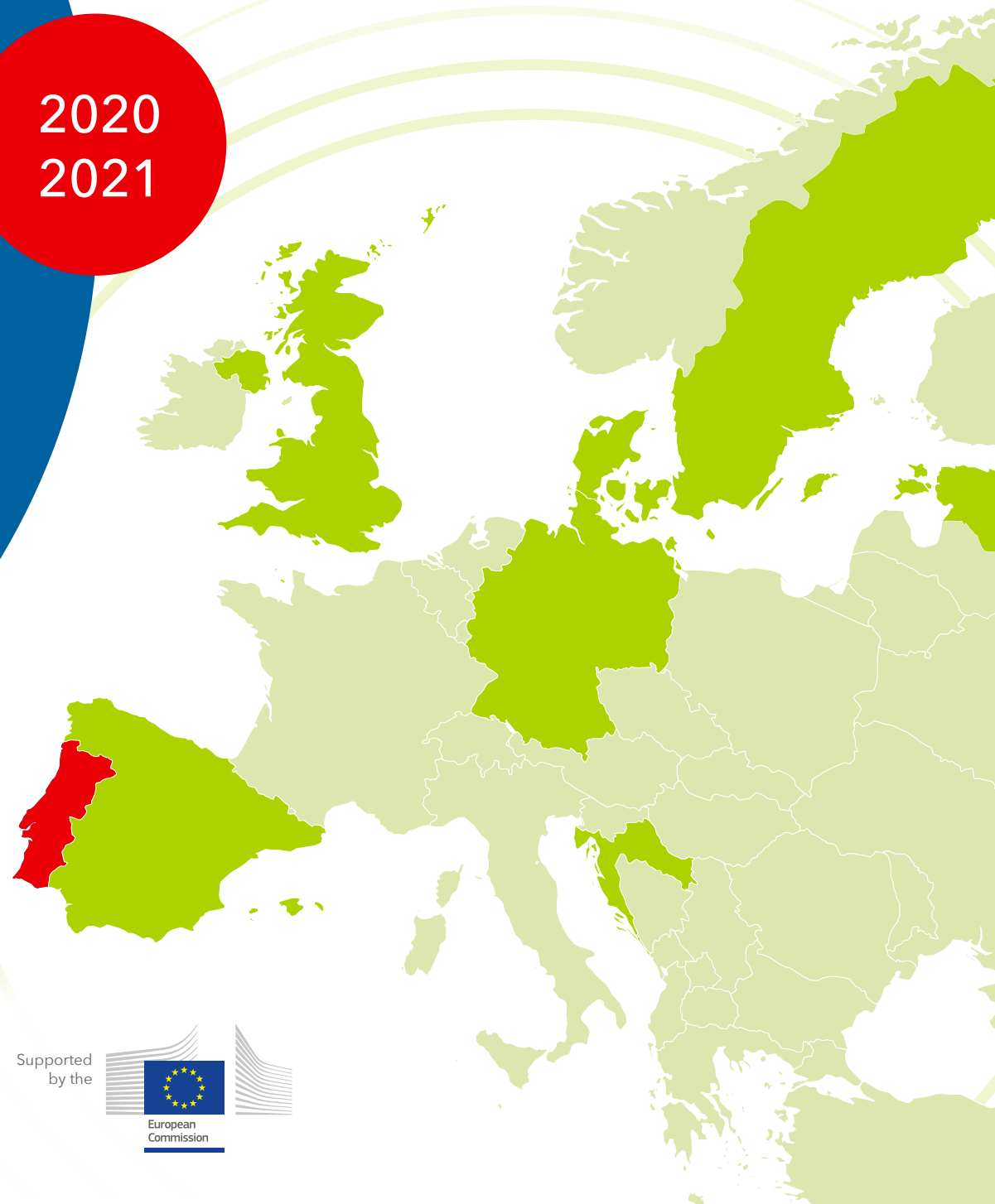


# European Social Enterprise Monitor

2020  
2021

*Portuguese  
Report*



European  
social enterprise  
monitor

Supported  
by the



**Promotor:**

Euclid Network

**Country Partner:**

ESLIDER Portugal – National Network of Social Entrepreneurs and Civil Society Leaders

**Research Partner**

Católica Lisbon School of Business & Economics - Chair in Social Innovation

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## FOREWORD FROM ESLIDER

Social Entrepreneurship as a process of positive change in society, social innovation as the novel solutions to societal challenges that result from this process, and social enterprises as the entities that manage and scale these solutions to the wider society, these are the three key facets of the social enterprise ecosystem that has seen great development worldwide in the last 20 years, with a clear acceleration in the last decade.

This transformation of society need leaders: social entrepreneurs and civic society leaders. ESLIDER is the Portuguese member-based organization that represents these leaders and aims to support their change-making work in society.

ESLIDER is proud to collaborate with EUCLID Network for the implementation in Portugal of the European Social Enterprise Monitor. It is fundamental to generate comparable data across Europe on social enterprises so that new insights can be developed and support policies designed, to foster a vibrant ecosystem.

This report presents the first year implementation by ESLIDER of the Social Enterprise Monitor. It was developed in collaboration with the Chair in Social Innovation of Católica Lisbon School of Business & Economics, a top European Business School base in Lisbon at Universidade Católica Portuguesa, which performed the main analysis and co-developed the proposed recommendations.

Portugal has been, in some areas, a positive example for Europe for the promotion and financing of social innovation. We are committed to continuing this work so that more knowledge is available to the ecosystem and its supporters.

*ESLIDER Board*

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# EXECUTIVE SUMMARY

In an increasingly complex and unpredictable world, currently marked by the COVID-19 pandemic, we observe the worsening of societal problems, such as unemployment, poor mental health, isolation of the elderly, hunger and education inequalities. Driven by the sense of urgency in the quest to deploying new and better solutions to solve pressing challenges, social entrepreneurship, and particularly, social enterprises have a vital role to play. The Portugal Social Enterprise Monitor (PSEM) 2020-2021 is an annual study on social entrepreneurship in Portugal. The aim is to provide decision-makers in government, business, researchers and civil society with data and insights on the social enterprise ecosystem, to be able to take a deeper look at the potential and challenges of social entrepreneurship and to enable evidence-based policy-making, funding and non-financial support for the development of social innovation in society.

## 10 Facts about PSEM Social Enterprises (56 respondents)



45% of the PSEM social enterprises have more than 10 years.

1. SE in Portugal



Association is the most frequently chosen legal form of PSEM social enterprises.

1. SE in Portugal



Most PSEM Social Enterprises operate in the areas of “Human Health and Social Services” and “Education”.

1. SE in Portugal



47% of PSEM social enterprises involve the beneficiaries in the production and/or services processes.

2. Social and Environmental Impact



6 out of 10 PSEM social enterprises regularly analyse their impact goals.

2. Social and Environmental Impact



45% PSEM social enterprises' total income accrues from commercial activities.

3. Markets, Money and Financing



8 out of 10 PSEM social enterprises reinvest their profits mostly or exclusively in the purpose of the organization.

