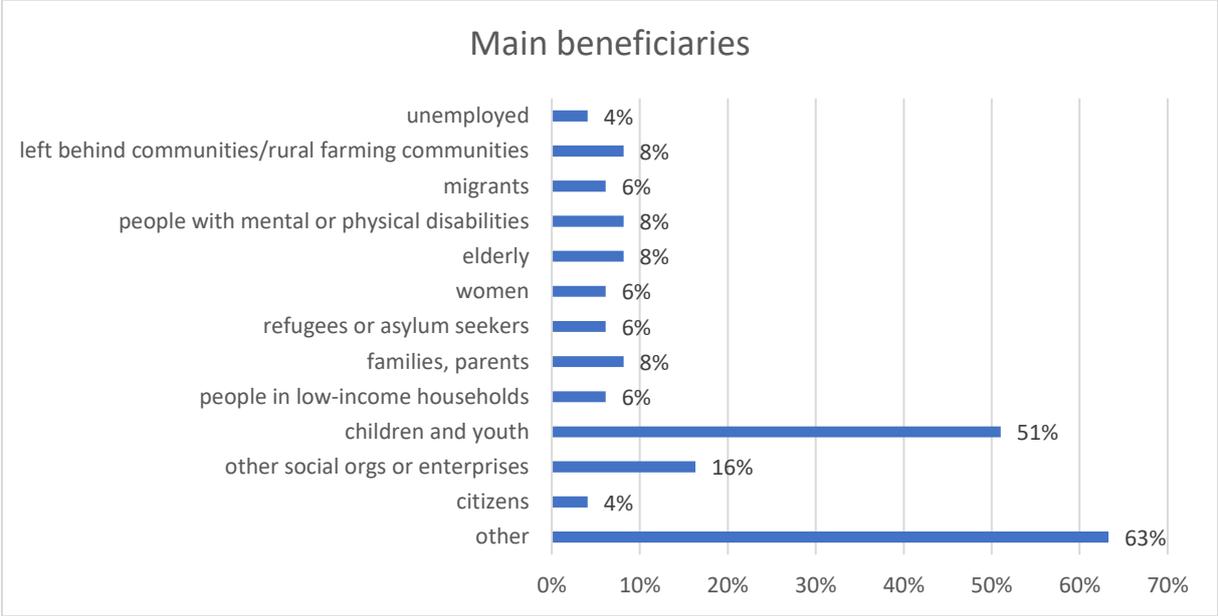


Figure 4. Main beneficiaries of the social enterprises in the sample. N=49

In terms of the type of impact they achieve, 96% of the organizations in our sample reported to have improved the lives of a disadvantaged group in the previous year, followed by 67% who influenced policy-making. 55% of the organizations also report improving the environment and 24% report improving legislation. These results indicate the increasing importance of advocacy activities among social enterprises and their increased connection and focus on policy-making.

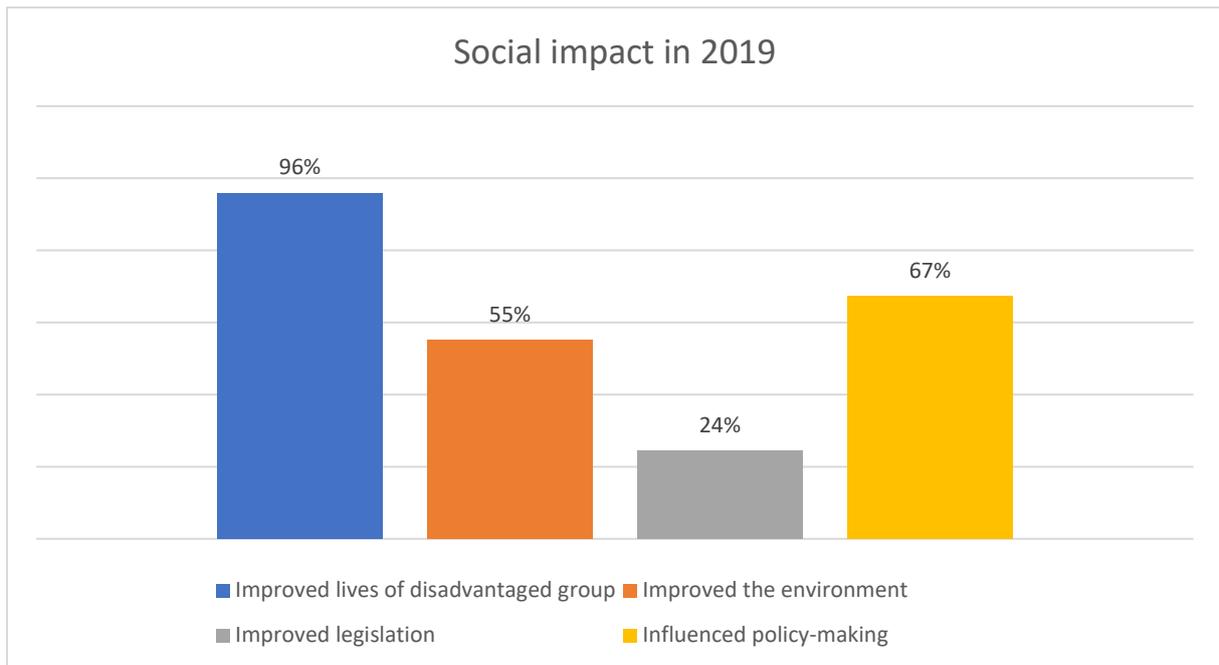


Figure 5. Social impact in 2019. N=49

82% of the social enterprises surveyed reported that they measure social impact indicators (in the 2015 sample, the proportion was 71%). Out of the organizations that do, 35% measure their number of beneficiaries, followed by 21% that track the success of their projects. The third most used social impact indicator (tracked by 12% of organizations) is the satisfaction of clients and beneficiaries.

