



The State of Social Entrepreneurship - Innovations of Social Enterprises



SEFORIS

About SEFORIS: Social Enterprise as FORce for more Inclusive and Innovative Societies

SEFORIS is a flagship multi-disciplinary, multi-method international research project on social enterprise funded by the European Commission. Through the generation of robust evidence and internationally leading research, SEFORIS aims to better understand the role that social enterprises play in the EU and beyond in the development and evolutions of inclusive and innovative societies.

SEFORIS will investigate key processes through which social enterprises deliver inclusion and innovation (spanning a range of domains, from organisation and governance, over financing and innovation to behavioural change) as well as the contexts in which social enterprises thrive. In terms of methodology, we will start from policy and social enterprise practitioner questions and challenges together with critically scrutinizing existing academic literature. We use this first step to develop theoretical frameworks that then serve as a basis for thinking systematically about innovation and inclusion processes in context. This is followed by field and lab experimentation with social enterprises and in-depth case studies to expand and enrich our understanding of social enterprises. Unique longitudinal survey data will be collected across 9 distinct countries to test new (and at times counterintuitive) hypotheses to reach novel insights and generalizable conclusions. We engage policy makers and social enterprises throughout the research process to ensure that our research is relevant for them and can inform their practice.

The SEFORIS partnership

SEFORIS is a consortium of 12 organisations from 10 countries including Belgium, China, Germany, Hungary, Portugal, Romania, Russia, Spain, Sweden, and the UK.

Academic partners and research institutes:

KU Leuven (Belgium), Hertie School of Governance (Germany), Autonomous University of Barcelona (UAB, Spain), University of Aveiro (Portugal), Centre for Economic and Financial Research (CEFIR, Russia), Stockholm School of Economics (Sweden), Aston Business School (United Kingdom)

Social entrepreneur support and financing organisations

Oksigen Lab (Belgium), i-propeller (Belgium), Non-Profit Incubator (NPI, China), Nonprofit Enterprise and Self-sustainability Team (NESsT, Hungary & Romania), and The Foundation for Social Entrepreneurs - UnLtd (United Kingdom)

Advisors

Organisation for Economic Co-operation and Development (OECD, France), Harvard Business School (HBS, USA) and the European Venture Philanthropy Association (EVPA, Belgium)

Funder

This project has received funding from the European Union's Seventh Framework Programme for research, technological development and demonstration under grant agreement no 613500.



Contents

- 1. **Belgium - Innovations of social enterprises**..... 1
- 2. **China - Innovations of social enterprises**..... 3
- 3. **Germany - Innovations of social enterprises** 4
- 4. **Hungary - Innovations of social enterprises** 6
- 5. **Portugal - Innovations of social enterprises** 9
- 6. **Romania - Innovations of social enterprises**.....10
- 7. **Russia - Innovations of social enterprises**12
- 8. **Spain - Innovations of social enterprises**13
- 9. **Sweden - Innovations of social enterprises**15
- 10. **UK - Innovation of social enterprises**18

1. Belgium - Innovations of social enterprises

“Innovations should be ‘societed’ instead of ‘marketed’.”

- Danny Jacobs, CEO of Bond Beter Leefmilieu (am magazine, No 1, 2013)

Innovation drivers and barriers¹

The main driver for 62% of the interviewed social entrepreneurs was **to increase the range and/or quality of the product and/or services** that they deliver (62%). This is also the most common response found with mainstream entrepreneurs. Interestingly, and unlike with mainstream businesses, the second most cited driver was **to achieve social enterprise’s social goals** (58%) (by increasing the quality of social impact, spreading social impact or reducing environmental impact). This is indeed in line with the strong social focus of their mission. The third most common driver was **to increase the enterprise’s financial sustainability and expand its market** (55%).

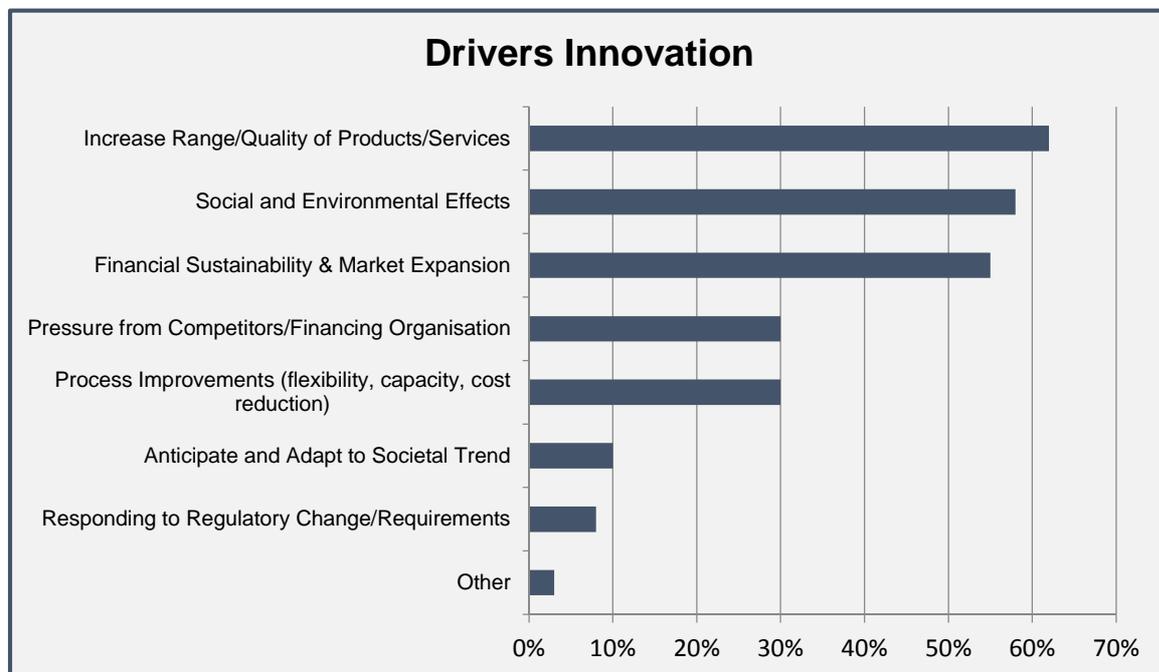


Figure 1: Innovation drivers (N=77), the categories were obtained through prior exploratory research, and from the Community Innovation Surveys (available through Eurostat)

67% of the respondents of the Belgian Selusi study encountered innovation barriers.

- **Cost-related innovation barriers** (much like with commercial enterprises) are the most frequently mentioned (67%). More than one third of the sample experienced problems with the availability or lack of finance and also because of costs being too high for financing their project.

¹ Huysentruyt, M., Kint, A., and Weymiens, S. 2013. “Mapping of social enterprises in Belgium.” i-propeller with support of the King Baudoin Foundation.

- **Internal barriers** turn out to be almost equally blocking or slowing down their ambitions (63%). For instance, the lack of time available or lack of qualifications within the team but also internal resistance to change scored very high.
- On the other hand, **market barriers** (27%) (and this is different to commercial enterprises) and regulation-related barriers (23%) were least frequently cited.