3. Markets, Money and Financing



43% of the PSEM social enterprises report that the business and impact model were the main sources of innovative approaches.

4. Innovation and Growth



1 out of 4 PSEM social enterprises employ people with physical or psychological impairments.

5. People and Governance



The 2 most influential hurdles of the PSEM social enterprises are: poor awareness of social enterprises & lack of options to finance the organization once started.

6. Barriers and Enablers

# INTRODUCTION

The Portugal Social Enterprise Monitor (PSEM) 2020-2021 is an annual study on social entrepreneurship in Portugal. The aim is to provide decision-makers in government, business, researchers and civil society with data and insights on the social enterprise ecosystem, to be able to take a deeper look at the potential and challenges of social entrepreneurship and, in particular, to enable evidence-based policy-making, funding and non-financial support, for the development of social innovation in society.

The first PSEM 2020-2021 is part of the inaugural pan-European European Social Enterprise Monitor (ESEM) 2020-2021 study, supported by the European Commission. The ESEM study builds upon the experience and success of national monitors performed in Germany, the Netherlands and United Kingdom in the past 14 years. This first year of European expansion is carried out in eight countries: Croatia, Denmark, Estonia, Germany, Portugal, Spain, Sweden, United Kingdom. The ESEM project is led by Euclid Network (the European Social Enterprise Network), co-initiated and co-led by SEND (Social Enterprise Network Germany) and supported by the European Commission, ImpactCity, SAP and Bertelsmann Stiftung.

## Definition of Social Enterprise

There exists no single agreed upon definition of social enterprise in Europe. Closer to a unified definition, is the operational definition used by the European Commission since 2011<sup>1</sup>:

A social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders.

It uses its surpluses mainly to achieve these social goals.

It is managed in an accountable, transparent and innovative way, in particular by involving workers, customers, and stakeholders affected by its business activity.

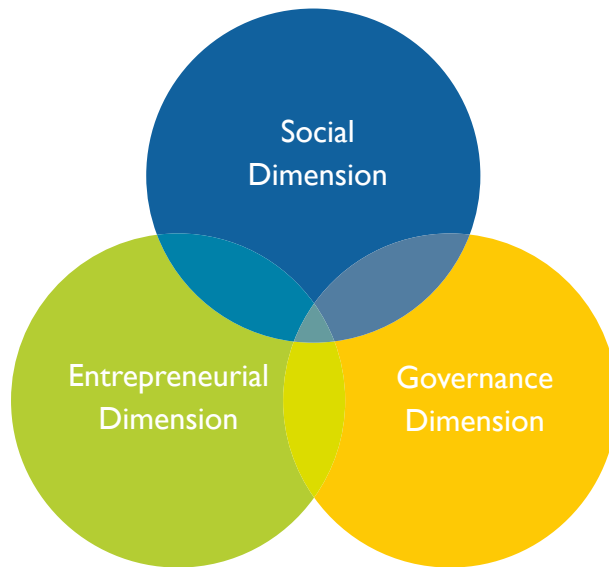
To be able to benchmark results across the eight countries with differing Social Enterprise definitions, the ESEM consortium has agreed to:

1. Use a shorter and slightly adapted version of the European Commission's definition in its questionnaire to respondents: "A social enterprise is an operator in the social economy whose main objective is to have a social "and environmental" impact rather than make a profit for their owners or shareholders". Financial income is a means and not an end in itself;
2. Clean all data across countries in a European unified way, including in the sample those respondents that indicated "social impact to be more important or equally important to financial interests when making strategic business decisions". This approach does not take away from the fact that each country has its own

definition of Social Enterprise. In some countries the national representative body of Social Enterprises has come up with its own definition, like in Germany. In other countries, the national body of Social Enterprises has adopted the definition used by the European Commission, or by the national government.

In Portugal, the government initiative “Portugal Social Innovation”, aimed at promoting social innovation and stimulating the social investment market in Portugal, defines social entrepreneurship as “*implementation and development of innovative ideas to address problems in the community, with a social and, often, economic purpose*”<sup>2</sup>. The Portuguese SE definition thus places the focus on the process, enabling a broader perspective of the phenomenon on how social entrepreneurship ventures came to life. Still, it is aligned with the operational definition of “social enterprise” used by the European Commission also because in Portugal there is no definition of “social enterprise” so far and there is also a lack of a specific legal framework.

The European Commission has further defined the concept of Social Enterprise into three key dimensions: 1) a social dimension, 2) an entrepreneurial dimension, and 3) a governance dimension<sup>3</sup>.



General definition	Initial minimum requirements (yes or no)
<p>Explicit social aim (including environmental, community aims): the products supplied/ activities run have a social/ public interest purpose.</p> <ul style="list-style-type: none"> <li>▶ The type of services produced or activities run can vary significantly from place to place, depending on unmet needs arising at the local level, or in some cases even in a global context.</li> <li>▶ Positive social impact on at least one of the 17 UN Sustainable Development Goals.</li> </ul>	<p>Primacy of social aim must be clearly established by national legislations, by the statutes of the SEs, or other relevant documents</p>
<p>Stable and continuous production of goods and services.</p> <ul style="list-style-type: none"> <li>▶ The (at least partial) use of production factors functioning in the monetary economy (paid labour, capital, assets).</li> <li>▶ Entrepreneurial approach: Revenues are generated from both the direct sale of goods and services to private users or members and public contracts</li> <li>▶ Economically sustainable sources of income: Although relying on both volunteers (especially in the start-up phase) and non-commercial resources, in order to become sustainable social enterprises normally also use production factors typically functioning in the monetary economy.</li> </ul>	<p>SEs must be market-oriented (incidence of trading should be ideally above 25% percent)</p>
<p>Inclusive and participatory governance model</p> <ul style="list-style-type: none"> <li>▶ Social enterprises may be created as single or multi-stakeholder organisations.</li> <li>▶ The profit distribution constraint guarantees that the enterprise’s social purpose is safeguarded</li> <li>▶ Integrative leadership and participatory/ democratic decision-making</li> </ul>	<p>SEs must ensure that the interests of relevant stakeholders are duly represented in the decision-making process implemented</p>

The EU operational definition represents the ‘ideal’ type of social enterprise<sup>4</sup>. Interpretation and application differs across and within countries.

The advantage of the ESEM questionnaire instrument is that the raw data can be sorted and analysed to accommodate different European, national and regional definitions and key dimensions. This will facilitate ESEM data to support evidence-based policy-making in every circumstance and with evolving, diverging and converging definitions in future. For more information, please read the section on methodology.

The reporting is based on a questionnaire developed through the integration and improvement of questionnaires used by SEND, Social Enterprise UK and Social Enterprise NL for their national monitoring reports in the past 14 years. The European and national Social Enterprise Monitors take into account and complements existing research results, which also provide important insight into the (social) entrepreneurship ecosystem in Portugal and Europe (e.g. SEFORIS, SELUSI, the Global Entrepreneurship Monitor).