If the number of beneficiaries remains the most important social performance indicator between 2015 and 2020, there seems to be an increase in focus of measuring satisfaction and quality of programs among the organizations in the 2020 sample. This might also be connected to the degree of maturity of the organizations, but also depicts the focus on the social effects of social enterprises' work.

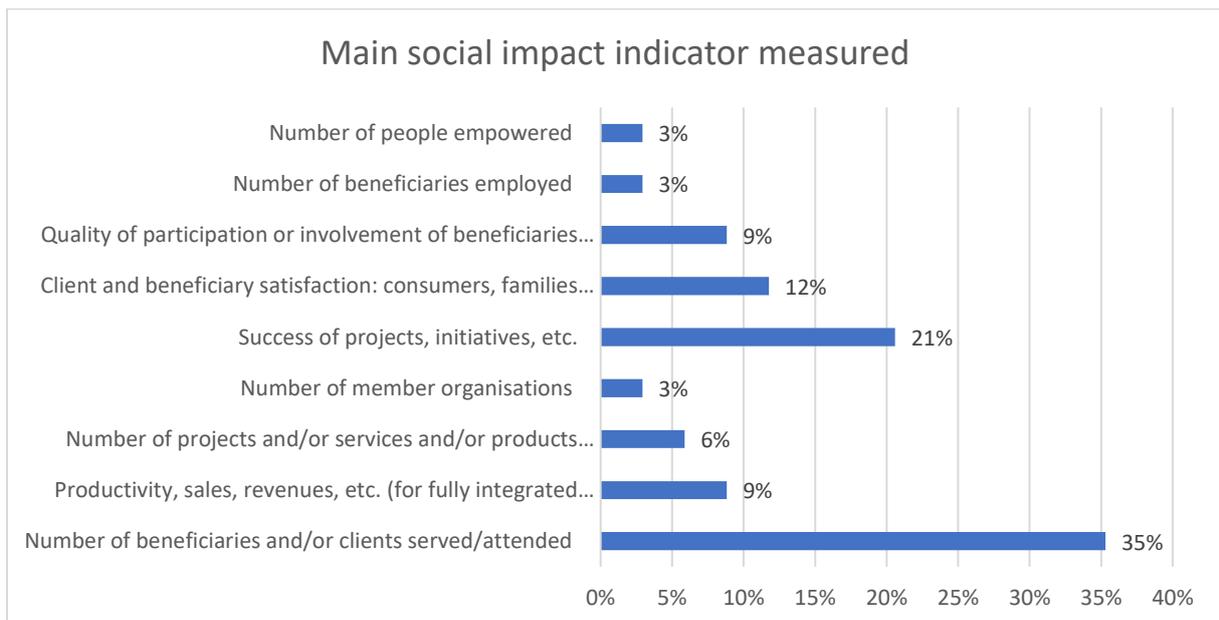


Figure 6. Main social impact indicator measured. N=34

## Accountability

We also inquired social enterprises about their accountability practices building upon the measurement of social performance indicators. Thus, 65% of German social enterprises in our sample that measure social impact report it to capital providers, 51% to the general public, and 47% to other groups such as member organizations (in the case of associations), partners, support networks, press, politicians, etc. These results depict the persisting importance of funders in guiding organizations in their impact measurement practices, but also the general accountability that social enterprises show towards society more broadly.

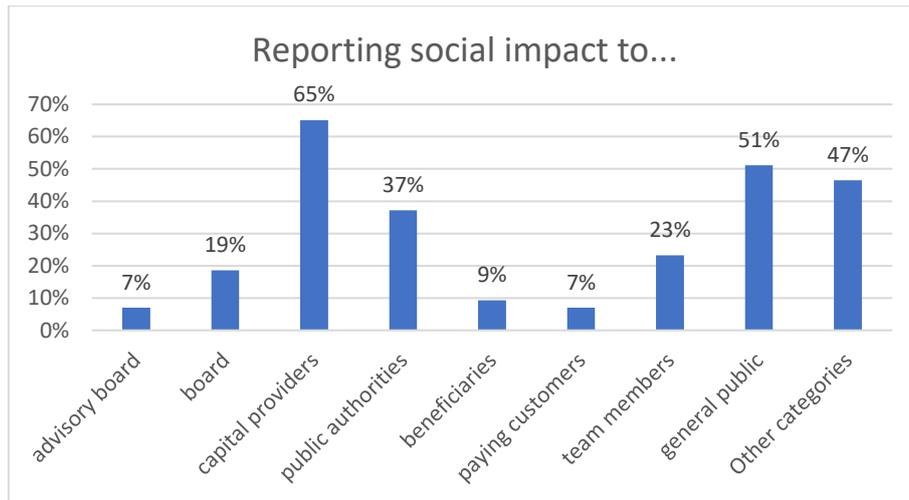


Figure 7. Main target groups for social impact reporting. N=43

At the same time, 59% of social enterprises in the sample feel most accountable to their beneficiaries, 45% to their capital providers, and 45% to other categories such as the broader community, the scientific community, partners, or collaborators. With regards to the 2015 results, it is worth noting the contrast between the fact that social enterprises feel most accountable to beneficiaries, but report their social impact to them to a very limited extent. On the other hand, reporting and accountability towards capital providers and society more broadly seem to be more closely connected.