Typology of innovations²

- The majority of the innovations introduced in the past year were either **service or process-related**.
- Categorisation in expected ROI: The overwhelming majority of social enterprises expect a return within one year. 24% of the organizations expect the introduced innovation to pay off in the medium term, i.e. 2 to 5 years. None of the interviewees mentioned a timeframe beyond five years.

Innovation process²

The Belgian SELUSI research suggests that Belgian social enterprises widely leverage both external and internal resources to define and develop their innovations. Over a quarter of the enterprises collaborate with other organizations in the same field or sector to develop new projects. An equally high share of enterprises sources in intelligence and guidance from consultants and commercial labs.

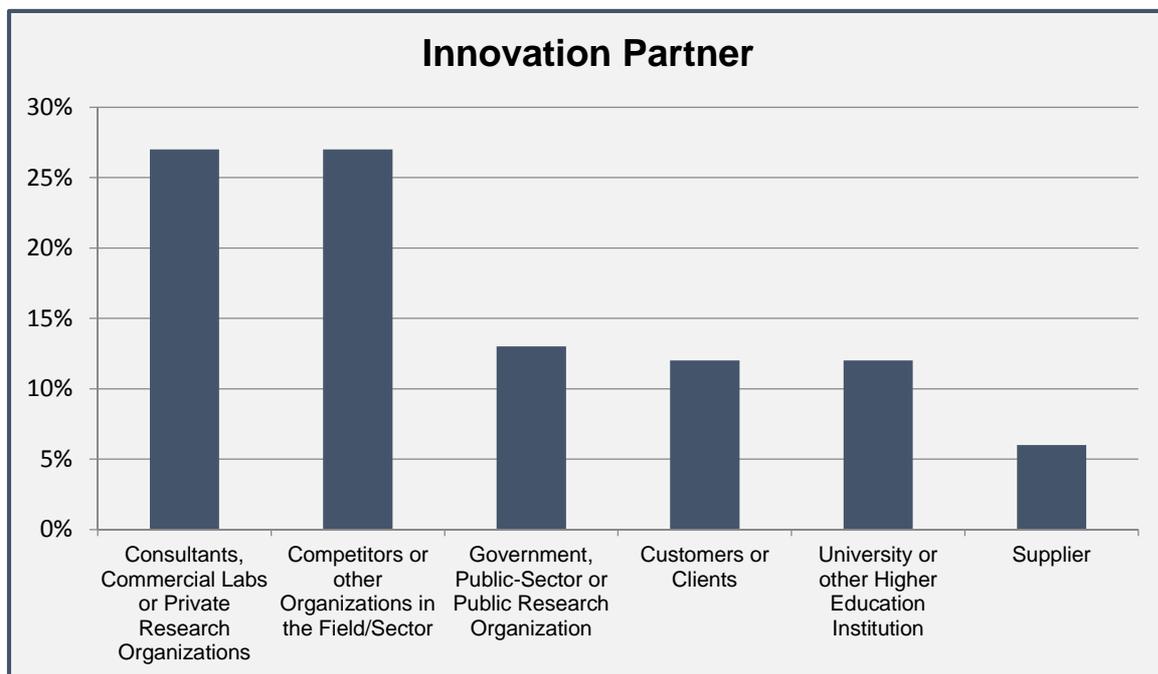


Figure 2: Innovation partner (N=61)

² Huysentruyt, M., Kint, A., and Weymiens, S. 2013. "Mapping of social enterprises in Belgium." i-propeller with support of the King Baudoin Foundation.

2. China - Innovations of social enterprises

Innovation drivers and barriers³

- **Innovation drivers**

While the early development of social enterprise was largely driven by external factors, two simultaneous internal trends are currently influencing the growth and innovations of social entrepreneurship in China. The social and economic realities faced by people are the ultimate drivers of social entrepreneurship in China, which is at a unique stage in its economic development.

- **Innovation barriers**

The foremost challenges cluster around three key issues: access to funding; access and retention of human resources; and government policy and the legal framework.

For NGOs, new donors cannot yet replace old donors. Bilateral and multilateral organizations, international foundations and INGOs, which have been the traditional sources of funding for civil society in China, have been reducing their funding for China in recent years in most areas.

Access and recruitment of talent and the skills and knowledge level of employees are a severe challenge for 52% of survey respondents, with a further 21% finding it a significant challenge.

While there are a variety of legal forms in the current legislative framework in China that social enterprises can adopt, no specific legal form for social enterprises has emerged, and registration and legal uncertainty remain one of the biggest challenges for Innovations of social enterprises.

Typology of innovations

Social enterprise is still in its infancy stage in China, strictly speaking. It is difficult to summarize the typology of innovations of social enterprise. The general practice of exploration can be divided into two typologies: one is relying on the existing system of public welfare innovation typology, it is mainly based on two kinds of system, one is the social welfare enterprises based on state-owned enterprises management; and the other is based on the non-governmental organizations management of Private non-enterprise units. The second is to actively introduce the market mechanism of social innovation typology.⁴

Innovation process

Through analysis of existing social enterprises in China, we can find that most social enterprises would choose collaboration with different partners to seek various kinds of resources, which includes the government, foundation, social media, experts, supportive social organization and so on.

³ Andrea Lane. 2012. "China Social Enterprise Report 2012". Foundation for Youth Social Entrepreneurship.

⁴ Wang Ming, Zhu Xiao hong, 2010, An Outline of social enterprises, *China nonprofit review*.

3. Germany - Innovations of social enterprises

As the definition of social enterprises in Germany has frequently been linked to innovation (see also 1.), the particular nature of social innovation has been a recurrent subject of discussion and studies⁵. Frequently used is a definition from Zapf⁶ who has defined social innovation as “*new ways to reach goals, particularly new forms of organizing, new regulations, new lifestyles, changing the direction of social change, solving social problems in better ways that are worthy being mimicked and institutionalized*”.

Foundations like Ashoka Germany or the Schwab foundation use social innovation as criteria for selection of their fellows. The Schwab foundation, for instance, proposes that the innovation can take the form of:

- A new product or service;
- A new production or distribution method;
- A new labor supply;
- The reformulation of an existing product for an underserved population; and/or
- New organizational structures or funding models⁷.

Innovation drivers and barriers

“*The willingness to cooperate between new and established players is remarkably low – on both sides*“

- Academic, Ashoka Germany

Ashoka Germany⁸ have addressed the 10 major barriers for social Innovation in Germany

1. Lack of **venture capital**
2. Lack of **follow-up financing** for successful initiatives
3. Lack of **transparency in public funding**
4. Lack of **willingness to cooperate** in the established social welfare sector
5. Lack of **market places for imitators** of social innovations
6. Lack of **qualified personnel** in the social sector
7. Lack of **management knowledge** in social enterprises
8. Counter productiveness of **organizational culture** of social organizations
9. Lack of access to **support for social entrepreneurs**
10. Weak **political lobby** for social entrepreneurs

⁵ Jansen, Stephan A., Rolf G. Heinze and Markus Beckmann, eds. 2013. Sozialunternehmen in Deutschland. Springer: Wiesbaden.