The strength of the new and aligned questionnaire is the opportunity to have a European dataset and to enable national comparisons and benchmarking. This provides the basis for eight country monitors as well as a comparative European publication, the ESEM.

### **Participation in PSEM**

A total of  $n = 122$  social enterprises took part in the PSEM. In the data cleaning process 66 enterprises were removed (see Methodology Section). This provided a final number of  $n = 56$  social enterprises to be considered for the purpose of this study.

The actual number of social enterprises in Portugal is estimated to be significantly higher. The country report “Social enterprises and their ecosystems in Europe”<sup>5</sup> points for the existence of 8,011 social enterprises in Portugal. Even this number is an underestimation given the existence of grey areas. For instance, social enterprises with the legal form of commercial enterprises were not accounted into the referred report.

Therefore, and given that the survey was sent to organizations in the network of ESLIDER, the representative body of social entrepreneurs in Portugal, it should be noted that the PSEM cannot claim to be a representative survey for all Social Enterprises in Portugal and the results in this publication can therefore only relate to the surveyed participants.



# METHODOLOGY

The survey of the 1<sup>st</sup> Portugal Social Enterprise Monitor 2020 was carried out through the digital survey portal Qualtrics between September 22, 2020 and December 31, 2020. The survey was launched during the digital Social Enterprise World Forum (SEWF) 2020 and promoted through press releases, blog posts, direct mails, webinar sessions at several other international events and conferences (e.g. ImpactCity ImpactFest, European Commission European Social Economy Summit) and via a social media campaign.

Furthermore, Social Enterprise members and partners of 21 ESEM consortium country and research partners received the link to the survey. In addition, 100+ promotion partners of the ESEM were asked to promote the survey directly to founders, managers and employees of social enterprises, amongst others. Thus they included the link to the survey in their marketing, newsletter and social media channels. In Portugal, ESLIDER was responsible for the dissemination of ESEM. ESLIDER shared the survey with its members via emails and newsletters and implemented a social media campaign using LinkedIn and Facebook.

A total of 122 individuals started the 1<sup>st</sup> PSEM survey. In order to ensure comparability of respective country data of the ESEM project, common criteria for data cleaning and a detailed data cleaning plan and procedures were developed at European level, including a data cleaning guide, data cleaning steps to develop proper documentation for each data point and cleaning step, data cleaning decision rules, information on type of editing, dates, and individuals involved. Each data cleaning decision was reviewed by 2 or more individuals for accuracy and consistency across the full set of data.

All information from participants who met the following criteria were evaluated and cleaned:

- ▶ Responses answering more than 80% of the questionnaire were included;
- ▶ Organizations in the idea stage, which had not been founded yet, i.e. did not yet have a legal form when filling in the survey were removed;
- ▶ Organizations that considered their financial interests to be more important than their social impact were removed;
- ▶ Five observations were identified as duplicate data and removed.
- ▶ In addition, basic data cleaning resulted in a few observations being dropped from the final data set.

Moreover, what is understood by social entrepreneurship in the respective countries is largely based on the conditions for the emergence of social enterprises as well as the existing political, legal and cultural framework in the respective countries. In order to do justice to the country-specific differences, an essential condition was agreed: the primary goal of social entrepreneurship must be the solution to social challenges.

Regarding data cleaning within the remaining dataset, missing information was replaced by “no answer” and individual texts provided by respondents for the answer option “other” were analysed and transferred to corresponding scales, if and where applicable. In general, the PSEM does not pretend to be a full survey of all Portugal social enterprises and, in view of the unknown population of social enterprises in Portugal cannot claim to be representative.

# I. Social Entrepreneurship in Portugal

## I.1. Origins & Regions

**Social Enterprises within this study are located in 12 districts of Mainland Portugal and in the Azores archipelago.**

The majority of the PSEM participants are concentrated in Lisbon (41.07%), followed by Porto (21.43%), Coimbra (5.35%) and Viana do Castelo (5.35%). Together the four districts make up 73,2% of the PSEM social enterprises, while the other districts and the archipelago account for 26,8%. Also, there are 6 districts not represented in this report and five of them are from the interior of Portugal, which also tend to have a lower density of population.

Most of the PSEM participants come from Lisbon, which is the most populated district of Portugal, and has also a vibrant social entrepreneurship ecosystem. Specific ecosystem examples include hubs specifically targeted for social entrepreneurs, such as [Impact Hub](#) and [Casa do Impacto](#). Also established in Lisbon is [MAZE](#) an impact investment company with the mission to accelerate and invest in solutions that deliver impactful outcomes. MAZE recently launched the [MSM Fund](#), a €40M early-stage impact VC fund.

We also observe a higher concentration of social enterprises above the Lisbon region in the north coast (46,4%). In fact, it has been acknowledged that the north of Portugal underpins a leadership role in the promotion of the social entrepreneurship and innovation in the country<sup>6</sup>.

Hence, there are strong reasons to believe that social entrepreneurship is increasingly on the agenda of most Portuguese districts and municipalities. Portugal is paving the way to be a catalyst country and vibrant ecosystem for social entrepreneurship.

