

Unlocking Potential: How to make innovation social?

Interreg
Baltic Sea Region



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The future of innovation lies in the ability to address the pressing social and environmental challenges of our time. Social innovation represents a transformative approach to problem-solving, one that prioritizes societal well-being, fosters new forms of collaboration, and generates solutions that are more sustainable, inclusive, and equitable.

In a world increasingly defined by rapid social change and environmental urgency, it is essential that traditional innovation systems evolve. This guide will provide you with the knowledge, tools, and strategies needed to bridge the gap between conventional innovation practices and social innovation, ultimately helping you to create long-term value not just for your organization but for society as a whole.

Whether you are an innovation advisor, a business leader, or part of an innovation support organization, this guide will help you explore the opportunities within the social innovation ecosystem, understand the unique needs of social innovators, and discover how to foster impactful, sustainable change.

Table of Contents

1 Understanding the basics	5		
1 What social innovation means	6		
2 What social entrepreneurship means	10		
3 Characteristics of social innovation	11		
4 Key data and global impact	13		
2 The strategic advantage of embracing social innovation	14		
1 Advantages for traditional business and innovation support organizations	15		
2 The success story of social enterprise Estonia	20		
3 How Coompanion Sweden empowers social entrepreneurs	22		
3 Approaches to empower social innovators	24		
1 Financing the future of social innovation	25		
2 Finding the right space and resources	33		
3 Navigating legal complexities	36		
4 Developing sustainable business models	37		
5 Measuring social impact	40		
6 Strategies for scaling impact	41		
7 Advancing social innovation through research and education	44		
4 Collaborating across the social innovation support ecosystem	46		
1 Understanding the social innovation and social entrepreneurship ecosystem	48		
2 Synergies within the ecosystem and the importance of collaboration	50		
3 First steps into ecosystem collaboration	51		
Conclusion	52		

1. Understanding the Basics

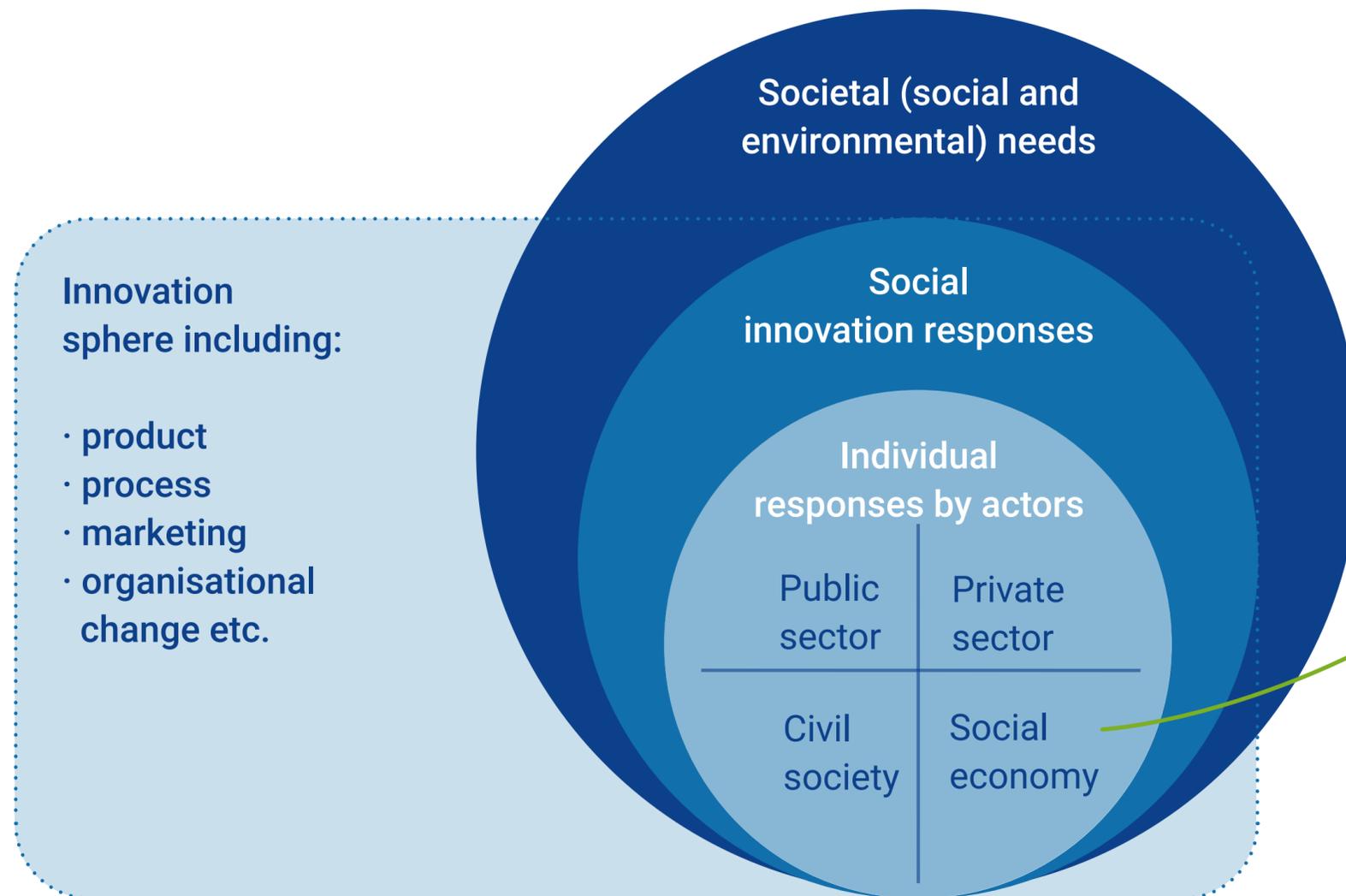
Social innovation is about creating solutions that tackle pressing societal challenges in a sustainable and impactful way. Unlike traditional innovations driven by profit, it focuses on improving well-being, fostering collaboration, and addressing unmet social needs. But what exactly makes an innovation „social,“ and how does social entrepreneurship differ from traditional entrepreneurship?

This chapter explores the core concepts of social innovation and social entrepreneurship, highlighting their defining characteristics and real-world impact. By understanding these foundations, you'll gain valuable insights into how social innovation is shaping global progress.

1.1 What Social Innovation means

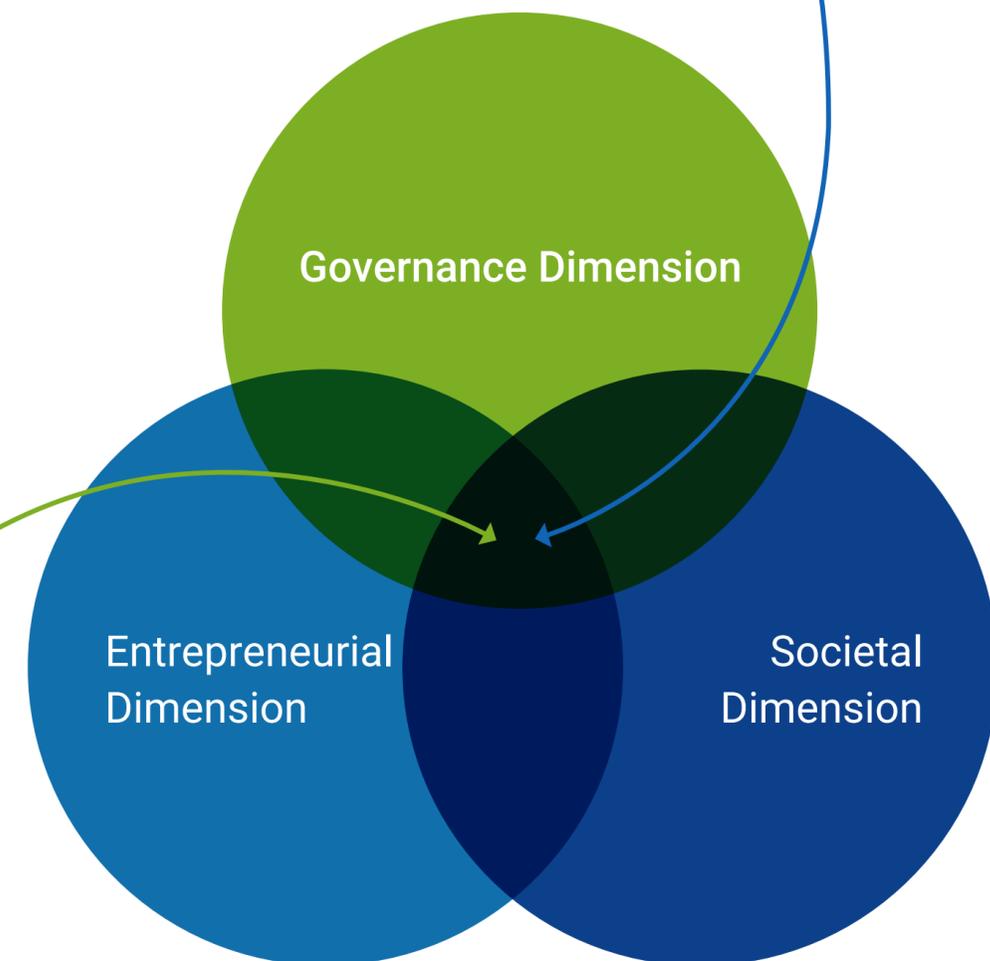
Social innovation refers to the development of novel ideas, services, or models that are specifically designed to address social needs more effectively than existing alternatives. The essence of social innovation lies in its dual focus on creating new social practices and improving societal well-being. Unlike conventional innovations, which may prioritize economic gain, social innovations are distinguished by their commitment to generating societal value, fostering new relationships, and promoting collective well-being.