⁶ Zapf, Wolfgang. 1994. Modernisierung, Wohlfahrtsentwicklung und Transformation. Wissenschaftszentrum Berlin für Sozialforschung, WZB: Berlin.

⁷ Schwab Foundation. 2014. Criteria for Selection into the Schwab Foundation Network.

⁸ Höll, Rainer and Felix Oldenburg. 2014. Wie überwinden wir Hürden für soziale Problemlöser? Sechs Ansätze zur Verbreitung von sozialer Innovation und Social Entrepreneurship in Deutschland. Ashoka.

They propose six approaches to foster innovation such as:

1. **Transfer agencies** that bring together social innovation, financial resources and implementers so that innovation can grow through replication
2. **Social innovation centers** that foster interaction between local actors in the social sector, resources and decision makers
3. **Innovative finance:** combining existing ways of funding with new forms of collaboration between funders, building a financial market for social capital
4. **Impact oriented public funding:** prioritizing impact to foster social innovation
5. **Cooperation between welfare organizations and social entrepreneurs:** cooperation to foster scaling of social innovation
6. **Talent for the social sector:** Foster access for highly skilled leaders into the social sector

Typology of innovations

Zapf⁹ differentiates different types of social innovations, such as social innovations within organizations (new forms of participation, new forms of training); new services (planning, design, education, consulting etc.); social technologies (combination of services and technologies to solve social problems), political innovation (e.g. reforms with social impact) and new lifestyles.

While there are many different approaches to what social innovation is or should be in practice¹⁰ there is no generally accepted definition of social innovation in Germany. This is also closely connected to the problem of measurement of innovation. There are efforts to address this problem of measurement such as in the context of the TEPsIE project at the University of Heidelberg. Recent discussions, particularly in the academic context, have emphasized the innovative potential of social entrepreneurship to reconcile market and community logics¹¹

Measurement of innovation is also strongly discussed in the context of funding and impact investment.

Innovation process

As there is no available data on typologies or measurement of social innovation, efforts to streamline and compare innovation processes have not yet been made. However, actors active in the field of social entrepreneurship emphasize the importance of interaction, collaboration and experimentation in the innovation process¹² and the capacity for continuous innovation¹³.

⁹ Zapf, Wolfgang. 1994. Modernisierung, Wohlfahrtsentwicklung und Transformation. Wissenschaftszentrum Berlin für Sozialforschung, WZB: Berlin.

¹⁰ Jansen, Stephan A., Rolf G. Heinze and Markus Beckmann, eds. 2013. Sozialunternehmen in Deutschland. Springer: Wiesbaden.

¹¹ Scheuerle, Thomas, Björn Schmitz, and Martin Hölz. 2013b. „Governancestrukturen bei Sozialunternehmen in Deutschland“. S.A. Jansen, R.G. Heinze, M. Beckmann, eds. Sozialunternehmen in Deutschland. Springer, Wiesbaden.

¹² Senatsverwaltung für Wirtschaft Technologie und Forschung Landesinitiative Projekt Zukunft. 2013. Innovations- und Kreativlabs in Berlin – eine Bestandsaufnahme Räume und Events als Schnittstellen von Innovation und Kreativität. Berlin.

¹³ Seelos, Christian, and Johanna Mair. 2012. What Determines the Capacity for Continuous Innovation in Social Sector Organizations? Rockefeller Foundation Report: Stanford Pacs.

4. Hungary - Innovations of social enterprises

“The concept of social innovation were brought to life by the recognition coming from the policy makers and scientific circles that the technological and business innovation cannot answer every social challenge.”

- KOINE Innovation Magazine

Innovation drivers and barriers

In the SELUSI research virtually all social ventures considered innovation important. Social entrepreneurs identified six main clusters of innovation drivers: social and environmental effect (increasing quality/spreading social impact, reducing environmental impact, 61%); increase range/quality of products and services (45%); financial sustainability and market expansion (36%); pressure from competitors and financing organizations (13%); process improvements: flexibility, capacity, cost reduction (10%); responding to regulatory change/requirements (6%).

The most widespread driver of innovation activity was to achieve the social venture's social goals: for example, to improve the quality of how the venture delivers social impact and/or increase the spread of social impact by increasing the number of people they reach; while the main driver of innovation of commercial enterprises has been to increase the range and/or quality of their products and services (Eurostat, CIS 2006; Parvan, 2009).

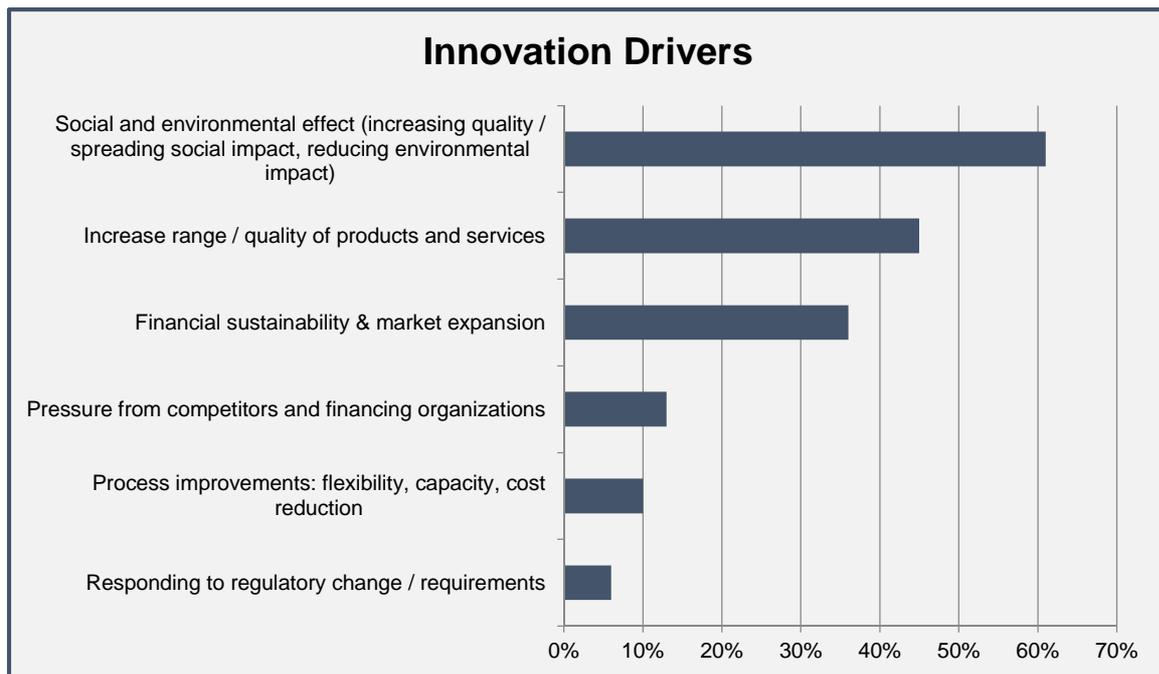


Figure 1: Innovation Drivers (Source: SELUSI, 2012. N=104). The categories were obtained through prior exploratory research, and from the Community Innovation Surveys (available through Eurostat).