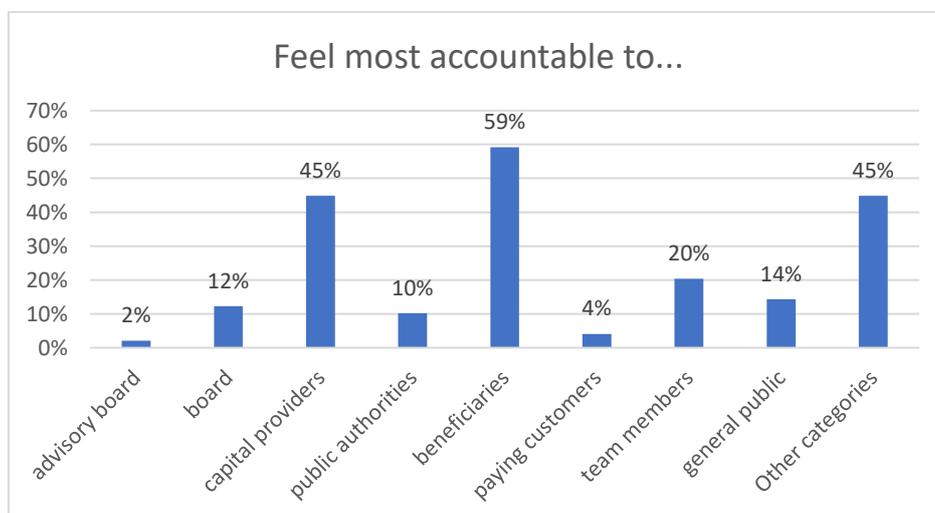


Figure 8. Main target groups to whom social enterprises feel most accountable. N=49

We also measured accountability of social enterprises in terms of structures, primarily through the existence and composition of boards of trustees and advisory boards. 65% of organizations in the sample have boards and 63% have advisory boards. These bodies do not seem however to be the ones that social enterprises feel most accountable to or report to the most. Out of the organizations that have boards, 78% have at least one woman representative on the board of trustees and 90% have at least one woman representative in the advisory board. This indicates preoccupation with diversity in these bodies as well, although women are not usually the majority on these boards.

### Sources of funding

When looking at revenue generation for the year 2019, we saw that 67% of the social enterprises in the sample reported revenues of over 1 million EUR, with the rest of the organizations having significantly smaller budgets. This is in line with the revenue intervals from the 2015 data as well, where most organizations also registered revenues of over 1 million EUR.

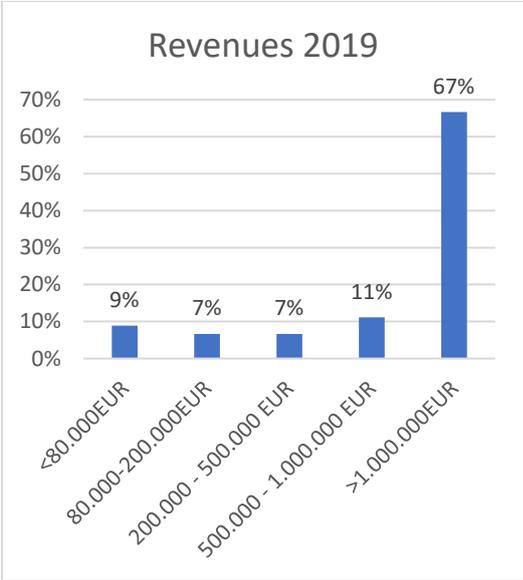


Figure 9. Revenues in 2019. N=45

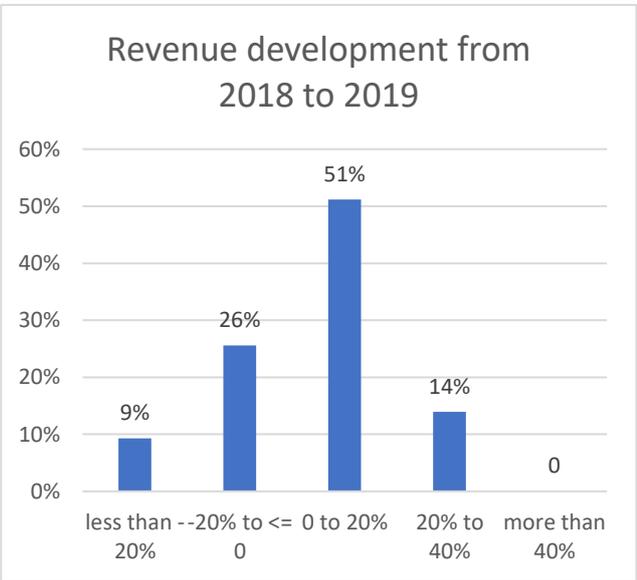


Figure 10. Revenue development from 2018 to 2019. N=43

When asked about changes in their revenues between 2015 and 2019, most organizations signalled an overall increase of income, which testifies to an overall growth of the organizations in our sample. Generally, the introduction of new or enhanced programs generated higher revenues. The engagement in new branches of activity is also directly tied to new sources of income within the same respective sectors. In five cases social enterprises achieved an increase in revenues through the expansion of their group of donors, clients or investors, including one case that shifted from business-to-consumer to business-to-business practices.