Social innovation



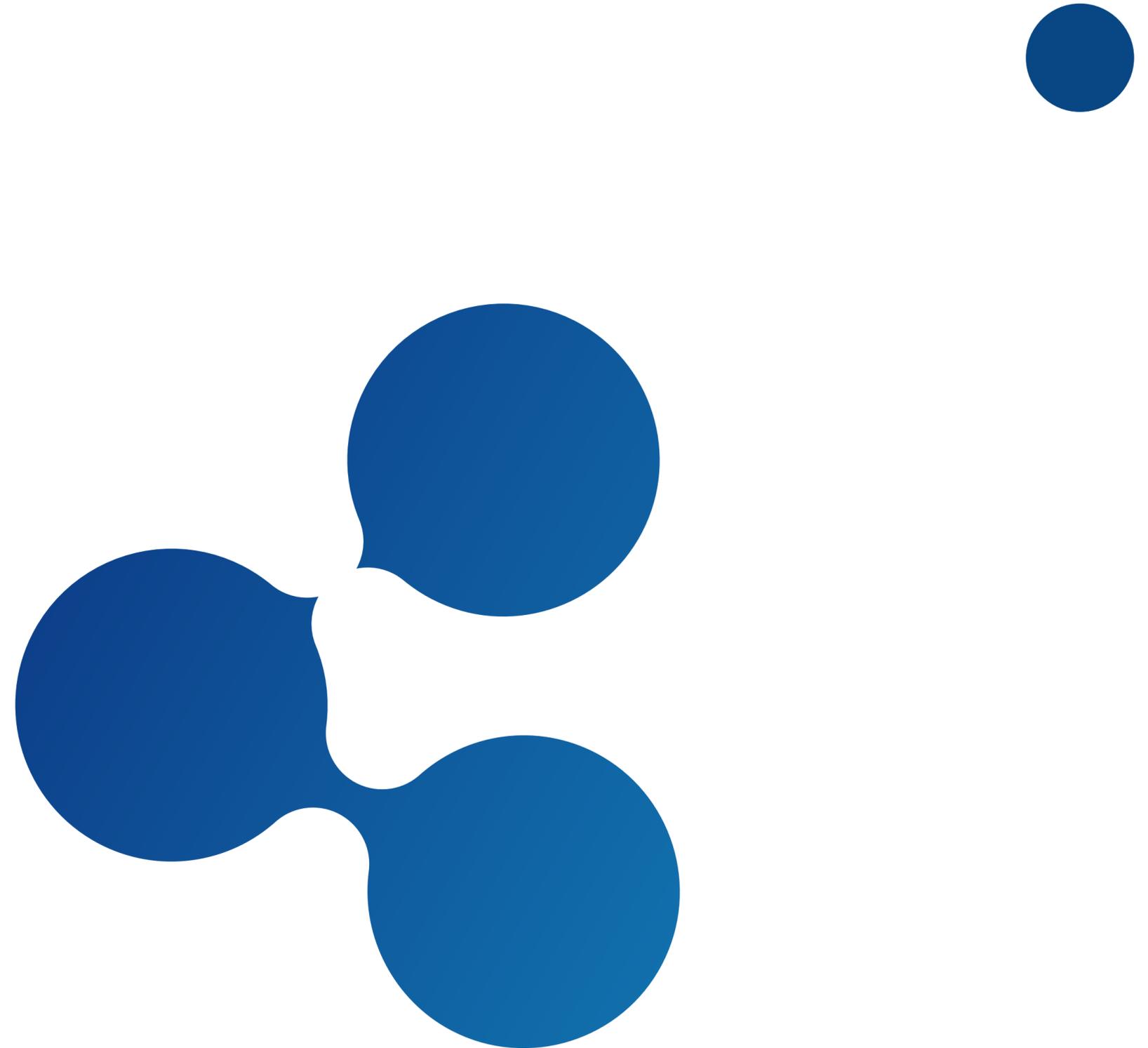
www.esf.lt/data/public/uploads/2023/08/building-local-ecosystems-for-social-innovation.pdf – S. 11

Social entrepreneurship



www.send-ev.de/social-entrepreneurship/definition-kriterien/

For instance, a well-regarded definition describes social innovations as “innovations that are social both in their ends and in their means” (Mulgan & Pulford, 2010, pp. 17-18). This perspective highlights the importance of the social objectives driving these innovations, as well as the collaborative processes through which they are developed. More specifically, social innovations are “new ideas (products, services, and models) that simultaneously meet social needs more effectively than alternatives and create new social relationships or collaborations” (ibid, p.18). The distinctive feature of social innovation is its potential to provide solutions that are “more effective, efficient, sustainable, or just than existing solutions,” with the primary benefit accruing to society as a whole, rather than to individual private entities (Phills et al., 2018, p. 36). Recent OECD work refers to social innovation as “seeking new answers to social and societal problems and referring to new solutions that aim primarily to improve the quality of life of individuals and communities by increasing their well-being as well as their social and economic inclusion” (OECD, 2024, p. 2.).



Example

Viva con Agua is a great example of both social innovation and social entrepreneurship. They are a social innovation because they come up with new ways to solve the problem of water scarcity, like organizing fun events such as concerts and art shows to raise money and awareness.

They are also a social entrepreneurship venture because they sell bottled water and use the money they make to support clean water projects. This is a business approach to solving a social problem, where profits are used to benefit society by providing clean water to those in need.

Compared to a traditional business, which focuses mainly on making profits for its owners, Viva con Agua uses its profits to help people get clean water.

Traditional businesses might donate to charity occasionally, but Viva con Agua integrates social good into everything they do. This combination of social innovation and social entrepreneurship allows them to effectively address social challenges and create lasting positive impacts.

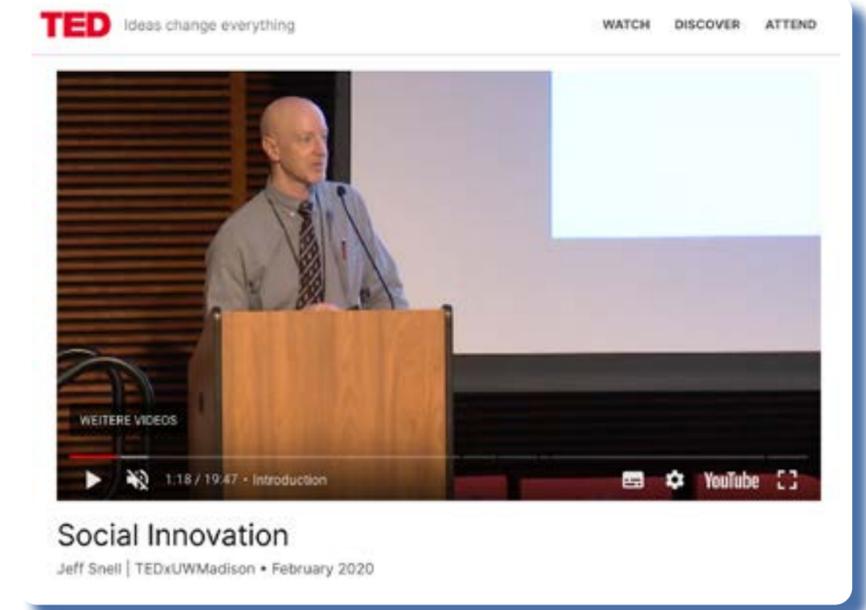


www.vivaconagua.org/news/viva-con-agua-mineralwasser-klimabewusst/

1.2 What Social Entrepreneurship means

Social entrepreneurship involves the use of entrepreneurial principles to create and manage ventures that address social problems. Unlike traditional business entrepreneurship, where the primary goal is financial profit, social entrepreneurship is driven by the desire to enact social change and address pressing social issues. The term is often associated with individuals or organizations that employ innovative business models to create social value, often by developing and scaling social enterprises.

