



**Enabling the Flourishing and  
Evolution of Social Entrepreneurship  
for Innovative and Inclusive Societies**

# **Recommendations for Stakeholders of Social Entrepreneurs in Germany**

Prof. Dr. Annette Zimmer, Stephanie Bräuer and

Andrea Walter

Westfälische Wilhelms University, Germany

Decembre 2014

## Recommendations – an Overview

<b>Politics/Public Administration</b>	<b>Financial Investors</b>	<b>Promoters (Nonprofit Sector)</b>	<b>Academia</b>	<b>Economy</b>	<b>Social Entrepreneurs</b>
(P1) Strengthening the exchange between public and non-public actors	(F1) Developing new ways of funding	(NPOs1) Improving the exchange between promoters	(A1) Research on social entrepreneurs should combine current developments and path dependencies	(E1) Building up relationships with social entrepreneurs	(SE1) Learning from failed social entrepreneurial activities
(P2) Establishing a special legal form for social entrepreneurs		(NPOs2) Rethinking traditional promoting strategies			
(P3) Developing strategies to incorporate innovations into the national welfare system					
Stakeholders (ST1): Shaping a broad definition of social entrepreneurs shared by all stakeholders – especially with regard to the development of an eco-system					

## Recommendations in detail

### Politics/Public Administration

#### ***(P1) Strengthening the exchange between public and non-public actors***

In order to build up a sustainable eco-system promoting social entrepreneurs in various phases of their development a strong interplay between public actors (governmental actors/public administration on local, state and federal level) and non-public actors (especially including promoters from the nonprofit and the financial sector) is needed. In Germany, the development of social entrepreneurs is part of the national engagement strategy (coordinated by the Federal Ministry of Family Affairs). The cooperation of federal ministries and NPOs is included in the current coalition contract. Thus, at the federal level, exchange between governmental actors and representatives from NPOs exists and is explicitly encouraged in future developments. Exchange is important to identify best practice and structural obstacles. In the future, ways by which exchange between public and state (local and federal) promoters can be systematically realized to develop an overarching eco-system should be considered. Another current question is how economic actors can be involved in the support of social entrepreneurs. The interest of the Federal Ministry for Economic Affairs and Energy for social entrepreneurs can be considered as a first step to integrate economic actors into the field. Further steps should follow by public actors in order to strengthen the exchange between public and non-public actors for the development of an eco-system.

#### ***(P2): Establishing a special legal form for social entrepreneurs***

The legal forms under which social entrepreneurs operate are repeatedly described as both, no obstacle or a major challenge. It would be advisable to either establish a special legal form under which the combination of public interest and profit orientation is supported and the administrative demand simplified. An alternative approach could be the implementation of (pro bono) support institutions assisting social entrepreneurs in their endeavor to find and establish a fitting legal form for their respective needs.

#### ***(P3): Developing strategies to incorporate innovations into the national welfare system***

Social entrepreneurs offer innovative ideas which help to improve the welfare system. From a governmental perspective these individual initiatives/projects must not remain isolated cases, but should be incorporated into the established national welfare system (in structures and existing network of involved actors). Only if these innovative approaches are integrated by the key players, they are able to spread into the whole system. Therefore, it needs a corporative attitude especially from the established actors (e.g. welfare associations). Social entrepreneurs must not be considered as competitors by the established ones, but rather as a teammate who produces added value for the welfare system at local, state or federal level.

## Financial Investors

### ***(F1): Developing new ways of funding – “funding priorities” as wrong way***

Financial investors (e.g. banks) usually provide financial support for social entrepreneurs primarily by implementing specific funding lines. These lines focus on specific funding priorities with a regular duration between four and six years. That means social entrepreneurs have to fulfill specific funding criteria before they are able to apply. Empirical findings show that these funding lines often hardly fit to the financial needs of social entrepreneurs. They are not able to invest the received funding freely but are bound to externally imposed guidelines. Furthermore, it can be difficult for social entrepreneurs to link their projects to existing funding lines. Alternatively, it needs funding which can be flexibly used according to the specific needs of social entrepreneurs in their respective phase. Possible grants and support should be combined with financial advice.

## Promoters

### ***(NPOs1): Improving the exchange between promoters***

The field of nonprofit organizations promoting social entrepreneurs in Germany is very large and the range of services is various. Services range from financial support in specific phases of the development process to consulting services in specific legal, personal or financial questions. For social entrepreneurs it can be a problem to find the “right offer” for their individual needs in this jungle of different promoting offers. On the other hand, for the promoting organizations themselves, it is not easy to get an overview to whom they can refer a social entrepreneur with questions they can’t provide assistance for. The empirical findings show that the level of networking between the promoters depends on the employees themselves and their personal engagement. The exchange between promoters could be improved by installing a regularly updated overview of all actors working with social entrepreneurs in different fields.