This is also reflected in the revenue development between 2018 and 2019, with 51% of social enterprises reporting an increase of their revenues between 0-20% and 14% of organizations reporting revenue increases between 20-40%. 26% of social enterprises registered a decrease up to 20% in revenues between 2018 and 2019, and only 9% registered a decrease of more than 20%.

If in the 2015 sample there was a very small proportion of organizations reporting losses in revenues between 2014 and 2015 (9% of the sample), in this survey round there is a significantly higher

proportion of organizations reporting losses between 2018 and 2019 (35%). Still, a majority of social enterprises in both samples report an increase in revenues of up to 20%, which supports the qualitative data around revenue and organizational growth.

The main sources of funding for German social enterprises in our sample are grants and donations (73% of respondents), followed by their commercial activity with the public or other organizations (71% of respondents). 49% of this commercial activity was in relation to government-related organizations, which shows the strong connection between social enterprises in Germany and the delivery of social and public services. The results are in line with the 2015 data with grants and donations and commercial activities being the two most important sources of funding for that sample as well.

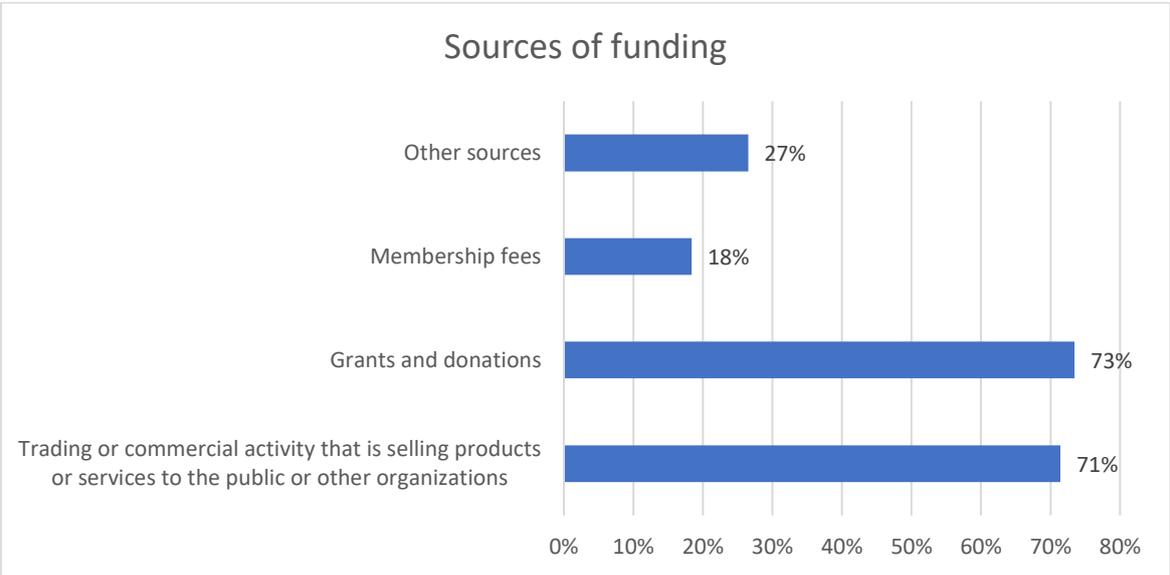


Figure 11. Main sources of funding. N=49

### Staff

The majority of social enterprises in our sample maintain a rather small size, with most (38%) having less than 10 full-time equivalents (FTEs). 24% of them have a team between 10 and 49 FTEs and 29% a team between 50 and 249 FTEs. Only 9% of the organizations in the sample work with more than 250 FTEs. As in the 2015 survey results, social enterprises maintain a rather small size in terms of labor force.