As noted in a recent OECD report, social entrepreneurship encompasses a broad spectrum of entities, ranging from profit-oriented businesses that engage in social activities, to hybrid organizations that combine profit motives with social objectives, to non-profit organizations, and even public sector initiatives (OECD, 2023, p. 20). This broad definition underscores the diversity of approaches within the field of social entrepreneurship, reflecting the varied ways in which entrepreneurial activities can contribute to the public good.



Link to Videos:

[What is Social Innovation?
Ted Talk](#)

1.3 Characteristics of Social Innovation

To effectively recognize and evaluate social innovation and social entrepreneurship, it is important to consider a range of characteristics that define these activities.

The following questions can serve as a guide:

Innovative Element

Does the idea introduce a novel product, service, or model that challenges existing paradigms?

Social Impact

Can the innovation demonstrate measurable outcomes that benefit society?

Social Relationships

Does the innovation foster new forms of social interaction or strengthen existing social networks?

Social Needs

Does the innovation directly address critical social needs or offer solutions to entrenched social problems?

Social Change

Does the innovation have the potential to drive significant social change, influencing broader societal trends?

Public Good

Is the innovation oriented toward enhancing the quality of life for individuals and communities, beyond mere economic interests, problem-solving processes?

Sustainability

Is the innovation designed to be environmentally, financially, and socially sustainable over time?

Creativity

Is the innovation the result of creative problem-solving processes?

Non-Linearity

Does it account for and adapt to the non-linear nature of social change?

Collaboration

Does the innovation involve collaboration among diverse stakeholders?

Scalability

Can the innovation be scaled or replicated in different contexts?

Broad Diffusion

Is the innovation widely accepted and diffused across society or within specific communities?

Distinct from Economic Innovation

Is the innovation distinct from purely economic innovations, focusing on unmet social needs that the market has not addressed?

Social Learning

Does the innovation facilitate shared learning among the social actors involved?

Social Transformation

Does the innovation introduce changes that alter the social or political landscape?

1.4 Key Data and Global Impact

10 Million Social Enterprises

There are around 10 million social enterprises globally, united by the principle of putting purpose before profit.

\$2 Trillion in annual revenue

Social enterprises are generating around \$ 2 trillion in revenue each year while creating positive impact.

200 million jobs

Social enterprises are creating 200 million jobs across various sectors, from agriculture to financial services.

\$1.1 Trillion financing need

Social enterprises are seeking around \$1.1 trillion in external financing (beyond personal savings).

1 in 2 led by women

One in two social enterprises around the world are led by women, compared to 1 in 5 conventional enterprises.

2x larger than advertising

The sector is larger than the \$1.57 trillion apparel industry and twice the size of the \$875 billion advertising industry.

2. The Strategic Advantage of Embracing Social Innovation

As societal challenges increase, there is a growing need for businesses and innovation support organizations to explore new ways to make a positive impact. Social innovation provides an opportunity to address these challenges while contributing to sustainable growth. In this chapter, we'll discuss why opening up to social innovation can benefit your organization—by strengthening your market position, appealing to socially-conscious investors, and fostering deeper relationships with clients.

2.1 Advantages for traditional Business and Innovation Support Organizations

Supporting social innovation and social entrepreneurs as a traditional business and innovation support organization can yield several key advantages.



Here are some of the primary benefits:

Addressing Societal Challenges

Social innovations are designed to tackle pressing societal issues, including poverty, education, health, and environmental sustainability. By aligning with social entrepreneurs, your organization can play a crucial role in creating positive societal impact and improving the quality of life for a broad range of people.

Sustainable Growth

Social enterprises uniquely blend business operations with social missions, creating sustainable business models that not only aim for economic profit but also strive for long-term positive societal impact. By supporting these enterprises, your organization can contribute to more resilient and sustainable economic growth, which is increasingly valued by both markets and society.

Attractiveness to Investors

There is a growing demand among investors for opportunities that deliver not only financial returns but also social and environmental benefits. By demonstrating a commitment to social innovation, your organization can attract a broader and more diverse range of investors and partners, thereby enhancing its appeal and expanding its network.

Competitive Advantage

Organizations that integrate social responsibility into their core operations can differentiate themselves in the market, strengthening their brand and reputation. For a business support organization, this means being able to offer unique services and support to clients who are eager to position themselves as socially responsible leaders in their industries.

Regulatory Benefits and Incentives

Many governments and international bodies provide various forms of support, subsidies, and tax incentives for social enterprises. By understanding and effectively navigating these opportunities, your organization can help companies take full advantage of these incentives, thereby enhancing their competitiveness and ensuring their long-term sustainability.

Deepened Customer Relationships

Social entrepreneurs are often driven by strong values and a clear sense of purpose, which can create deeper connections and loyalty between them and their customers. By supporting social entrepreneurs, your organization can build stronger, more long-term relationships with clients who share these values, fostering mutual trust and commitment.

Innovation and Creativity

Social entrepreneurs are typically highly innovative, often thinking outside traditional frameworks to develop new solutions to complex problems. Engaging with these entrepreneurs can stimulate creativity and new thinking within your organization, leading to unexpected development opportunities and innovations that can enhance your overall operations.

Global Trend and Demand

There is a clear global shift towards more sustainable and responsible business practices. By engaging in social innovation, your organization positions itself as a modern, forward-looking entity aligned with international trends and market demand. This alignment not only enhances your reputation but also ensures that your organization remains relevant in a rapidly evolving global market.

Integrating support for social innovation into your organization's strategy is therefore not only a matter of social responsibility but also a strategic decision that can lead to long-term benefits for both your organization and the broader society.

Expanded Customer Segment

Social entrepreneurs represent a rapidly growing sector that is focused not only on financial profit but also on creating positive social change. By targeting this group, advisors can tap into a new customer base with specific needs and challenges. This includes offering guidance on balancing social goals with financial objectives, attracting impact investors, and scaling businesses while maintaining their core values.

Enhanced Brand Reputation

Supporting social innovation can significantly enhance an advisor's reputation and brand as a responsible and forward-thinking actor in the market. In an era where both businesses and consumers increasingly value social responsibility, advisors who position themselves as advocates for social innovation are likely to attract more clients and partners. This positioning can also lead to positive media coverage and a strong association with sustainability and social impact.

New Collaboration Opportunities

Engaging with social entrepreneurs can open up new networks and collaborative partnerships in both the public and nonprofit sectors. This can lead to increased business opportunities and a broader ecosystem of contacts. For example, collaborations with nonprofits and government agencies can pave the way for joint projects, grant applications, and access to new markets. These relationships can also provide valuable insights and resources that traditional businesses may not typically encounter.

Increased Creativity and Innovation

Social entrepreneurs often spearhead unique and innovative projects that aim to solve complex societal problems. Working closely with them can stimulate an advisor's own creativity, leading to new insights and solutions that may also benefit traditional businesses. For instance, methods and technologies developed to address social issues can often be adapted for commercial use, leading to new business models and products.

By embracing social innovation and supporting social entrepreneurs, traditional business and innovation advisors not only contribute to societal well-being but also strengthen their own business operations in a multitude of ways.