The identified innovation barriers were the following:

- **Cost-related innovation barriers** (much like with commercial enterprises) were the most frequently mentioned (52.4%).

- **Internal barriers** – such as lack of time or qualified personnel - were also detected by 23.3%.¹⁴
- On the other hand, **regulation-related barriers** (14.6%) and **market barriers** (7.5%) (and this is different to commercial enterprises) were least frequently raised.

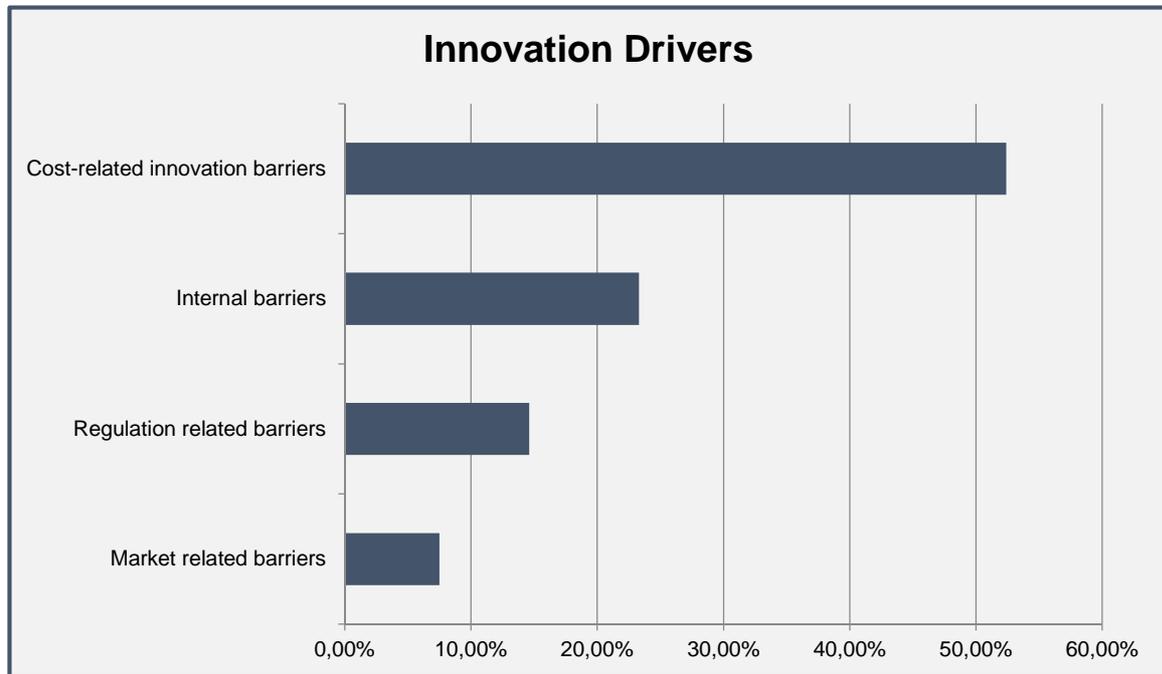


Figure 2: Innovation Barriers (Source: SELUSI, 2012. N=103)

Typology of innovations

- According to the SELUSI research 84% of Hungarian social enterprises introduced at least one new or significantly improved service, product and/or process to their organization in 2009. Moreover, 59% of those ventures had introduced at least one 'new-to-the-market' innovation, i.e. a 'radical' innovation in 2009. When we contrast these figures with comparable data on commercial enterprises, we find that social ventures reported to be much more innovatively active.

¹⁴ See definition in Annex taken from the already cited SELUSI Report.

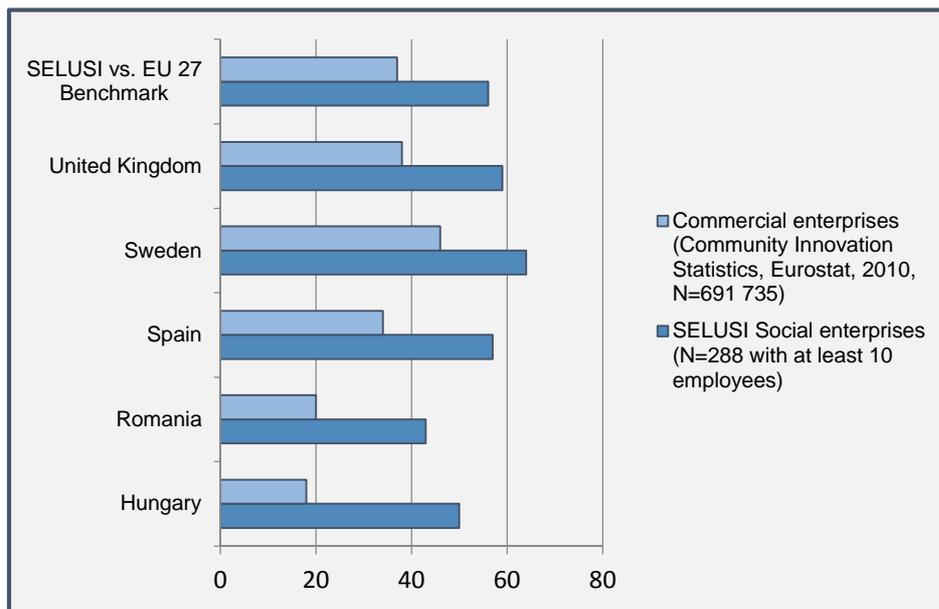


Figure 3: Proportion of Social Ventures that had introduced New-to-the Market Innovations in 2009 (Source: SELUSI, 2012)

Innovation process

There is no dedicated source to support innovation activity of social enterprises. In most of the cases their innovations are not technological ones, but e.g. labour, communication or process related. Successfully balancing between the social impact and financial sustainability is already an innovation since social activities are not normally market driven. NGOs can find governmental and EU funds for social innovation, but for technological innovation hardly any. For for-profit social enterprises there is hardly any financial source for social innovation, either.

5. Portugal - Innovations of social enterprises

Innovation drivers and barriers

The lack of many examples of social enterprises can be considered as a key barrier to the development of the field, because emerging social entrepreneurs find it hard to anchor themselves in the learning from other examples.

Another important barrier stems from the fact that the country R&D policies have put a strong emphasis in the development of technological entrepreneurship over the last years, rather than other types of entrepreneurship. Universities and research labs were key partners in this endeavour, with many universities holding their own incubators, specifically targeted to nurture technology based companies, spinning off from university research projects. Nowadays the managers of the existing incubators are finding it difficult to understand the needs of social entrepreneurs and have difficulties in providing them the adequate services and assistance for the development of this type of ventures. The same applies to the availability of credit and risk capital. The ability of the organizations to offer capital to assess the value and the sustainability of social initiatives is yet limited.

Typology of innovations

According to some examples of social entrepreneurship in Portugal identified and presented in the website of the Social Entrepreneurship Institute¹⁵, we can conclude that the majority of these innovations are service or process-related;

There are rarely cases where the innovation is the introduction of a new product in the market.