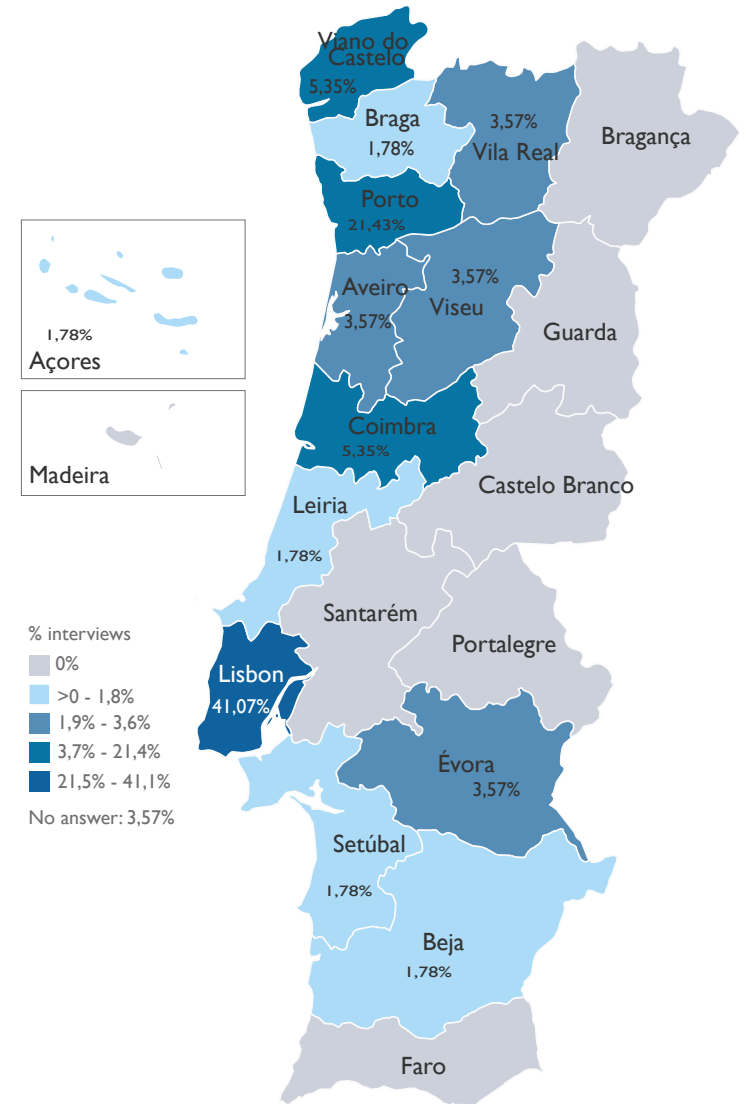


Figure I. PSEM participants in Mainland Portugal and Archipelagos

## I.2. Age & Development Stage

**45% of the PSEM social enterprises have more than 10 years.**

### Age of the organizations

Similar to other countries, the development of social entrepreneurship in Portugal dates back to several centuries ago. One known example is the Houses of Mercy<sup>7</sup>. Founded in the 15th century by initiative of Queen D. Leonor, Houses of Mercy are Christian institutions intended to satisfy the social needs of the disadvantaged population in a very comprehensive way: the poor, the sick, the prisoners, the orphans, and the widows. Initially they were mostly funded by bequests although most of them receive nowadays public funds to render social and health services. Nowadays, they are a central pillar of the Portuguese social sector.

More recently, in 1990, social entrepreneurship started to capture the increasing interest of scholars, practitioners, governments, and civil society<sup>8</sup>. Since then, the interest has been increasing, as more and more people are driven by the sense of urgency in the quest of finding new and better solutions to societal problems, such as unemployment, poor mental health, isolation of the elderly, hunger and education inequalities.

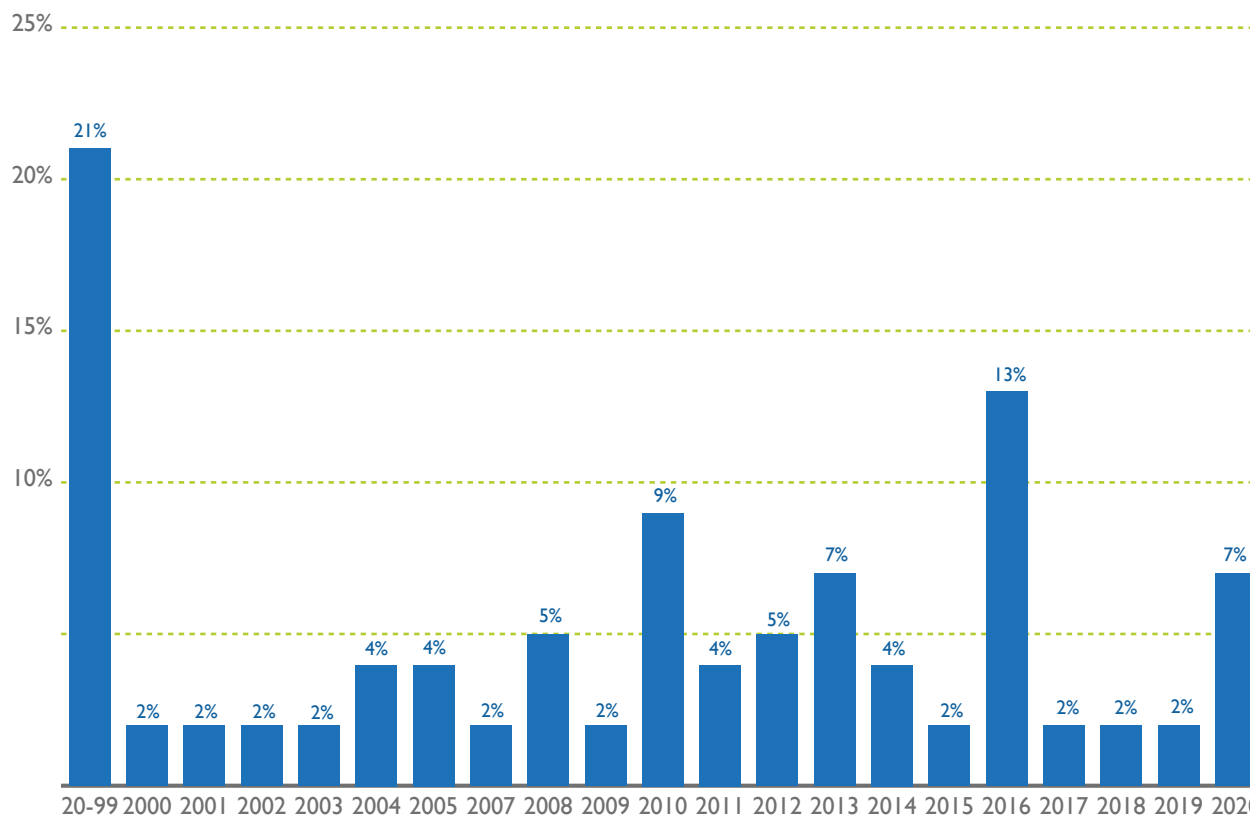


Figure 2. Years of foundation

There is a fairly high share of PSEM social enterprises that have many years of existence. About 45% have more than 10 years, and 21% of them more than 20. 28% are between 5 and 10 years and 27% have less than 5 years. The over-representation of seasoned organizations can be expected from the method used, since the survey was sent to the network of ESLIDER – National Network of Social Entrepreneurs and Civil Society Leaders members (and non-members as well), from which are part many experienced leaders from the social sector field. Also, we tend to observe that there is a greater availability of more mature and larger organizations to respond to this type of surveys.

## 7 out of 10 PSEM social enterprises are in the early or late implementation and growth phase.

### Development phases of PSEM-Social-Enterprises

38% of the PSEM social enterprises stated that at the time of the survey they were in the late implementation and growth stage of their organization. This stage can also be called “dissemination” if it is characterized by the adoption of the social innovation through market offers, social sector provision or public policy. It is also common to encourage the promotion of changes in behaviour of society’s members that prevent, reduce or cancel the societal problem.

27% are in the early implementation and growth phase. The important elements of this stage are the codification of key processes and development of systems and controls, as well as the development of key partnerships. Usually, there is a definition of the scaling model (organic, replication, network, movement) and process. At this stage, the growth plan with occasional fine-tuning of the solution is implemented. In short the focus is on managing growth, building the support organization and processes.

13% are in the previous development phase, the start-up phase. The key element here is the validation and perfection of the proposed solution. It is expected a stronger understanding of the theory of change (how impact happens) and the improvement of economic sustainability (strengthening business model). 5% of the PSEM social enterprises are at the seed stage. The focus of this stage is the analysis and understanding of the societal problem to solve, combined with the development of an innovative solution (product or service or both), with a clear definition of target segment and pilot launch.