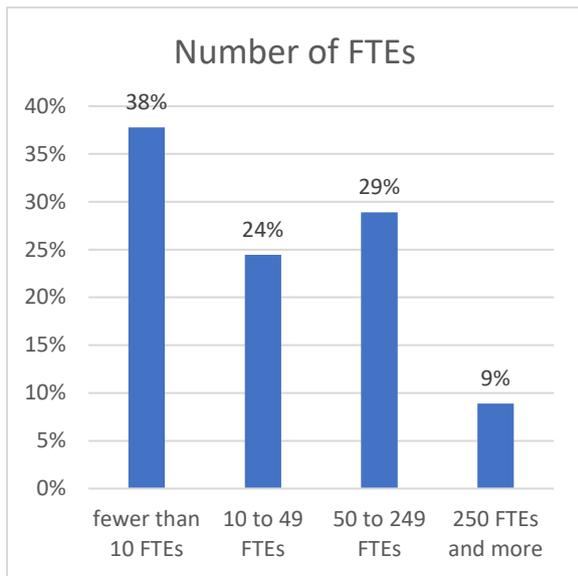


Figure 12. Number of FTEs. N=45

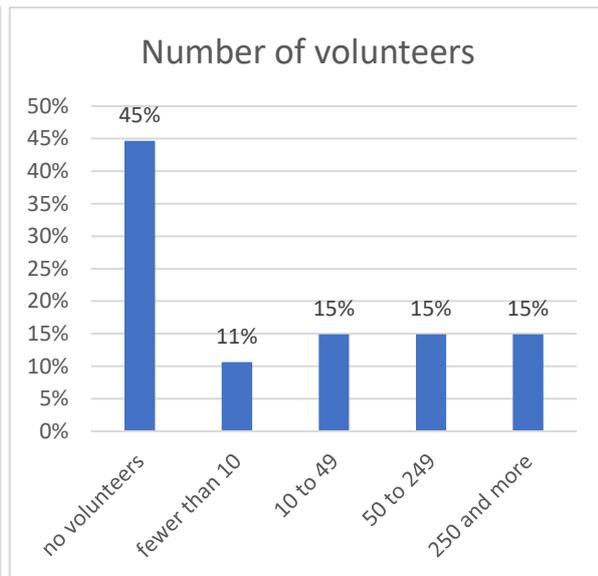


Figure 13. Number of volunteers. N=47

45% of the social enterprises have no volunteers with whom they collaborate, while the remainder of organizations has a relatively even distribution of the size of their volunteer groups. These results are similar to the ones from the 2015 survey and testify, once again, to relatively small organizational size of social enterprises.

## Innovation

We asked social enterprises if they introduced new products, services, and processes in their work in 2019. 49% of organizations introduced products and services, while 39% introduced new processes. Out of these, organizations reported that 88% of the new products, 83% of the new services and 47% of the new processes were a novelty for the market overall, not just for their organization. These results continue to indicate social enterprises' focus on innovation and on continuous adaptation of their work to the developing needs of their target groups.

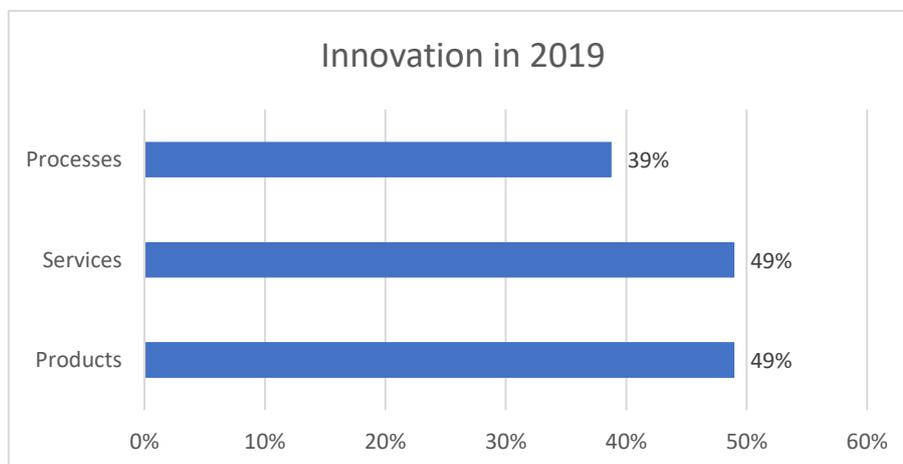


Figure 14. Innovation of new products, services and processes. N=49

65% of social enterprises reported to have collaborated in the innovation process and did so primarily with the following stakeholders: 58% collaborated with universities, other partners, consultants, freelancers, authors, networks, foundations, and the like; 45% reported that their main collaborators were organizations in the same field; and 16% of them reported they collaborated with funders and with beneficiaries, respectively.