Innovation process

In Portugal, social entrepreneurs mostly develop innovations in collaboration with competitors and other organizations in the field/sector that promote competitions and provide support for the development and implementation of new ideas (e.g. Social Entrepreneurship Institute, BIS, Gulbenkian Foundation) and their customers or clients.

¹⁵ Instituto de Empreendedorismo Social. "Projetos ES+ Identificados". Accessed February 5, 2014. <http://www.ies.org.pt/235173/2565728/identificacao/projetos-es-identificados>

6. Romania - Innovations of social enterprises

“[...] There are a few critical areas in Romania where the reforms of the last years opened the pathway for the development of innovative policy solutions, setting the framework for an entrepreneurial type of approach: the reform in the field of social services, public administration reform and the development of instruments for the public-private type of partnership.”

- Mihaela Lambru¹⁶

Innovation drivers and barriers

Innovation can contribute to social and labour inclusion, decrease in poverty and the successful transition to an ecologically focused economy. In Romania social innovation and social economy are relatively new concepts, mainly embedded in the NGO sector and in civil society. Social innovations seen as new ideas or ways of working that meet social needs more effectively than existing traditional approaches, is seen in Romania among many social economy organizations (associations, foundations, credit unions, cooperatives) dealing with child care, social services, work integration of disabled people, rural community development, formal and non-formal education, waste management, health-care services etc.

The main drivers for social innovation in Romania seem to be the following:

- Financial sustainability and expansion on the market;
- The growth of product quality and variety;
- Sustainable social impact reducing the impact on the environment;
- Pressure coming from competitors and financing organizations;
- Improvement in the business process through – flexibility, increase capacity, cost reduction;
- Response to change in regulations/ requests

According to the SELUSI report for Romania, innovation drivers represent the following characteristics:

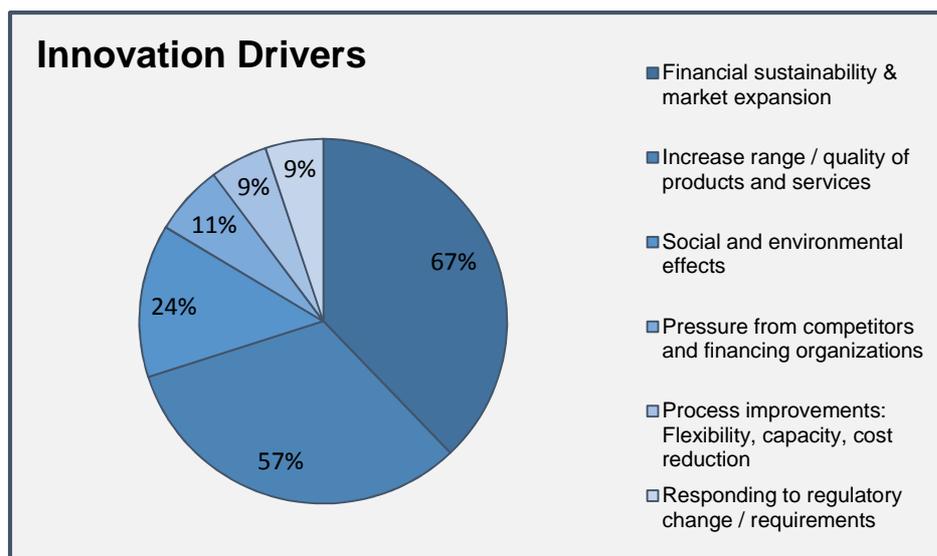


Figure 1: Innovation Drivers (SELUSI, 2012. N=74)

¹⁶ Trends and challenges for social enterprises, Mihaela Lambru, Claudia Petrescu, International Review of social research, Volume 2, Issue 2, June 2012, 163-182.

In Romania, barriers confronted by social entrepreneurs include:

- Cost related barriers – excessive cost assimilated to innovation;
- Internal obstacles like lack of time, lack of personnel, lack of technology related information;
- Regulation related obstacles; innovations have been inhibited by the need to obey governmental regulations. Also social enterprises do not receive support from the official institutions given that they are not familiarized with what is a social enterprise;
- Market related barriers which indicate de fact that social innovation could not be achieved because the product or service would not be accepted in the market.

The SELUSI Report for Romania, summarizes the barriers to social economy innovations:

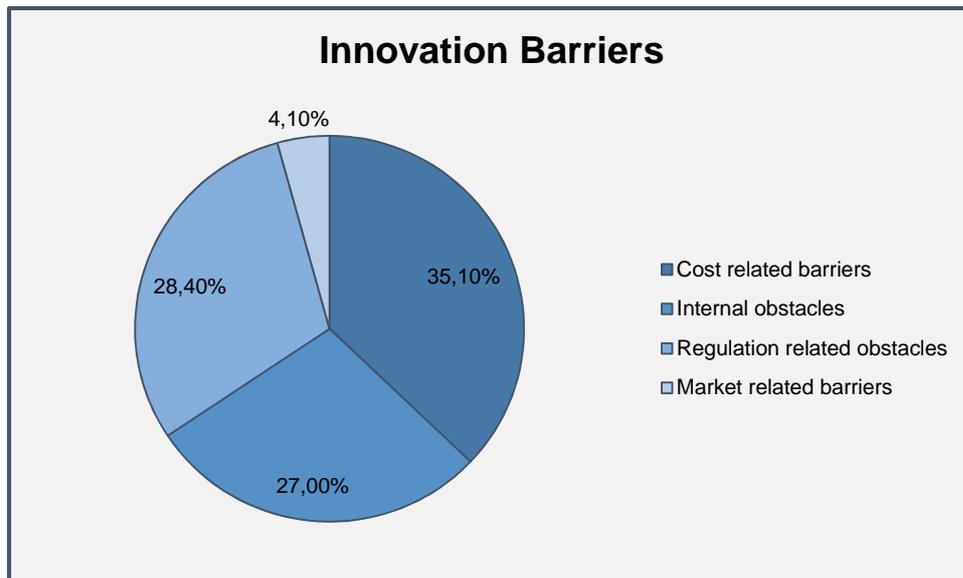


Figure 2: Innovation Barriers (SELUSI, 2012. N=74)

Typology of innovations

- In Romania there is a tendency for organizations to introduce at least one new service/product/process which is significantly improved.
- Most of the social enterprises come with innovation on the market and generally the social enterprises tend to be more innovative in comparison to conventional commercial enterprises.

Innovation process

The Romanian SELUSI research suggests that Romanian social enterprises are fairly active in regards to the innovation dimension of their activities, always trying to develop new elements on the market. According to the data identified, the grand majority of the social enterprises which are present in Romania are continuously developing new products and services to bring to the market so that they are always well received by their customers.

7. Russia - Innovations of social enterprises

Innovation drivers and barriers

Our knowledge is still on the level of case studies, comprehensive statistics are not available yet. Only one social entrepreneur during the survey mentioned that their organization offers something new¹⁷, but this subject needs to be studied in the future.

Typology of innovations

No information yet.