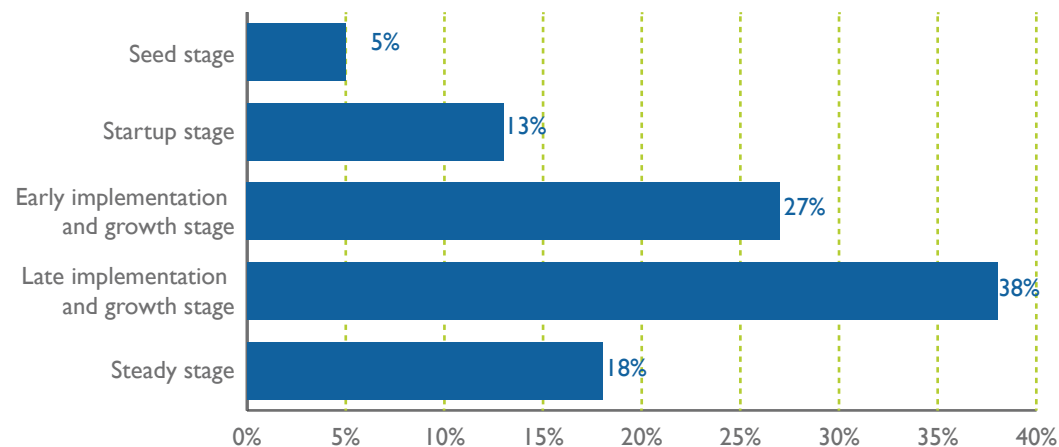


Figure 3. Development stages

### I.3. Business Sectors

## Social Enterprises are represented across all sectors of the economy and industries. They are most common in the “Human Health and Social Services” and “Education” .

Social Enterprises seeks to achieve its mission with entrepreneurial means in various areas of our society. In order to understand the business sectors in which they are active, the PSEM social enterprises were asked to classify themselves according to the International Standard Classification of Business Sectors of the United Nations. The most frequently mentioned sector was “Human Health and social work activities” (48%), followed by Education (32%). Together these two sectors represent 80%. In a distant third place, with 7%, we have “Arts, entertainment and recreation” as well as “Professional, scientific and technical activities”. “Information and communication” represents 4%. In addition, 21% said they belong to several sectors.

# I. Social Entrepreneurship in Portugal

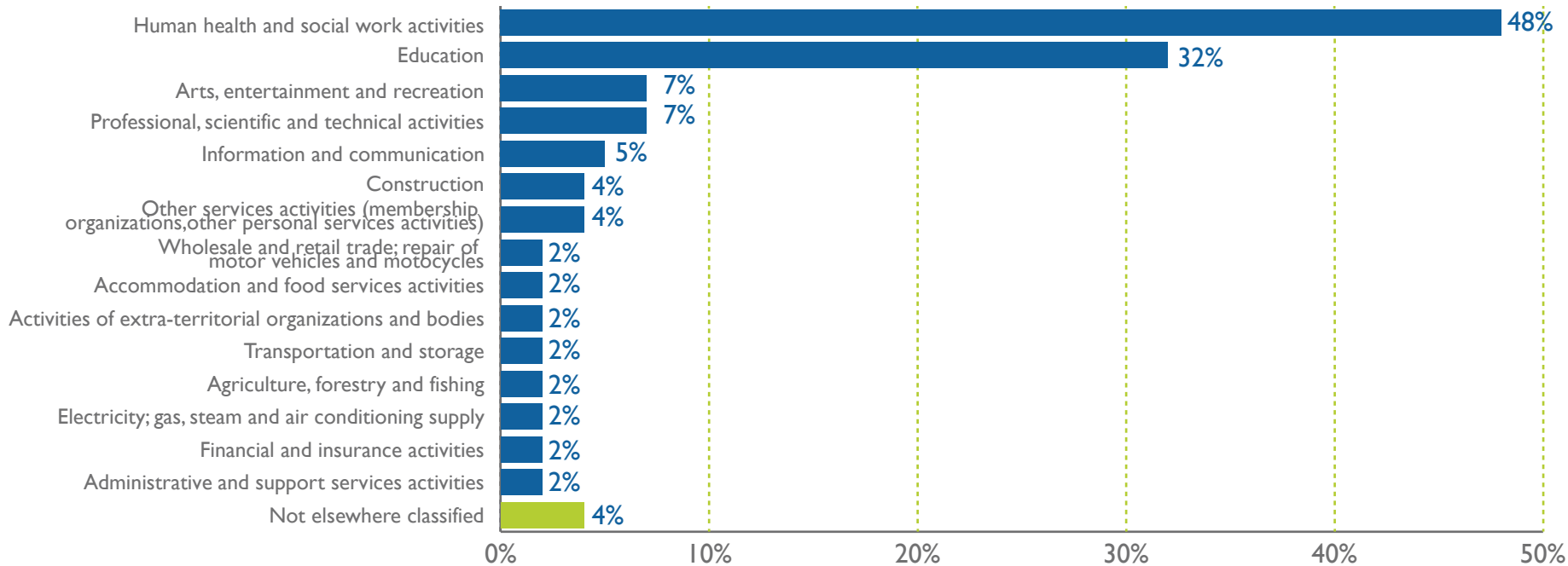


Figure 4. Business Sectors

## I.4. Legal Framework

### Association is the most frequently chosen legal form of PSEM social enterprises.

According to European Commission (2019)<sup>9</sup>, no legal form applies to social enterprises in Portugal, but some legal status and frameworks do apply to the legal forms of associations, mutual associations, Houses of Mercy, foundations and equivalent, cooperatives and others which align closely to the operational definition of social enterprises from the European Commission. Accordingly, 57% of PSEM social enterprises surveyed adopt an association legal form. Considering that, unlike purely profit-oriented companies, social enterprises apply business principles (sale of goods and services), with the priority objective of maximising the creation of value for society in its field of expertise, it is interesting to observe that 33% of them operate from a more commercially oriented legal form<sup>10</sup>, whilst 68% assign themselves to a more socially oriented legal form<sup>11</sup>. It is also important to note that the figures contain information from organizations, who combine several legal forms. Finally, 84% of social enterprises find value in having a social enterprise legal status while 5,4% do not see value in this and 10,7% state that do not know.