2.2 The Success Story of Social Enterprise Estonia

Social Enterprise Estonia plays a pivotal role in advancing social innovation and supporting social entrepreneurship across the country. As a national organization dedicated to fostering this ecosystem, SE Estonia focuses on creating an environment where social enterprises can thrive and address societal challenges effectively.



SE Estonia's Vision

SE Estonia's vision is to position social enterprises as key drivers of innovation and social impact, promoting a business landscape where economic success is harmonized with societal well-being and environmental stewardship.

Key Initiatives and Support

Capacity Building and Training:

SE Estonia offers a range of educational workshops, seminars, and training sessions designed to enhance the skills and capabilities of social entrepreneurs. These programs cover essential topics such as business planning, financial management, impact measurement, and sustainable practices, empowering entrepreneurs to develop robust business models that effectively address social and environmental issues.

Networking and Collaboration:

The organization facilitates various networking events, conferences, and forums that bring together social entrepreneurs, investors, policymakers, and other stakeholders. These platforms are crucial for fostering collaboration, knowledge exchange, and partnerships, which are essential for scaling social impact initiatives and driving innovation.

Access to Funding and Financing:

SE Estonia supports social enterprises in accessing financial resources through grants, loans, and investment opportunities.

The organization provides guidance on funding applications, connects entrepreneurs with potential investors who are interested in social impact, and advocates for improved financing options tailored to the needs of social businesses.

Policy Advocacy and Awareness:

SE Estonia is actively engaged in advocacy efforts aimed at promoting supportive policy frameworks for social enterprises at both regional and national levels. The organization collaborates closely with policymakers to push for regulatory changes that enhance the operating environment for social entrepreneurs and to raise awareness of the benefits of social entrepreneurship within the broader community.

Impact Measurement and Reporting:

Recognizing the importance of demonstrating social impact, SE Estonia supports social enterprises in developing frameworks to track and effectively communicate their outcomes. This emphasis on impact measurement helps to showcase the contributions of social enterprises to social welfare and sustainable development goals.

2.3 How Coompanion Sweden Empowers Social Entrepreneurs

Coompanion Sweden's efforts in social innovation and social entrepreneurship are centered around fostering sustainable, community-oriented business models that contribute to local development and societal well-being. The organization provides essential resources to individuals and groups interested in starting or scaling social enterprises and cooperatives.



Coompanion's Vision

Coompanion envisions a society where equal and democratic community development is driven by entrepreneurship that embodies sustainability and cooperation.

Key Initiatives and Support

Business Development Services:

Coompanion offers comprehensive business advisory services tailored to the unique needs of social entrepreneurs. This includes assistance with business planning, financial management, marketing strategies, and understanding legal frameworks specific to cooperatives and social enterprises.

Training and Capacity Building:

Through a variety of workshops, seminars, and training programs, Coompanion equips both aspiring and established social entrepreneurs with the skills and knowledge necessary for success. Topics often include social impact measurement, sustainable business practices, and leadership development, all of which are crucial for building effective and impactful social enterprises.

Access to Financing:

Coompanion plays a key role in facilitating access to financing options suitable for social enterprises, including grants, loans, and investment opportunities. The organization assists entrepreneurs in preparing funding applications and connects them with relevant financial institutions and investors who are committed to social impact.

Networking and Collaboration:

The organization actively creates networking opportunities for social entrepreneurs to connect with peers, mentors, potential partners, and stakeholders from various sectors. These interactions are vital for fostering collaboration, sharing knowledge, and exchanging innovative ideas that drive the growth and impact of social enterprises.

Policy Advocacy and Awareness:

Coompanion engages in advocacy efforts to promote supportive policy frameworks at local, regional, and national levels. The organization works to raise awareness about the benefits of social entrepreneurship and cooperatives, positioning these models as viable solutions for addressing critical societal challenges.

3. Approaches to Empower Social Innovators

Social innovators operate with a unique set of needs, driven by their mission to create positive societal impact. Unlike traditional businesses, their focus goes beyond profit, prioritizing social value and long-term sustainability. Supporting social innovations requires therefore practical tools and strategies that address the unique challenges faced. In this chapter, we delve into actionable instruments for empowering social innovations, from providing specialized financing models to offering tailored infrastructure or legal advice.

3.1 Financing the Future of Social Innovation



“Access to finance is one of the greatest difficulties for social enterprises.”

**Katrin Elsemann, former CEO
Social Entrepreneurship Netzwerk
Deutschland e.V. (SEND)**

The nature of social innovation complicates financing models. As it is mostly **mission orientated** towards social goals in long term activities and not primarily orientated towards economic success, it needs to be supported in different ways. Social innovation frequently aims for outcomes that are intangible, prioritizing social goals over economic success. Business models of social innovators could be market oriented but also non-market oriented as well as a mixture of those two models. Funding needs to be appropriate for **different types of business and revenue models**.

Mainstream financial institutions tend to marginalize social entrepreneurs due to the perceived risk and return on investment. Customers or beneficiaries of services offered by social innovators are partly not able to pay for the services, so third parties might be involved in cross-subsidizing the social innovation. Therefore, social innovators need investors or funding partners with a rather holistic perspective, integrating the Social Return on Investment.

Financing Actors

1. Public Actors:

Governmental bodies or public institutions as well as investment banks, retail banks or state bank foundations should offer grants, subsidies, and financial support to social innovators and projects. This applies both to the European and the national level.

Examples include government grants, regional development funds, and impact funds.

2. Private Actors:

Social enterprises can seek capital from private actors, which are interested in both financial returns and positive social impact. Those could be:

Incubators/accelerators

Foundations

Impact Investments

Family Offices

Retail banks

Venture Philanthropists

Pensions funds

Venture capital funds

3. Multiple Actors

Public-Private Partnerships (PPPs)

present a special case as a collaboration between government agencies, private companies, and non-profits. PPPs pool resources, expertise, and funding to address social challenges.

Community Development Financial Institutions (CDFIs)

are specialized financial institutions that focus on providing affordable financing to underserved communities. They offer loans, equity investments, and technical assistance to social enterprises and community-based organizations. CDFIs prioritize social impact over profit maximization.

Community Foundations

focus on specific geographic areas. They provide grants, scholarships, and support for community-driven initiatives.

Financial Instruments

1. Grants and Donations

Nonprofit organizations, foundations, and government agencies often provide grants and donations to support social innovation projects.

These funds are typically unrestricted and can be used for research, development, and implementation of innovative solutions.

Research and innovation funding programs:

In the European Union (EU), several research and innovation funding programs target social issues, supporting projects, initiatives, and businesses that aim to address societal challenges, promote social innovation, and create positive social impact.

Key funding programs include:

Horizon Europe

- includes several funding streams and instruments that support research and innovation activities addressing societal challenges, e.g. [Cluster 2: Culture, Creativity and Inclusive society](#)

The European Social Fund Plus

is the EU's main financial instrument for promoting employment, social inclusion, and skills development. [ESF+](#) supports various activities, including training programs, capacity-building initiatives, and social entrepreneurship development.

The European Regional Development Fund ([ERDF](#))

supports social programs aimed at promoting social inclusion, economic growth, and sustainable development across regions in the European Union (EU).

Corporate Social Responsibility (CSR):

Companies allocate a portion of their profits to support social initiatives. CSR programs may involve direct funding, employee volunteering, or partnerships with nonprofits.

Example: [Salesforce](#)

In-Kind Support:

Donations of goods, services, or expertise. For example, offering free office space, legal advice, or marketing assistance.

Example: [Social Innovation Forum](#)

Social Innovation Competitions and Prizes:

Social Innovation Competitions and Prizes: Organizations and foundations host competitions to identify and reward innovative solutions. The winners receive funding, mentorship, and visibility.

Examples: [Hult Prize](#), [Skoll Awards](#) and [Ashoka Changemaker Challenges](#)

2. Debts and Guarantees

Debt and guarantees play a pivotal role in fostering social innovations by providing the necessary financial support and risk mitigation. As social enterprises and innovative projects often struggle to secure traditional funding, leveraging debt instruments and guarantee schemes can offer a viable solution. These financial tools not only enable the scaling of impactful initiatives but also attract private investment by reducing perceived risks and they can be used in all stages of the business development. Since the risk-return ratio of social businesses can be lower than that of profit-oriented enterprises, guarantees granted by the state that ensure repayment in the event of a loan default can help to secure a loan.