Innovation process

No information yet.

¹⁷ GEM 2009. GEM 2009 APS global individual-level data. Global Entrepreneurship Monitor. Accessed April 30, 2014. <http://www.gemconsortium.org/docs/3130/gem-2009-aps-global-individual-level-data>

8. Spain - Innovations of social enterprises

Innovation drivers and barriers

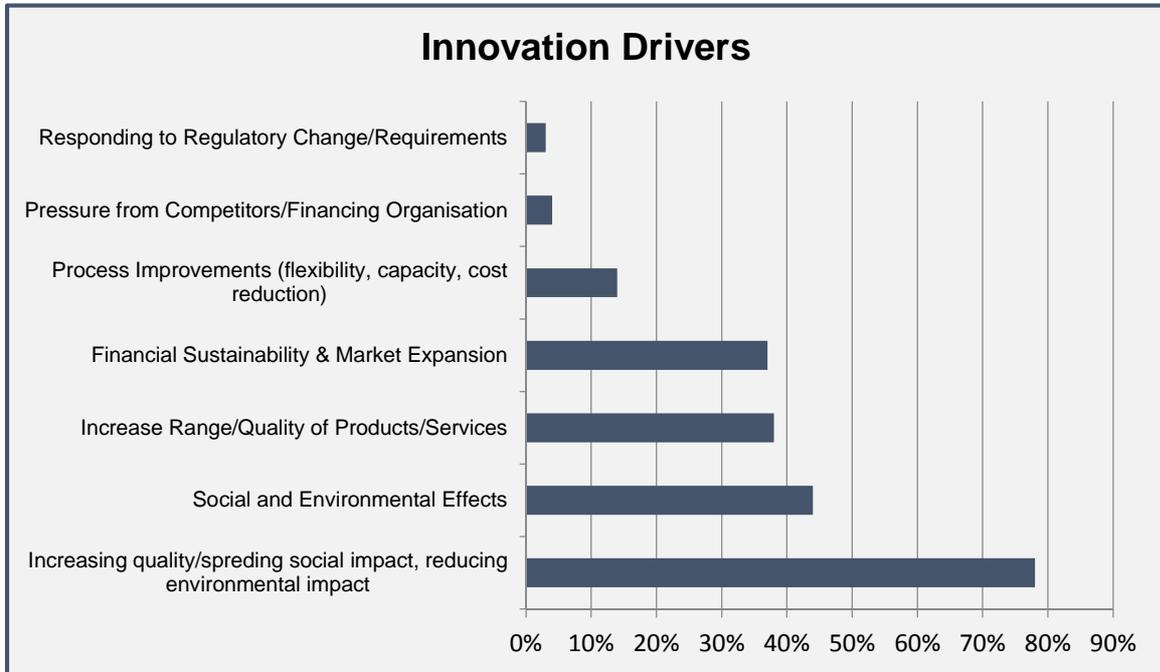


Figure 1: Innovation drivers (SELUSI Project, N=136)

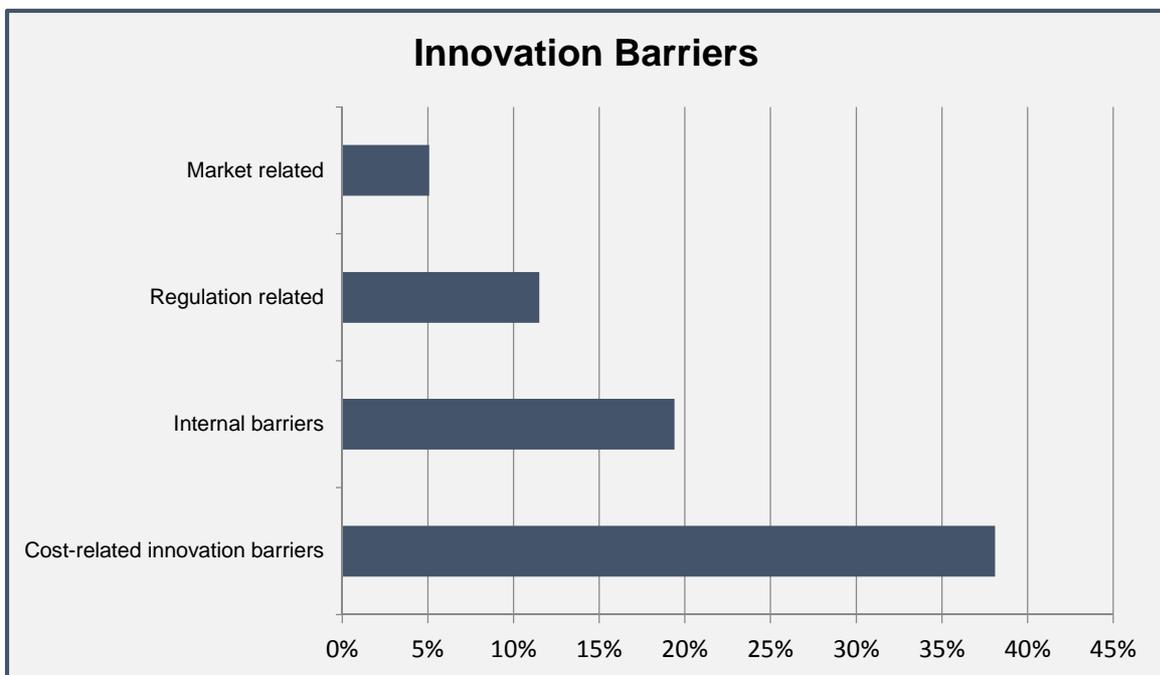


Figure 2: Innovation barriers (SELUSI PROJECT, N=139)

The main driver for innovation activity was to achieve the organization's social goal: for example, to improve the quality of how they deliver social impact and/or increase the spread of social impact by increasing the number of people they reach. Other social entrepreneurs

declared they innovate in order to reduce the negative environmental impact of their organization’s activity. Previous studies showed that commercial enterprises’s main innovation driver has been to increase the quality and/or range of their products and services (Eurostat, CIS 2006; Parvan, 2009).

The data collected during the SELUSI project showed that cost-related innovation barriers were most frequently mentioned (most like with commercial enterprises), whereas market-related barriers were the least frequently raised (unlike with commercial enterprises).

Typology of innovations

“ We need to strengthen our capacity to enjoy, surprise, to be humble and simple minded. It is difficult to innovate (socially) when nothing surprises or amuses you, when you think you have seen it all. Innovation, like creativity, is a process that begins outside of us, so we have to learn to see.”

- Manuel Calvillo, Ideas Poderosas

- 91% of Spanish social enterprises reported having introduced at least one new or significantly improved service, product and/or service to their organization in the past year. Moreover, 64% of those ventures had introduced at least one “new-to-the-market” innovation, i.e. a “radical” innovation over the past year.

Innovation process

The Spanish SELUSI research suggests that Spanish social enterprises widely prefer to follow the recommendations of internal advisors (board, other owners) or funding agencies (financing bodies) when it comes to innovate.