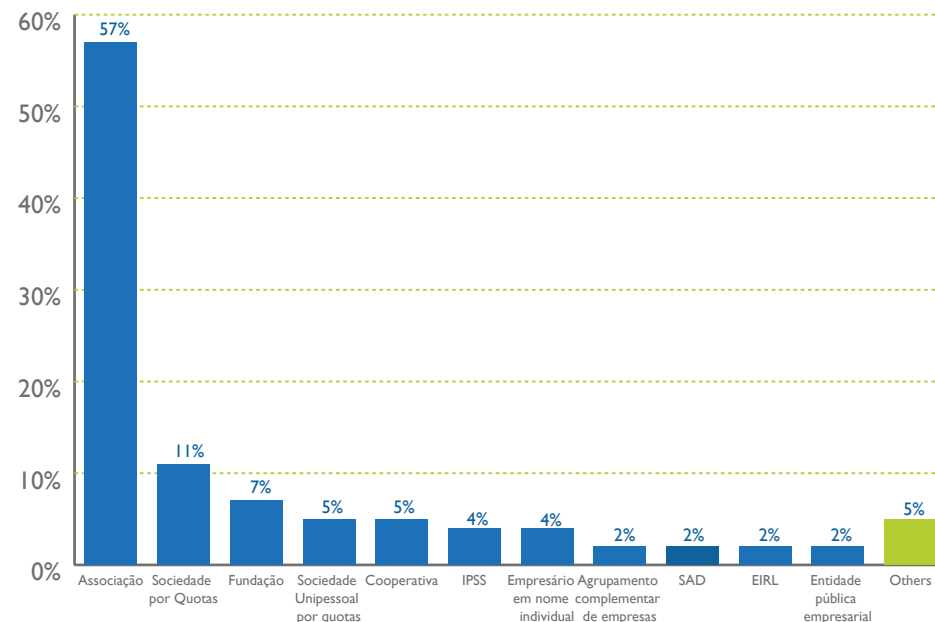


Figure 5. Legal Entities

## 1.5. Social Entrepreneurship in times of COVID-19

**8 out of 10 of the PSEM Social Enterprises were able to help target groups affected by the COVID-19 crisis.**

Since the pandemic began millions of people have been hurt by health, social, and economic implications of Covid-19. Worldwide, the spread of the virus and the containment measures that followed have led to a collapse in the economy and a serious increase in mental illness, poverty and unemployment. As such, social enterprises are often confronted with growing needs of their target groups with simultaneously falling income.

For example a recent study from NOVA SBE<sup>12</sup>, estimates that approximately 40% of Portuguese organizations in the social sector had a turnover drop of more than 30% due to the pandemic.

To gain a better understanding of the situation of PSEM social enterprises, questions were asked about the specific challenges that the Covid-19 crisis posed. The challenges are mainly related to the containment measures (lock-down) initiated by the government.

The main challenge mentioned was the switch to digital offers (39%). This digital transformation can also be seen as an opportunity. According to the referred study, the acceleration of digital transformation was considered by the majority (56%) of the surveyed organizations as a vehicle to increase their social impact<sup>13</sup>. Moreover, 36% of the PSEM social enterprises has been affected by closed shops and facilities as well as the cancellation of events. 32% reported decreasing sales. Due to hygiene and contact rules, many participants were faced with the challenge of reaching their target group (30%).

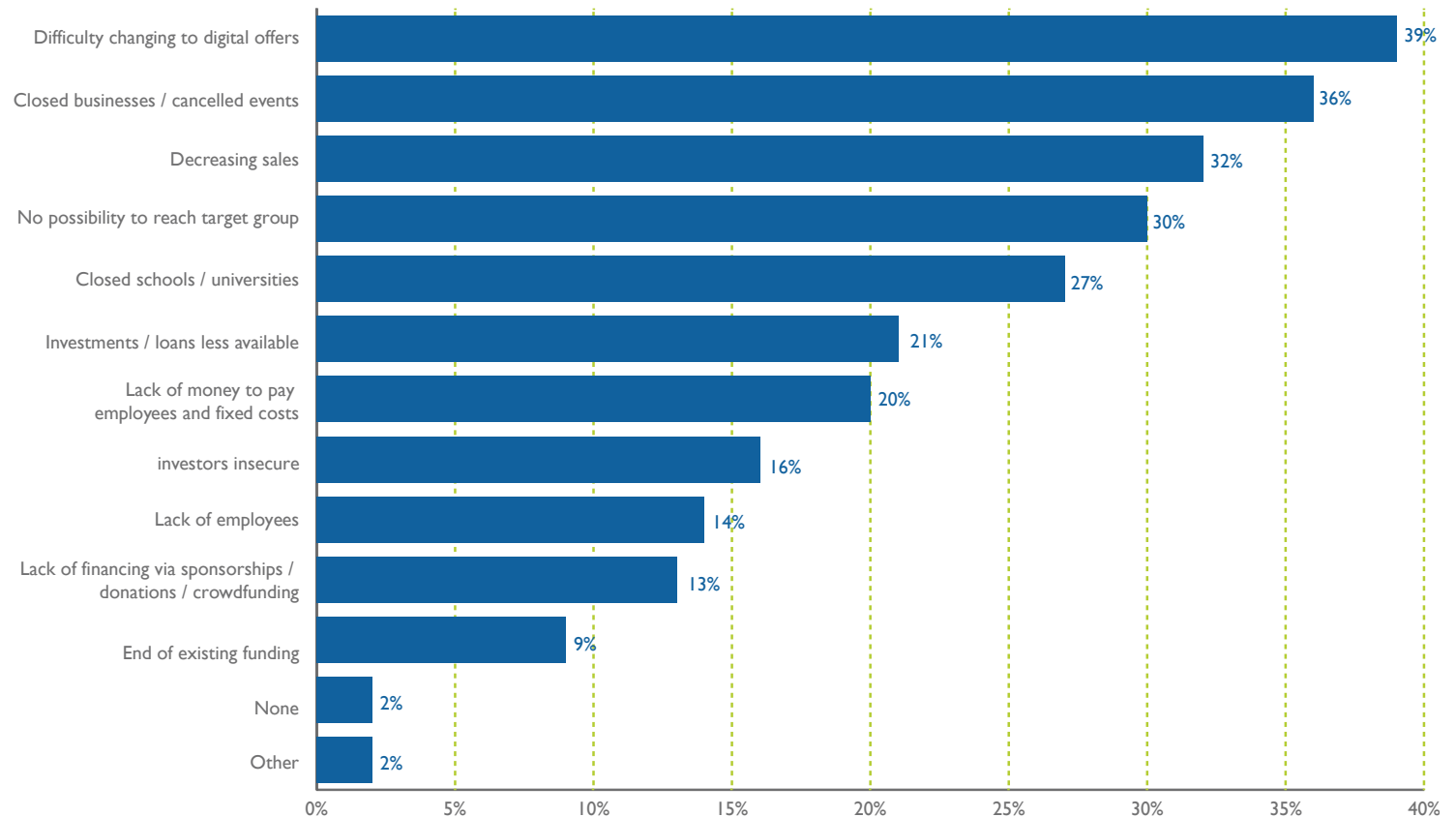


Figure 6. Challenges faced by PSEM social enterprises due to COVID-19

Despite the challenges social enterprises face due to COVID-19, they are undoubtedly a powerful tool for combating the societal problems that have been caused or exacerbated by the Covid-19 pandemic. Accordingly, 82% of PSEM social enterprises could help their target groups within the crisis.

All PSEM social enterprises were capable to develop new offers for their existing target audience. 61% of them changed to digital offers. This demonstrates that social enterprises have proved to be particularly agile, innovative and resilient when dealing with the huge changes created by Covid-19, motivated by their mission of changing the world for the better.