Bank loans:

Savings-, regional-, cooperative-, and private banks, can provide loan products for social enterprises. These include traditional, subsidized, and microfinance loans, with a focus on stable income for repayment stability.

Example: [Social Entrepreneurship micro loan](#) (in German)

Social Impact Bonds (SIBs):

SIBs are financial instruments that involve collaboration between government, investors, and service providers. Investors provide upfront capital to fund social programs or interventions.

If the program achieves predefined outcomes (such as reduced recidivism rates or improved educational outcomes), the government repays the investors with a return. SIBs align financial incentives with social impact goals.

Example: [SIB funds - Sitra](#)

Catalyst Funds:

A Catalyst Fund can be set up to support the scaling of social innovations. The fund offers loans to social entrepreneurs, often to those that don't meet the criteria for getting other types of investments.

Example: [The Catalyst Fund - Firstport](#)

Microfinance and Peer-to-Peer Lending:

Microfinance institutions and Crowdlending platforms connect individual lenders with social entrepreneurs. Borrowers receive small loans to launch or expand their social enterprises.

Example: [Mikrofonden Sverige](#) (in Swedish)

3. Equity

Unlike traditional funding methods, equity financing allows investors to take an ownership stake in social enterprises, aligning their interests with the long-term success and impact of the initiatives. For impact investors, the authenticity of the founding team and the importance of the society issue play the most important role for the investment decision. Equity financing is mostly used by social innovators in the growth phase of their business.

Relative importance of attributes

Notes: Calculated based on the coefficients of the main model. Reading example: With a relative importance 25.66%, social investors consider *the authenticity of the founding team* to be over 18 times as important as the attribute *professional background of the founding team* (relative importance: 4.2%). This value also signifies that the attribute *authenticity of the founding team* accounts for 25.66% of the decision maker's total utility.

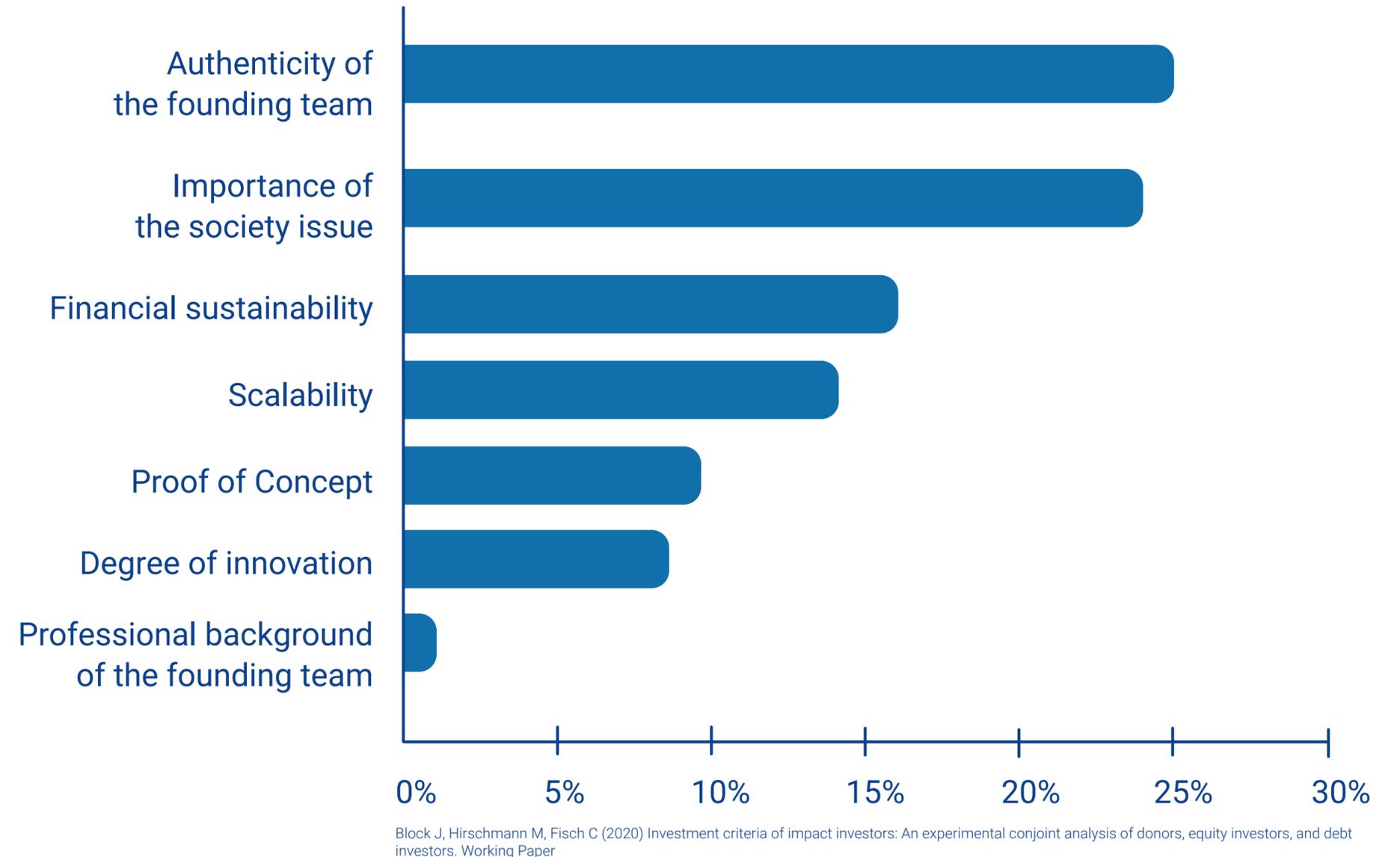


Figure: Selection criteria for impact investors

4. Alternative instruments

Impact Investing:

Impact investors seek both financial returns and positive social or environmental impact. They invest in social enterprises, startups, and projects that align with their mission.

Example: [ESIIF](#)

Social Venture Capital (SVC):

SVC firms invest in businesses that generate both financial returns and positive social or environmental outcomes. These investments support social enterprises, impact startups, and mission-driven companies. SVC funds often have a double bottom line: financial and social performance.

Example: [VC Fonds Impact Berlin](#)

Crowdfunding:

Online platforms allow individuals and organizations to raise funds or sell their first products. Crowdfunding campaigns can support social innovation projects, especially those with community involvement. Social Crowdfunding Platforms are specifically designed for funding social and impact projects. Individuals can contribute small amounts to support initiatives aligned with their values.

Example: [StartSomeGood](#)



Further information
[Financing Architecture
for social innovation](#)

3.2 Finding the Right Space and Resources

In order to develop their full potential, social entrepreneurs and social innovators need a stimulating, supportive environment. Even more so than with technological or scientific innovations, it is crucial for social innovations to create spaces for experimentation in which new perspectives, approaches and practices can be (further) developed and tested. In addition, social innovations often emerge intersectionally, which is why places where actors from business, politics, science and civil society can exchange ideas are helpful. These are laboratories and centers - see also the CSEI concept - where processes of social innovation are

created, promoted and shaped.

Apart from these places of interaction, social entrepreneurs like other economic actors need sufficient space such as offices, workshops, labs, event venues or storage areas. Innovative initiatives often benefit from public visibility and therefore from premises in a central location. Although the issue of infrastructure is therefore particularly relevant for social innovators and social entrepreneurs, these actors are often not in a position to provide these good conditions themselves. This is mostly due to the fact that the focus of social enterprises and social innovations is not on economic profit, which also means that there is often insufficient long-term capital security.

1. Physical Spaces

Social innovators benefit strongly from access to office spaces and coworking spaces. These often come equipped with essential office supplies, meeting rooms, and communal areas, reducing the overhead costs and improving access to networks for companies. In addition, they provide not just a physical location to work from, but also a collaborative environment (see for example the ecosystem model from [Berlin Impact Hub](#)). When it comes to early-stage social innovations universities can play an important role in networking, knowledge transfer and the provision of space.

The circular re- or interim use of spaces and buildings allows cost-effective opportunities to be created for social innovators. Furthermore, it may be appropriate for public actors to consciously promote the establishment of socially oriented initiatives on public land by taking sustainable or public welfare-oriented criteria into account. Especially during the start-up phases, subsidizing physical workplaces, workshop rooms and event spaces is a great help, preferably in a place where exchange takes place, such as a socially oriented co-working spaces.