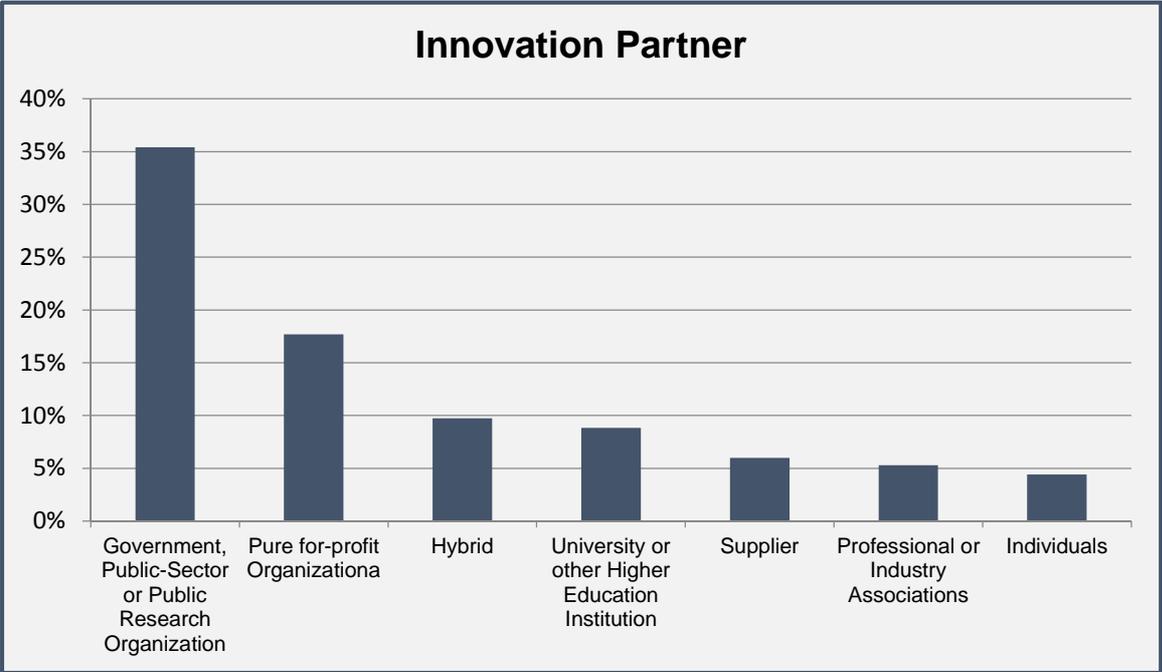


Figure 3: Innovation partner (SELUSI Project, N=118)

9. Sweden - Innovations of social enterprises

“European Investment Bank Institute has announced the winners of the Social Innovation Tournament, a competition amongst Europe’s best social innovations. Both the first-and second prizes were awarded to projects based in Sweden: *inBelly* and *Mattecentrum*.”

- Veckans Affärer, 21 of October 2013¹⁸

Innovation drivers and barriers

- Social enterprises appear to have strong values related to the potential positive impact on the target group and they are mainly idea-driven, regardless of the sector and operational model. The recent calls for projects within the field of social entrepreneurship, social innovation and social enterprise indicate both the wide-range and diversity of innovations and the underlying force of social innovation in Sweden today. Many of the foundations are ‘drowning’ in applications for every round related to social enterprises.

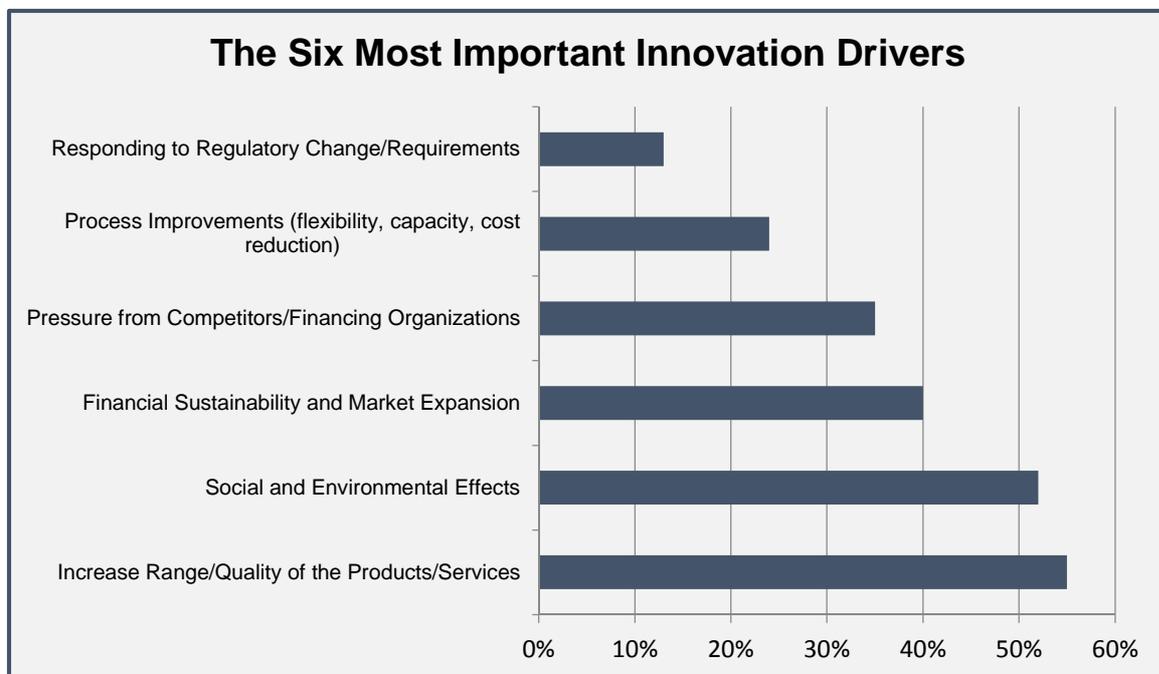


Figure 1: Innovation barriers (SELUSI, 2010)

The SELUSI data (2010) also show a similar pattern. “The social and environmental effects” and an “increased range or quality of products and services” were chosen as the main driving-forces for innovation, over 50% of the time each. Sweden also showed the highest percentage (60%) of social enterprises having introduced at least one new- to-the-market innovation, or a significantly improved service, product or process (or a combination of the three), during the past year.

- The main barriers to innovations are cost-related. The social entrepreneur often faces a “Catch-22” problem. For example, to ensure social impacts, upscaling is often necessary

¹⁸ Veckans affärer. ”Sverige överlägset på sociala innovationer”. Published 21 October 2013, (Accessed 28 February 2014). <http://www.va.se/nyheter/sverige-ar-bast-pa-sociala-innovationer-565391>

and usually requires more funding. However funding is often conditioned on the existence of social impacts.

- Moreover the cost-barriers are related to the lack of time to collect “lessons-learned”, lack of time to test new ideas and so on.

Anna Libietis Jacobson, manager of “Svenska med Baby” says:

“-We also have costs related to collecting and absorbing the experiences we are gaining along the way, as well as in a smooth manner providing assistance to those who want to start up this kind of operation in other locations, as well as disseminating our experiences in several other contexts. Since what this is about, is that we create meetings between people that would otherwise never have met.”