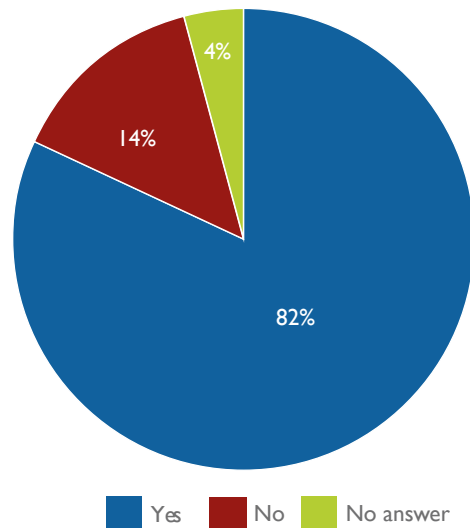


Figure 7. Organizations able to help during the crisis

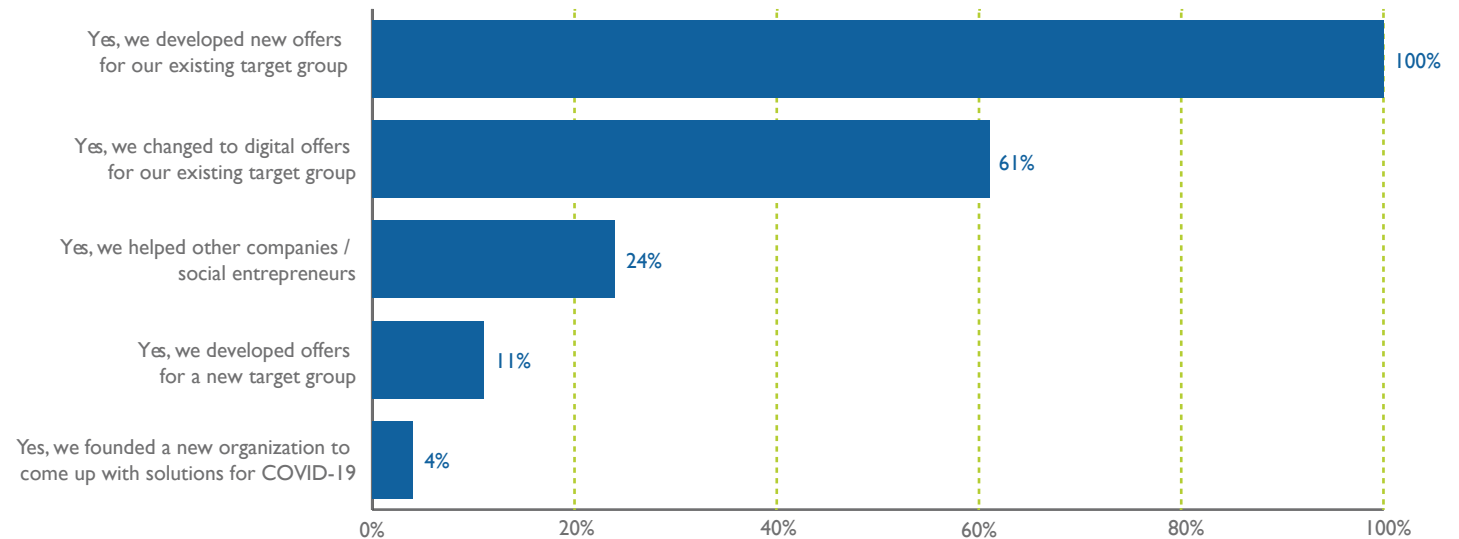


Figure 8. How organizations react to the crisis

## 2. Social and Environmental Impact

### 2.1. Areas of Impact

**“Reduced inequalities” and “Quality Education” are the most frequently addressed SDGs.**

In 2015, countries from around the world adopted the 2030 Agenda for Sustainable Development, and the 17 Sustainable Development Goals (SDGs) associated with it<sup>14</sup>. Achieving these goals will require the efforts of governments, business and third sector actors, as well as strong collaborative work. Social entrepreneurship also has a potentially crucial role to play in the achievement of these global goals. According to GlobeScan SustainAbility Leaders Survey 2018<sup>15</sup>, participants identify social entrepreneurship as the second most important driver in achieving the SDGs.

For the PSEM, the SDGs offer an orientation in which areas a social and/ or ecological impact is achieved. The most frequently mentioned area of impact of the PSEM organizations were “10. Reduced inequalities” (59%), “4. Quality Education” (52%), “17. Partnerships for the goals” (45%) and “Good Health and Well-being” (41%). It is noticeable that 79% of PSEM social enterprises address several SDGs.