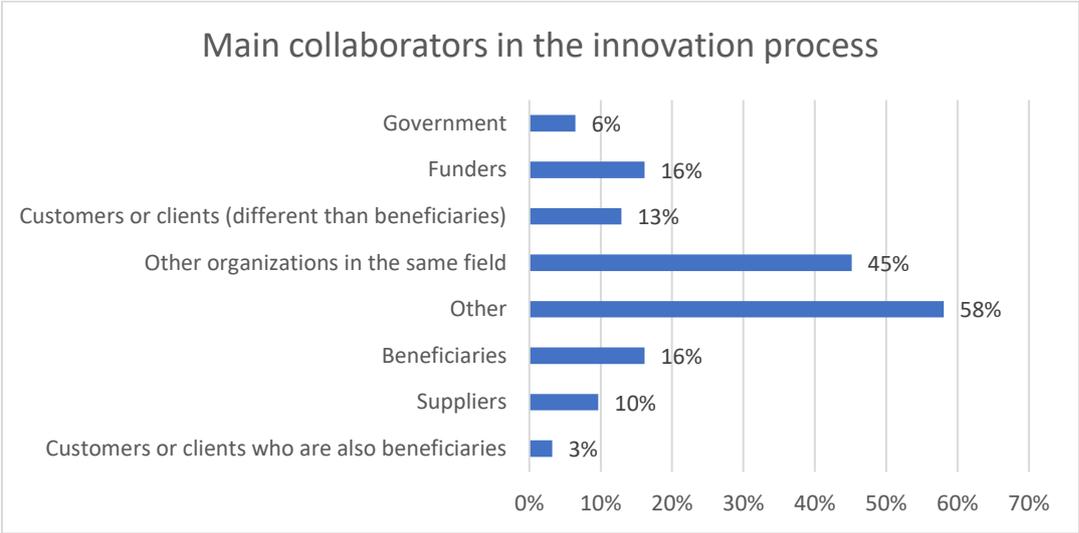


Figure 15. Main collaborators in the innovation process. N=31

**Collaboration**

In general, the main collaborators for social enterprises are NGOs (for 35% of respondents), followed by other categories (for 31% of respondents) such as support organizations, local initiatives, student communities, etc., and commercial businesses (for 22% of organizations). By comparing this to the 2015 survey results, it is clear that NGOs and commercial businesses still remain important collaborators for social enterprises, but the organizations in the 2020 sample have also significantly diversified their collaborators.

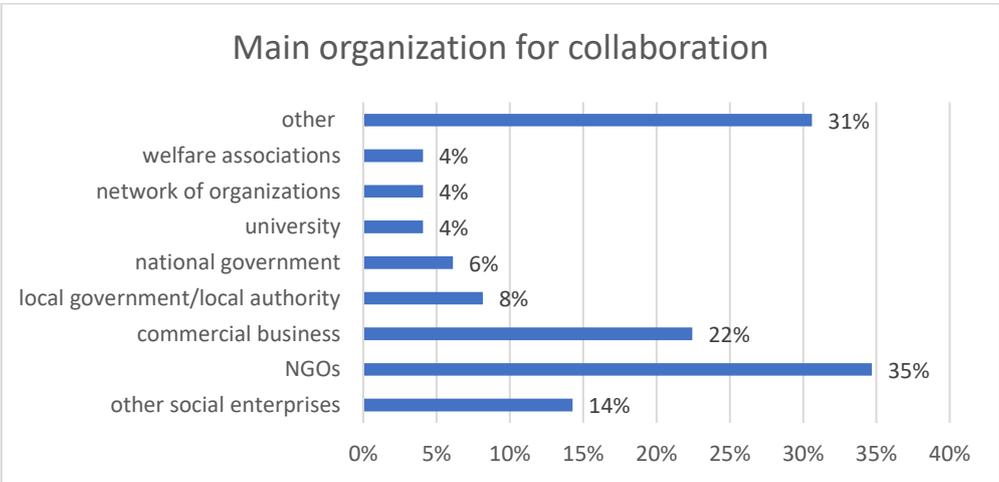


Figure 16. Main collaborators overall for the organization. N=49

## Competition

In terms of competition, 24% of social enterprises reported to have no direct competitors and 36% declared to have up to 10. Only 16% of the sample reported to have more than 100 competitors in their field, which relates to their positioning as innovators in the field that address social issues differently than other organizations. This is often due to their uniqueness in the way they combine services: in many cases social enterprises report that there are other organizations that provide one or the other of the services they provide, however, they are the only ones to combine these services in such a way that it creates a new niche.

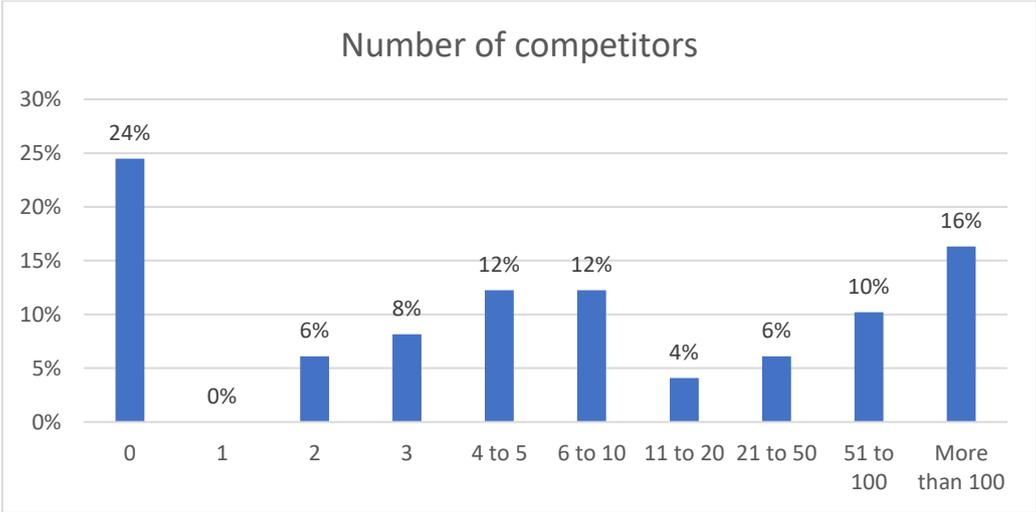


Figure 17. Number of competitors. N=49

Out of those organizations that reported having competitors, these are mostly pure non-profit organizations (for 57% of respondents), followed by pure for-profits (for 19% of respondents), and hybrid organizations or social enterprises (for 11% of respondents). This connects to the fact that social enterprises in Germany are still primarily active in the non-profit sector which is key in addressing social issues and providing social services.