The SELUSI data (2010) previously showed that the main barriers were: the cost-related innovation barriers (26,1%); the regulation related barrier (12,8%); the internal barrier (4,5%) and the market related innovation barrier (4,5%).

Typology of innovations

- The recent innovations are related to welfare-state failures and concern public sector services.
- Many new players motivate such innovations by the willingness to create a *society for everybody* and not stick to the rigid traditional solutions.
- Note that these innovations generate longer terms of returns on investment than product innovation. The interviewed expect a ROI in 2-5 years.

Innovation process

The Swedish SELUSI (2010) indicated that both the dependency and the leverage from internal and external resources are important factors for the innovations of social enterprises. The highest single scores are reported in the area of collaboration resources. Many social enterprises depend on informal social networks. We expect this to remain an important determinant. Nevertheless, some of these networks have now been formalised, for which we explicitly expect the importance of formalised networks to increase compared to previous years. An increasing number of social enterprises contribute with services to the public sector and among the interviewees; many say that they are increasingly getting governmental support. As stated earlier in the report, the role of business incubators is increasingly important for refining and developing innovations. This is why it is expected to have increased from a score of 2,9 during recent years.

Table 1: Innovation processes (SELUSI 2010)

Collaboration Resource (SE)			Advice & Knowledge Resources		
Type of Partner	SELUSI Score	Tentative change in SEFORIS	Type of Partner	SELUSI Score	Tentative change in SEFORIS
Informal social networks	6,1		Government provided support services	3,1	+
Formal social networks	5,1	+	Other subsidized consulting services	2,9	+
Partnership with other organization	5,8	+	Advice from financing organizations and business incubators	2,9	+
Participation in professional events	5,3	+	Registered trademarks, patents, copyright protections	3,4	-
			Professional publications	4,0	
Reputation Related Resources			Human Resources		
Type of Partner	SELUSI Score	Tentative change in SEFORIS	Type of Partner	SELUSI Score	Tentative change in SEFORIS
Organizational reputation	5,5	-	Full-time employees	6,6	
Founder's/Leaders reputation	5,5		Temporary staff	4,9	
Industry/social sector reputation	5,3	-	Volunteers	3,3	+
Important individuals and celebrity endorsement	3,4		Founders	5,2	
			Board Members	5,0	-
			Paid professional management consultants	2,7	+

Scale 1-7 where 7 indicates high dependency by the organization on that resource

Source: SELUSI 2010

10. UK - Innovation of social enterprises

Innovation drivers and barriers¹⁹

Social enterprises are more involved in innovative activities such as creating new or significantly improved products, services and processes, compared to commercial enterprises:

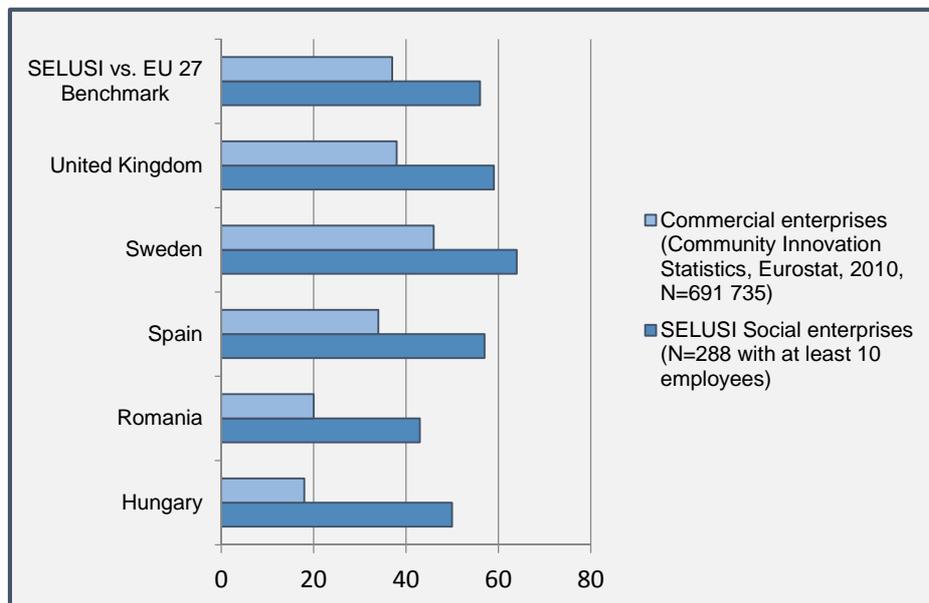


Figure 1: Per cent of organisations that introduced new-to-the-market innovations (SELUSI and Eurostat)

- The main driver for innovation among social enterprises in the UK is **to achieve social and environmental goals** (78%), such as increasing the quality of social impact, spreading social impact or reducing environmental impact. This driver is mentioned significantly more often in the UK than in the other SELUSI countries (Hungary, Romania, Spain and Sweden).



Figure 2: Innovation drivers for social enterprises in the UK (SELUSI, N=164)

¹⁹ SELUSI Research Consortium. 2010. "Social Entrepreneurs as Lead Users for Service Innovation." <http://www.selusi.eu>.

- The second most common driver is **to increase the enterprise's financial sustainability and expand its market** (44%). This clearly demonstrates the dual nature of social enterprises to create social impact in self-sustainable manner.
- The third driver for innovation is **to increase the range/quality of products and services** (37%), which is the most common driver among commercial enterprises.

However, social enterprises also experience barriers to innovation:

- **Cost-related innovation barriers** (much like with commercial enterprises) are the most frequently mentioned (34.7%). One third of the respondents experienced problems with availability of finance or high costs.
- **Internal barriers** are the second most common (20.4%). This category includes problems such as lack of time available, lack of capabilities within the team or internal resistance to change.
- **Regulation-related** (12%) and **market-related barriers** (7.8%) are less cited.

Types of innovation²⁰

- Social enterprises in the UK predominantly innovate in the areas of **processes** (67%) and **services** (62%).
- The majority (60%) of social enterprises in the UK introduce radical, new to the market innovations.
- Innovations have a relatively high impact on both financial and social performance of social enterprises in the UK.

Innovation process²¹

To develop and introduce their innovations, social enterprises collaborate with a diverse range of organisations and individuals. The most common collaborators for UK social enterprises are:

- Pure non-profit organisations (29%)
- Public sector organisations (27%)
- Pure for-profit organisations (20%)

Such diverse collaboration once again demonstrates the participatory and inclusive practices of social enterprises.

²⁰ SELUSI Research Consortium. 2010. "Social Entrepreneurs as Lead Users for Service Innovation." <http://www.selusi.eu>.

²¹ *Ibid.*



KU LEUVEN


Aston Business School

Hertie School
of Governance


UAB
Universitat Autònoma de Barcelona



UnLtd 


OKSIGEN LAB
for social entrepreneurship


iPROPELLER
OPEN INNOVATION

NPI initiative



This project has received funding from the European Union's Seventh Framework Programme for research, technological development and demonstration under grant agreement no 613500.