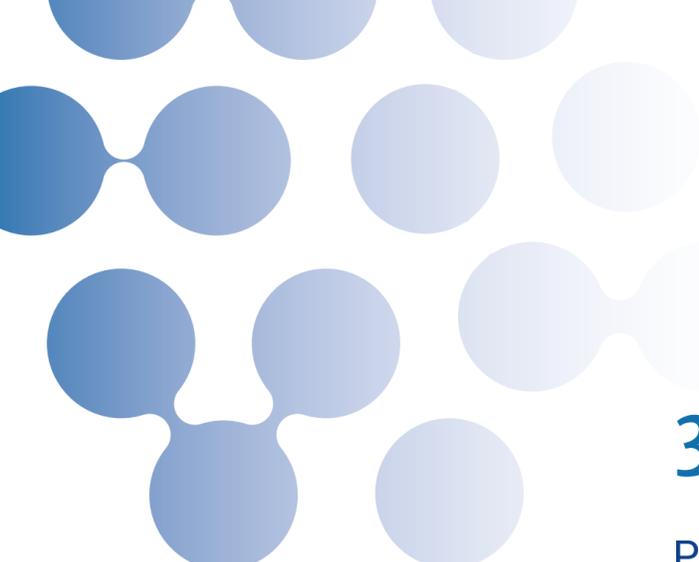
[Circular reuse of spaces](#) and [interim use of spaces](#) (in German)

2. Digital infrastructure

Of course, a company today not only needs a good infrastructure physically, but also digitally. Depending on the legal form, subject area or financing structure, the requirements can vary greatly. Fortunately, many providers of digital solutions offer their solutions cheaper or even free of charge for social organizations (see for example [Google for NPOs](#) or [Techsoup](#)).

In addition to the aforementioned infrastructure issues, some of which need to be newly created, social innovations and social entrepreneurs can dock onto an extensive network of different players and benefit from existing knowledge and exchange.





3. Networks

Professional networks for social innovators include organizations such as Ashoka or Echoing Green, which bring social entrepreneurs together and provide support and resources for their ventures. Ashoka Europe works to identify and support leading social innovators across the continent. The organization offers fellowship programs, networking opportunities and access to funding and resources. Impact investing networks: These networks bring together investors, philanthropists and social entrepreneurs interested in creating social or environmental impact through financial investment.

Impact Europe is a network of organizations and individuals committed to creating social impact through venture philanthropy and social investment. It brings together investors, philanthropists and social entrepreneurs and provides resources and support to help them maximize their impact. Online communities and platforms: Online communities and platforms provide virtual spaces for social innovators to connect, collaborate, and share resources.

Examples include forums like the Skoll World Forum Community, which brings together social entrepreneurs and change-makers from around the world, and online platforms like Changemakers.com, where individuals can submit and discover innovative social change projects. Social Innovation Community (SIC) is a project funded by the European Commission that aims to foster social innovation in Europe. It includes a network of stakeholders from various sectors, including social enterprises, public authorities, and civil society organizations. SIC provides support through events, training programs, and online resources.

3.3 Navigating Legal Complexities

Social organisations are very heterogenous, for most of them there exists no single legal form that can fully cover all their specific requirements. Many factors such as tax exemptions, image, liability and access to external capital or donations must be considered when choosing the legal form and possibly the non-profit or other status of an organisation which is individual in each country.

Choosing the wrong legal form can be hard to fix and often leads to high costs and taxes. Therefore, it is crucial to carefully decide on the legal form at an early stage, especially when dealing with business and non-profit status. Legal frameworks for social enterprises are widely diverse across nations, which makes transferability of best practices among RESIST partner regions difficult. A great overview on the main legal forms of social businesses in each country can be found in the [national EU-reports on Social enterprises and their ecosystems](#).

According to ESEM there is a total of 14 legal forms used by Social Enterprises in Poland, 13 in Germany, 6 in Sweden, 4 in Latvia, and 3 in Estonia. Legal hybridity is possible in all the aforementioned countries, except for Estonia. Some EU countries have introduced legal frameworks that formally recognize social enterprises and provide them with specific legal forms, rights, and obligations.

These frameworks may include criteria defining social enterprises, such as their social mission, governance structure, and reinvestment of profits for social purposes. Example: Estonia introduced

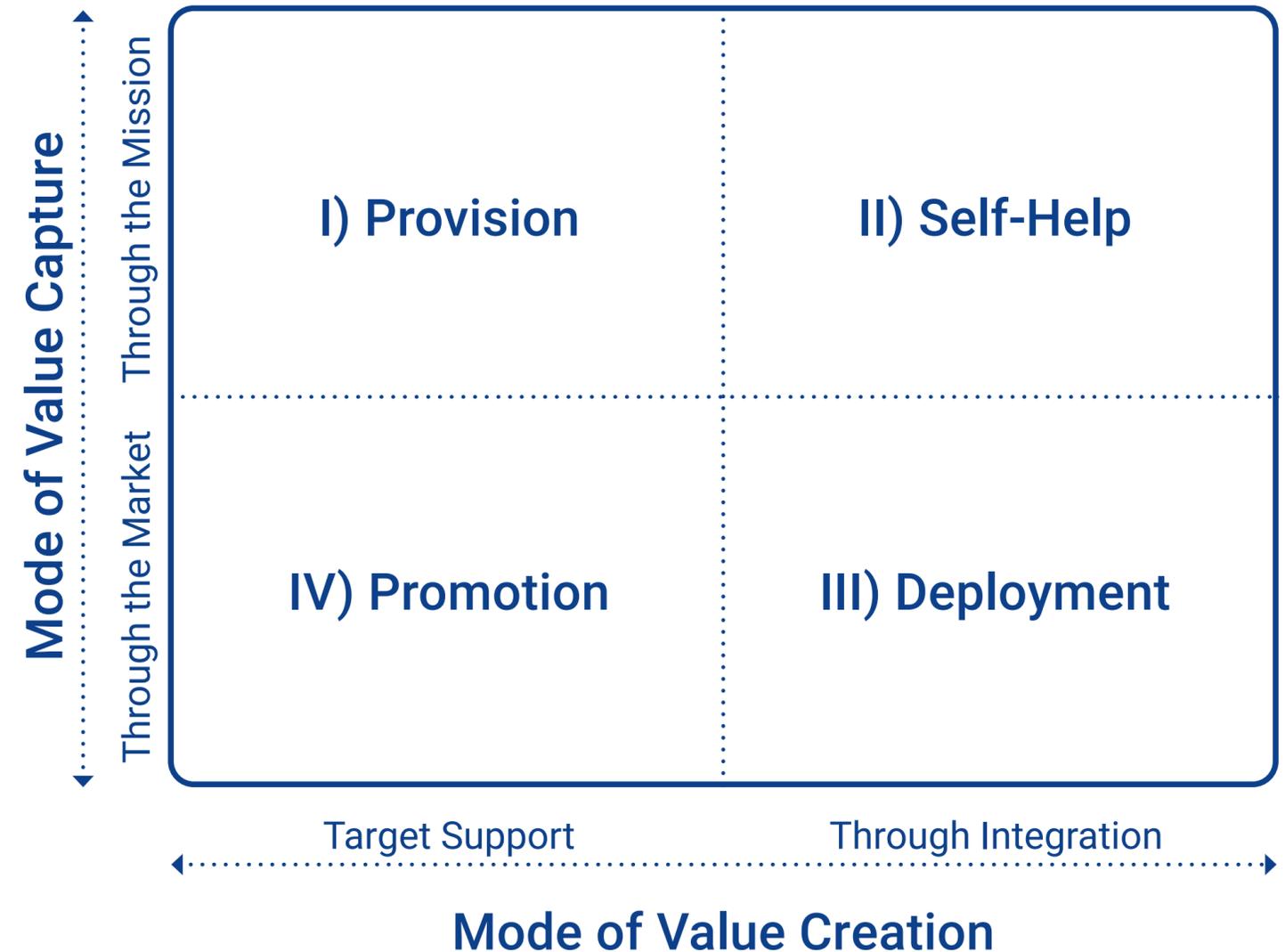
the Social Enterprise Act in 2019 to formally recognize and support social enterprises operating in the country. **Advocacy needs** to work toward **Legal Recognition of Social Enterprises in each EU-27 country and other EU countries**.