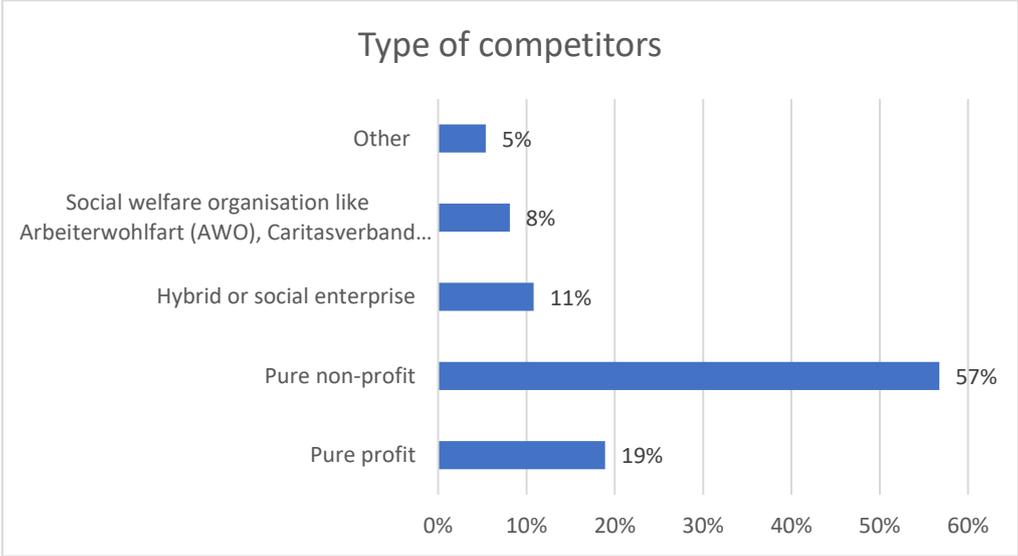


Figure 18. Main types of competitors. N=37

The competitors of social enterprises operate primarily in the same country for 51% of the social enterprises, in the same region for 22% of them and internationally or globally for 16% of them. This highlights the strong local rootedness of social enterprises and the contexts in which they operate.

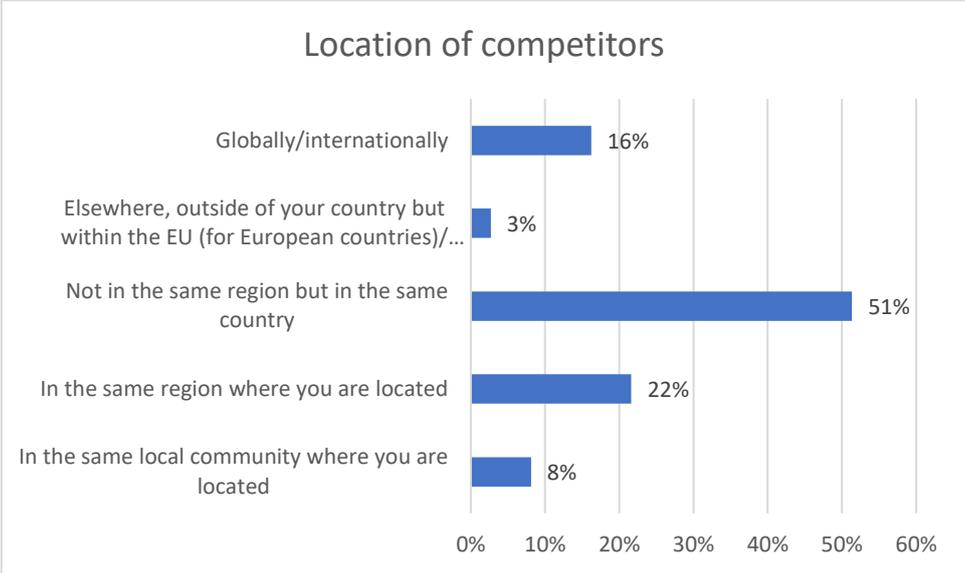


Figure 19. Location of competitors. N=37

### Effects of the COVID-19 pandemic

We tried to capture in our survey the first effects of the COVID-19 pandemic on the German social enterprises in our sample. Although most organizations reported that it is still too early to determine how the pandemic will affect them exactly, 84% of organizations reported to not be existentially threatened at this point in time. This is due to the fact that for most of the organizations funding in 2020 was secured and provided by their capital providers at the beginning of the year. Consequentially, these organizations did not experience massive financial instability. The organizations which relied mostly on self-generated revenues encountered more difficulties in maintaining their revenue levels.

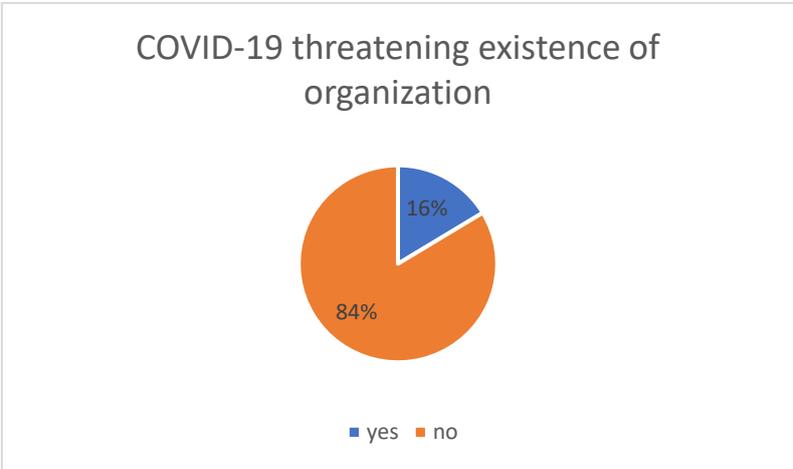


Figure 20. Existential threat due to the pandemic. N=39

Still, 60% of the social enterprises reported a decrease in their revenues as a result of the COVID-19 pandemic in 2020. The range of effect on revenues was between a decrease of 95% up to an increase of 25% in revenues.