### ***(NPOs 2) Rethinking traditional promoting strategies***

Many promoters (e.g. foundations) support social entrepreneurs by project funding. But this traditional strategy focusing mainly on the respective project shows a blind spot: the organization itself the social entrepreneur has to build up in order to realize the underlying vision. But what happens to the organization carrying out good projects? The entrepreneurial vision of a NPO founder (many social entrepreneurs have NPO background) differs greatly from the vision of a traditional economic founder. Usually, NPO founders are not familiar with the implementation of organizational structures or the advancement of services. Promoting strategies should take this into account and systematically include promoting offers focusing on the developing of organizational structures.

Closely linked to this blind spot in traditional funding opportunities is the following problem for German foundations. With regard to the nonprofit tax law, foundations are not able to promote applicants pursuing economic activities. But economical action is a key feature of social entrepreneurs. Therefore established promoters, like foundations, should consider their promoting strategies and – if needed - adapt them according to social entrepreneurs' needs. A solution could be to provide an integrated approach where social entrepreneurs are accompanied over a period of several years, in which various needs, arising in their development are addressed.

## Academia

### ***(A1): Current research on social entrepreneurs should combine current developments and historic path dependencies***

Research on social entrepreneurs has a strong focus on current developments while neglecting their historic predecessors and possible path dependencies. The trajectories of social entrepreneur development over time should be researched profoundly to deepen the understanding of these actors and their role in the emergence of basic legal stipulations of (non)profit organizations, the German welfare state and its future development possibilities.

## Economy

### ***(E1): Building up relationships to social entrepreneurs***

Empirical findings show that social entrepreneurs have not entered the economic sector yet, although both spheres have many intersections like the entrepreneurial spirit. For economists social entrepreneurship can be interesting in two ways: Firstly, there are not exclusively social entrepreneurs with NPO background, but also with typical economic features and backgrounds. The second ones consciously decided to become social entrepreneur because they want to act as change makers, and not solemnly as economists. This point can be underlined by the fact that social entrepreneurial activity is not always based on one's own concernment. Social entrepreneurs often strategically choose their action fields (c.f. the development of university curriculums concerning social entrepreneurs). This empirical finding can influence future recruitment processes in economy, especially with regard to the question who becomes a business/social entrepreneur? Secondly, social entrepreneurs could inspire economy in dealing with social issues in economic contexts. Vice versa, the network of economic actors as well as their infrastructure could be valuable for social entrepreneurs.

## Social Entrepreneurs

### ***(SE1) Social entrepreneurs have to formulate their needs towards public actors and promoters – Learning from failing social entrepreneurs***

The needs of social entrepreneurs are very different and depend on their specific development(s) (phase). Like described above, the field of promoters is various in Germany but not always easy to understand and access for new players. Social entrepreneurs are facing different challenges during their development process. Regularly, social entrepreneurs act as individuals, not in groups. They have to manage their projects by themselves (from developing a business plan up to acquire financial funding). Against this background, they can get in danger to overstrain themselves (c.f. burnout problematic). Another challenge is to find their individual strategy. Promoting offers sometimes aim on supporting social entrepreneurs in developing scaling up models. Scaling up strategies are valuable in order to spread innovative ideas into the established welfare system but sometimes scaling up strategies are implemented too fast with regard to the status quo of the individual social entrepreneur's development. These different challenges suggest that social entrepreneurs have to clearly formulate their needs, and problems they encounter and direct them to promoters and public actors. Based on clearly formulated needs, a sustainable working eco-system can be developed. In this context, current social entrepreneurs should learn from the experience of failed social entrepreneurial activities. Mistakes shouldn't repeat. Therefore it is important to listen to social entrepreneurs and their personal and organizational problems who failed to develop a social enterprise and/or realizing a social business project.

### ***Stakeholders (as a whole)***

#### ***(ST1): Shaping a broad definition of social entrepreneurs shared by all stakeholders***

Germany lacks an unanimous definition of social entrepreneurs. A broad definition, including social entrepreneurial activities in their divers' manifestations, stretching through all legal forms and stages is advisable. Such an understanding should be shared by all stakeholders ranging from the national and state level through support organizations down to the local level.

Regarding the establishment of an eco-system for social entrepreneur development the institutionalization of a broad, inclusive and unanimous definition is essential, as well. Against the background of such a definition and the determination of social entrepreneur's envisioned role in the German welfare state and society, the eco-system support in the different realms can be systematically developed. A potential risk here is the further development of this eco-system without a prior consent on the understanding of social entrepreneurs and their role. This could lead to unsystematic, uncoordinated and exclusive support structures, instead of an encompassing assistance system.