European Social Enterprise Law Association (ESELA). ESELA is a network of legal professionals, academics, and practitioners focused on social enterprise law and policy in Europe. It provides resources, training, and networking opportunities to support the legal needs of social enterprises.

3.4 Developing Sustainable Business Models

Social Businesses need assistance in designing business models that balance financial sustainability with social impact, including value proposition design that aligns with social goals. Generally speaking, social business models can be divided into four categories.

Generic business model strategies sustainability targets



Strategy Matrix (based on Raith & Siebold 2018)

The graphic illustrates four types of business model strategies for achieving sustainability targets based on two key decisions:

How to create value:

Supportive mode:

Focus on supporting the target group.

Integrative mode:

Focus on integrating the target group into the business.

How to capture value:

Market mode:

Generate income through commercial activities.

Mission mode:

Generate income through donations or similar non-commercial means.

These decisions lead to four strategies:

Provision: Supportive creation, mission capture.

Self-Help: Integrative creation, mission capture.

Deployment: Integrative creation, market capture.

Promotion: Supportive creation, market capture.

[Generic business model strategies for sustainability targets](#)

In order to develop the more detailed business model, the [Social Business Model Canvas](#) may be useful tool.

Social Business Model Canvas

<p>Key Resources</p> <p><i>What resources will you need to run your activities? People, finance, access?</i></p>	<p>Key Activities</p> <p><i>What programme and non-programme activities will your organisation be carrying out?</i></p>	<p>Type of Intervention</p> <p><i>What is the format of your intervention? Is it a workshop? A service? A product?</i></p>	<p>Segments</p> <p>Beneficiary</p>	<p>Value Proposition</p> <p>Social Value Proposition</p> <p>Impact Measures</p> <p><i>How will you show that you are creating social impact?</i></p> <p>Customer Value Proposition</p> <p><i>What do your customers want to get out of his initiative?</i></p>
<p>Partners + Key Stakeholders</p> <p><i>Who are the essential groups you will need to involve to deliver your programme? Do you need special access or permissions?</i></p>		<p>Channels</p> <p><i>How are you reaching your beneficiaries and costumers?</i></p>	<p>Customer</p> <p><i>Who are the people and organisations will pay to address this issue?</i></p>	
<p>Cost Structure</p>		<p>Surplus</p>	<p>Revenue</p>	

**Social Business Model
(based on Tandemic
2019)**

3.5 Measuring Social Impact

As opposed to traditional actors who focus on growth, for the social innovator/social business their impact is the basis and legitimacy of their existence. In the case of new and innovative solutions and processes without impact measurement there is no “proof of concept”.

If they are to acquire any type of grants or external funds, they usually have to meet certain social return expectations of investors or public funders.

For later stage companies impact measurement is relevant when it comes to evaluating and adapting the company’s business strategy. Lastly, impact measurement is an important tool of communication: as many customers are willing to pay higher prices for sustainable products, credible impact reporting constitutes an important marketing factor, especially if the social mission is (cross-)financed by selling consumer goods. Furthermore, being able to quantify a social innovation’s impact can help to draw awareness and public attention to the underlying societal problem. Phineo and Ashoka have developed two models to provide a quick overview of what levels of impact a social enterprise can aim for and what steps it needs to take to achieve impact:

[The 4 Levels Of Impact](#)



Impact Stairway

How to differentiate outcomes/impact (results) from outputs (work performed)

A detailed guide for implementing an impact strategy and measurement framework can be found here:

[Social Impact Management Tools](#)
[Social Impact Navigator](#)

3.6 Strategies for Scaling impact

Just like every other business; after successfully completing their proof of concept and startup phase, social innovation actors might wish to scale their operations. Since the scaling target is not expressed in monetary but in societal value, it is important to have established a solid approach to impact measurement first to be able to assess the pathway and success of scaling activities.

Generally speaking, the main goal of scaling impact often equates reaching more beneficiaries with the service provided. This implies that social innovation actors face the dual task of serving more people while maintaining financial stability despite their restricted access to growth capital. Due to this balance act, the speed of scaling is usually a lot slower than for example in tech startups.

Acting in accordance with both economic and social logics is identified as a huge success factor in academic literature: if not considered from the get-go, external financial pressure might at some point displace the social focus – resulting in a decreasing impact.

The set of scaling strategies for social innovation actors can broadly be distinguished into two main dimensions:



Scaling horizontally *(expanding impact through replication and adoption in large geographies and populations)*

Branching & Franchising

The choice of the most feasible scaling approach strongly depends on the degree of control the social business wants to keep over their operations. Besides just setting up their own branches in different locations, **social franchising** might be a good option for those with a strong preference of not giving everything out of hand. The idea behind this approach is to make locally proven solutions available to other social organizations elsewhere, which can be especially sensible if local conditions and structures differ strongly. Like conventional franchising, this also involves a contract, a common branding, a manual as a guide and regular training courses. However, as the franchise partners in this system are usually non-profit organizations, in many cases no franchise fees are charged. Instead, the franchisee would report figures and data back to the franchisor for their impact reporting. If the social franchise is state-subsidized the franchisor could also offer support by sharing their experience regarding regulations and authorities in the setup process of the new franchise.

Affiliation

No single organisation can solve a societal problem at scale. By including traditional support like **Network Brokering** (Matchmaking of Partners), **Collaboration Facilitation** (Promoting partnerships and joint ventures) into activities of social innovators and entrepreneurs networking, and by fulfilling these functions effectively, traditional organizations, networks, and initiatives can support social entrepreneurs and innovators in navigating challenges, seizing opportunities, and maximizing their impact on society. Typically, strategic partners for social enterprises can be NGOs, local governments, the traditional welfare sector or companies with a strong focus on CSR and sustainability. **Industry Influence** (Building influence and credibility within the industry) networks may be widened including knowledge of the activities of social enterprises and understanding their mission, dedication, and compassion to serve society problems.

Open Adoption

Lastly, if the social business is willing to forgo a certain extent of control, there are some even lower-threshold options compared to aforementioned formal scaling structures. Especially in case of a digital or knowledge-based social innovation, transforming it into an **open-source model** can be an effective and fast way of scaling impact nationally or even globally for everyone to adopt and potentially even develop further. The caveat, however, is the inability to maintain integrity or standards of the original innovation and the challenge to keep track of the associated impact. Offering a solution for **white-label** use could be a feasible compromise between social franchising and open adoption for social innovators – allowing for fast dissemination, without the need for major infrastructure investments.

Scaling vertically *(changing the institutional environment to achieve greater impact)*

Pursuing policy change

Targeting new geographic areas and populations might be the more tangible approach to scaling, but – if successful – directly impacting higher levels of institutions by influencing political agendas, public discourses or legislation might be the most powerful. Of course, both scaling dimensions can necessitate or amplify each other.

Advocacy requires the ability to educate others about the problem as well as communicating the solution in a comprehensible fashion. Therefore, a good starting point of support for social innovation actors can be to help optimize their value proposition. Moreover, similar local issues are likely to occur in other regions as well. Linking different initiatives with the same mission can create a more coherent and visible movement with higher chances to reach the necessary critical mass to change existing regulatory frameworks.

After the demand for intervention has been created or policy barriers are broken down, the next step would then be to implement the solution at hand. By assisting the social innovators in identification of responsibilities in different administrative departments, connecting them with decisionmakers, or advising in the context of public procurement their solutions could be scaled to a systemic level.

Changing cultural beliefs and norms (scaling deep)

This method of scaling refers to the approach of bringing about progress in society by shifting people's mindsets. Social innovation actors often are not only pioneers when it comes to reframing predominant societal narratives, but they also set positive examples in the way they run their organization. Thereby they inspire other companies to stonger integrate values such as transparency and participation into their own governance. Appropriate support can take the on the form of **capacity building in storytelling and media competency** or providing guidance in enlisting prominent and credible advocates to successfully involve a broad public.