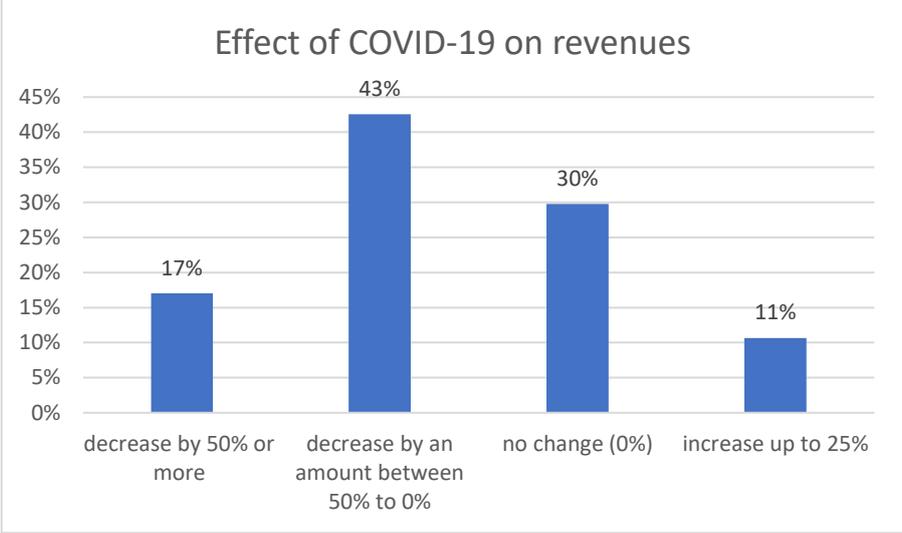


Figure 21. Effect of the pandemic on revenues. N=47

The effect of the COVID-19 pandemic on the capacity of social enterprises to achieve social and environmental impact spans the entire spectrum – from completely losing the ability to achieve social impact (due to losing physical access to target groups, for example) to doubling the impact (due to introducing digital adaptations of services and products or even developing new activities). Still, most of the organizations (56%) reported a decrease in social impact, while only 13% reported an increase. 30% of organizations in the sample reported no change.

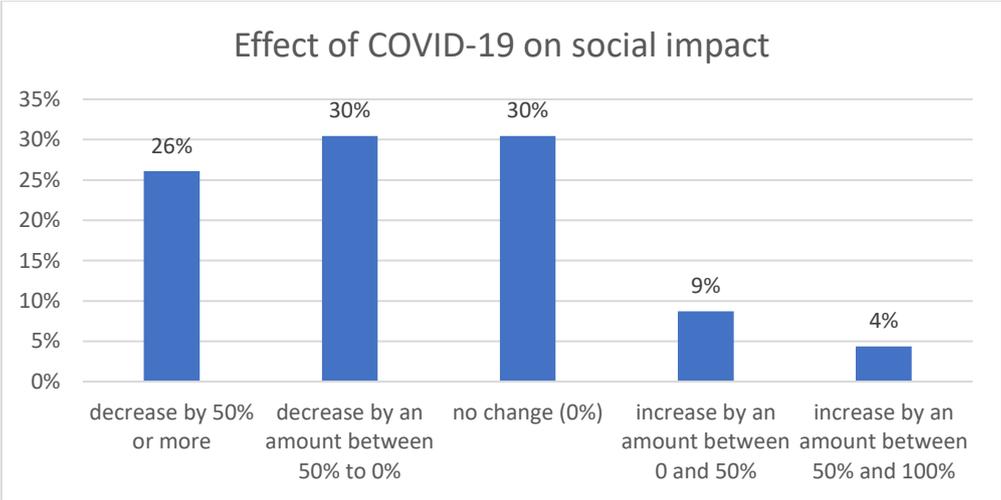


Figure 21. Effect of the pandemic on social and environmental impact. N=46

All organizations interviewed highlighted the need to wait and see the medium to long-term effects of the pandemic on their activity from 2021 onwards, as they expect to be negatively affected by the situation.

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### Thank you note

We wish to thank all the social entrepreneurs and their teams who took part in this survey and project and who shared with us their experiences, insights, and challenges. This report and further analyses would not have been possible without their valuable time and engagement.

This project is organised in the frame of CIVICA – The European University of Social Sciences. CIVICA brings together eight leading European higher education institutions in the social sciences to mobilise and share knowledge as a public good and to facilitate civic responsibility in Europe and beyond. CIVICA was selected by the European Commission as one of the pilot European Universities. Read more on [www.civica.eu](http://www.civica.eu).

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