[Scaling Principles and Lessons](#)

[Scaling up social enterprise innovations](#)

[Scaling Out, Scaling Up, Scaling Deep](#)

[High leverage partnering for impact](#)

[Scaling Tools](#)

3.7 Advancing social innovation through research and education

Supporting social innovation requires robust educational, research, and community-based resources. By equipping social innovators with targeted knowledge, hands-on experience, and collaborative opportunities, these resources create a foundation for scalable, sustainable social impact.

Building Knowledge and Practical Skills

Universities and educational institutions play a pivotal role by providing essential learning environments for social entrepreneurs. Through specialized programs, courses, and incubators, they equip students with theoretical knowledge in social impact, sustainable business, and ethics while also offering practical training in skills like impact measurement and community engagement. For instance, the [Master's program in Social Entrepreneurship](#) at Tallinn University combines academic coursework with hands-on learning, focusing on the creation and management of ventures that address social challenges.

University-based incubators and accelerators further support this learning by providing access to resources, mentorship, and real-world applications that turn innovative ideas into viable ventures. An example is the [Digital Social Innovation Lab \(DSI Lab\)](#), empowers students and researchers to develop and scale social innovations by offering workshops, networking opportunities, and personalized support.

Connecting Research to Real-World Solutions

Research networks and collaborative programs bridge the gap between theory and practice by fostering interdisciplinary partnerships among universities, NGOs, and industry. Networks like the [European Social Entrepreneurship and Innovative Studies \(ESES\)](#) focus on shared learning and practical research that directly supports social innovators. Living labs, like those in the [European Network of Living Labs \(ENoLL\)](#), provide real-world testing environments for social innovations in fields such as healthcare and sustainability, enabling social entrepreneurs to develop solutions with immediate societal relevance.

Expanding Support Networks and Community Engagement

For broad support, consulting networks in the social innovation ecosystem benefit from increased access to mentors, innovation programs, and experts in social business. Programs like Germany's "[React With Impact](#)" initiated by the Federal Ministry of Economic Affairs and Climate Action, provide essential funding and consulting support to social businesses, ensuring they have access to the resources and guidance they need. Additional initiatives, including NGO-led programs and hackathon-style competitions, such as the [EU Social Innovation Competition](#), offer aspiring entrepreneurs opportunities to collaborate, problem-solve, and receive early-stage funding.

Accessible online courses, webinars, and peer-driven communities like [Enspirai](#) extend learning to a wider audience, encouraging social innovators at all stages to build skills through flexible, community-based approaches. This robust ecosystem of knowledge-building, real-world research, and extended consulting networks forms a supportive framework for social entrepreneurs aiming to create impactful, scalable solutions.

4. Collaborating Across the Ecosystem



In this chapter, we explore the concept of ecosystems within the context of social innovation (SI) and social entrepreneurship (SE). Innovation does not happen in isolation; it requires a network of people and organizations that share a common vision. The aim is to understand why collaboration is essential and to identify the actors with whom we should co-create solutions. This chapter offers a clear understanding of how social innovation and entrepreneurship ecosystems function. It equips you with the knowledge to actively engage with your ecosystem, harnessing the strengths of key players—from government bodies and NGOs to universities and private funds.

4.1 Understanding the Social Innovation and Social Entrepreneurship Ecosystem

The primary difference between traditional innovation ecosystems and those focused on social innovation and social entrepreneurship lies in their objectives, values, and approaches to innovation. Traditional innovation ecosystems prioritize economic growth and market competitiveness, often focusing on profit generation as the key metric for success. In contrast, SI/SE ecosystems prioritize social and environmental impact, advocating for an inclusive and sustainable approach to address-

sing societal challenges.

SI/SE ecosystems are driven by values such as inclusivity, sustainability, and community well-being. These ecosystems emphasize collaboration across sectors, engaging diverse stakeholders to co-create innovative solutions that address complex societal issues. By shifting the focus from profit to purpose, these ecosystems support innovations that benefit society as a whole.

The “ideal” Social Entrepreneurship Ecosystem

The concept of an „ideal“ Social Entrepreneurship Ecosystem can be exemplified by the Social Entrepreneurship Strategy of the City of Hamburg. The goal of this strategy was to analyze existing research and best practices to create a benchmark for a fully functional and supportive ecosystem for social enterprises in the city. In this context, an ecosystem refers to the dynamic and mutually reinforcing interactions between social entrepreneurs and their stakeholders. The ideal ecosystem in which social enterprises can thrive is composed of three interdependent areas:

Ecosystem Area *Talents*:

This area focuses on connecting individuals with social enterprises, fostering mutual growth. It includes raising awareness of societal challenges and offering social entrepreneurial training. Schools and universities play a crucial role in this, providing platforms for individuals to explore SE as a career path.

Ecosystem Area *Support*:

The support area includes the infrastructure—both monetary and non-monetary—that enables social enterprises to flourish. This includes advisory services, training, financial support, and access to essential resources such as office space. Support may come from public funding institutions, foundations, or private sector programs such as incubators and accelerators.

Ecosystem Area *Market & Impact*:

For social enterprises to reach their potential, they require access to impact-oriented markets. This area ensures that social innovations can secure long-term funding, whether through traditional market avenues or sponsorships. Visibility and collaboration across sectors are essential for success in this space.

A resilient ecosystem is characterized by the interconnectedness of these areas, with stakeholders from different fields contributing to the ongoing development and success of social enterprises.

4.2 Synergies within the Ecosystem and the Importance of Collaboration

Collaboration is at the heart of innovation within social entrepreneurship ecosystems. Studies, such as *Rediscovering Social Innovation* (Phills, Deiglmeier, & Miller, 2008), emphasize that collaboration enhances innovation capabilities by integrating the unique strengths of diverse actors. This synergy creates environments where innovative solutions can thrive, and the collective impact of ecosystem-wide partnerships drives sustainable social change.

Collaborative frameworks allow for the pooling of resources, fostering a culture of co-creation and shared learning. The success of social enterprises often depends on these frameworks, as they enable actors to navigate complex societal challenges collectively. The interconnectedness of stakeholders—ranging from universities and government bodies to businesses and civil society—creates a robust support system that is essential for long-term sustainability.

4.3 First Steps into Ecosystem Collaboration

Before diving into collaborations, it is essential to understand the ecosystem's needs and how your organization can contribute. Start by conducting thorough research to identify the challenges and opportunities within the ecosystem. Engaging with local communities, attending industry events, and reviewing recent reports or studies will provide you with a clearer picture of the ecosystem's dynamics.

Once you have a comprehensive understanding, focus on building relationships with key stakeholders. Networking at events, joining relevant online communities, and participating in forums can help establish trust-based connections, which are critical for long-term collaboration.

Your organization's value proposition should be clearly defined, highlighting how your strengths and resources can address gaps in the ecosystem and contribute to ongoing efforts. Begin with small-scale collaborations or pilot projects to build credibility and demonstrate the potential of working together.

Collaboration, networking, and continuous exchange are pivotal in fostering innovation and achieving meaningful social impact. The various actors within an ecosystem—ranging from government agencies and NGOs to universities and private sector entities—each play an essential role in creating a supportive environment for social enterprises.

The examples from the Baltic Sea region, particularly Latvia, demonstrate how strategic positioning and active engagement with infrastructure, financial support, and educational initiatives can significantly enhance the capabilities of social enterprises. To fully harness the potential of these ecosystems, proactive engagement is necessary. Mapping stakeholders, building relationships, and initiating pilot projects that align with the ecosystem's needs are the first steps toward creating a dynamic, resilient ecosystem that drives sustainable social change.

Conclusion

As the world faces increasingly complex social and environmental challenges, the need for innovation that prioritizes societal well-being has never been more urgent. By embracing social innovation, traditional business and innovation support actors can not only contribute to solving these pressing issues but also unlock new opportunities for growth and long-term sustainability.

Social entrepreneurs and innovators bring fresh perspectives, creative solutions, and a deep commitment to positive change, all of which can enrich traditional frameworks.



The key to making innovation truly social lies in fostering collaboration, providing targeted support, and building an ecosystem that allows these new approaches to thrive. Through strategic partnerships, knowledge-sharing, and the right infrastructure, we can create a future where innovation is not just about financial success but about generating meaningful and lasting impact for society as a whole.

Guide: Unlocking Potential: How to make innovation social, version 1, January 2025

RESIST – Regional Ecosystems for Social Innovation and Social Transformation

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