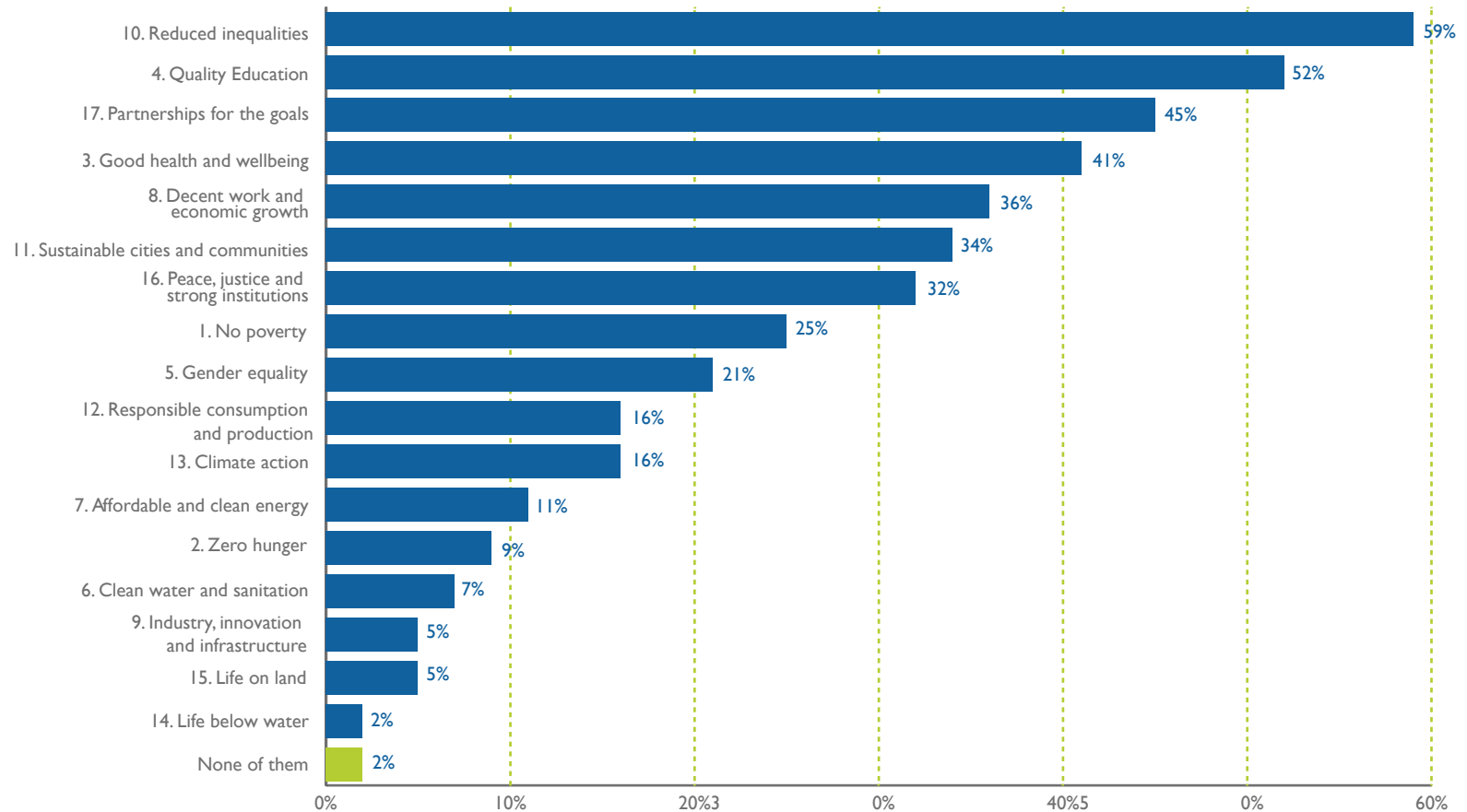


Figure 10. Areas of impact of the SPEM social enterprises



### Geographical Reach

**PSEM social enterprises operate most frequently at the national level (36%), followed by the local city level (32%) and at the region/ province level (23%).**

The scale-up of the social enterprises beyond one geographical context can extend their impact to better match the scope of problems being addressed. It is interesting to verify that PSEM social enterprises operate most frequently at the national level (36%). This is in alignment with the maturity stage of the organizations analysed within this survey. A significant number of PSEM social enterprises also act at the local city level (32%) and at the region/province level (23%). An international focus can be observed in 16% of the PSEM organizations, with half of them based at Europe and another half beyond Europe. In the process of internationalization, social Entrepreneurship can be a catalyst of cross-border cooperation, contributing with assets such as entrepreneurial drive, local embeddedness, and the building of trust<sup>16</sup>.

### 2.2. Beneficiaries

**47% of PSEM social enterprises involve the beneficiaries in the production and/or services processes.**

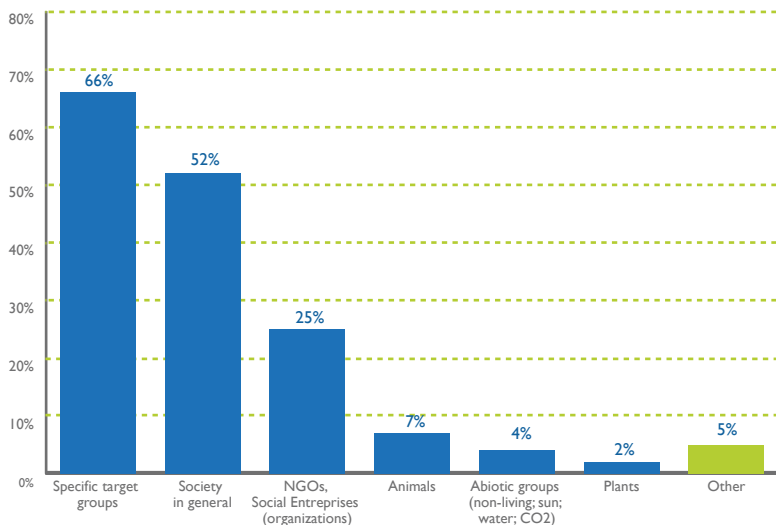


Figure 12. Beneficiaries

The beneficiaries of the social enterprise are the final recipients of the benefits and impact that the solution desires to achieve. Though, in some cases, they are not the clients (i.e., those who pay for the product or service) of the organization. Accordingly, Battilana & Lee (2014)<sup>17</sup> contend that till now few models exist that satisfy the needs of the extremely poor while also generating earning revenue from beneficiaries that might have inability to pay. For beneficiaries with ability to pay, some organizations have developed models that simultaneously address both business and social goals.

When asked which target groups count as beneficiaries of the impact for their organization, 66% of the PSEM social enterprises stated “specific groups of people”. A total of 52% stated their beneficiaries as “society as a whole”. Also, 25% works with organizations (NGOs and social enterprises) and 13% identified ecological target groups such as plants, animals and abiotic groups.

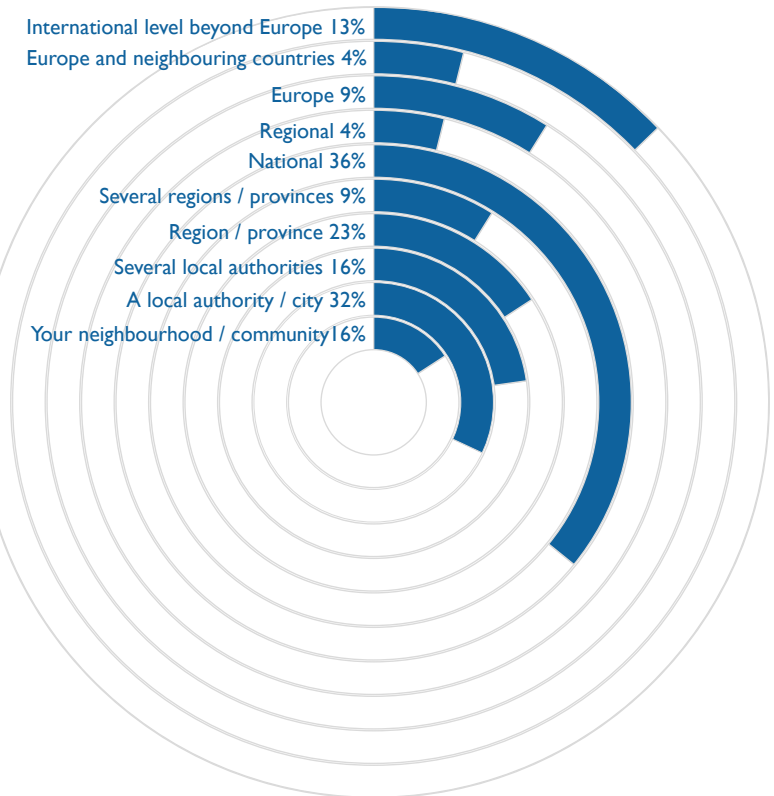


Figure 11. Geographical reach

## 2. Social and Environmental Impact

By going deeper in the “specific groups of people” that PSEM organizations describes as beneficiaries, one notices the wide range of target groups for which products and services are being offered. With greater expression in the focus of work of PSEM Social Enterprises are “children and young people” (32%), “people with low incomes or debts” (18%) and “long term unemployed” (16%).

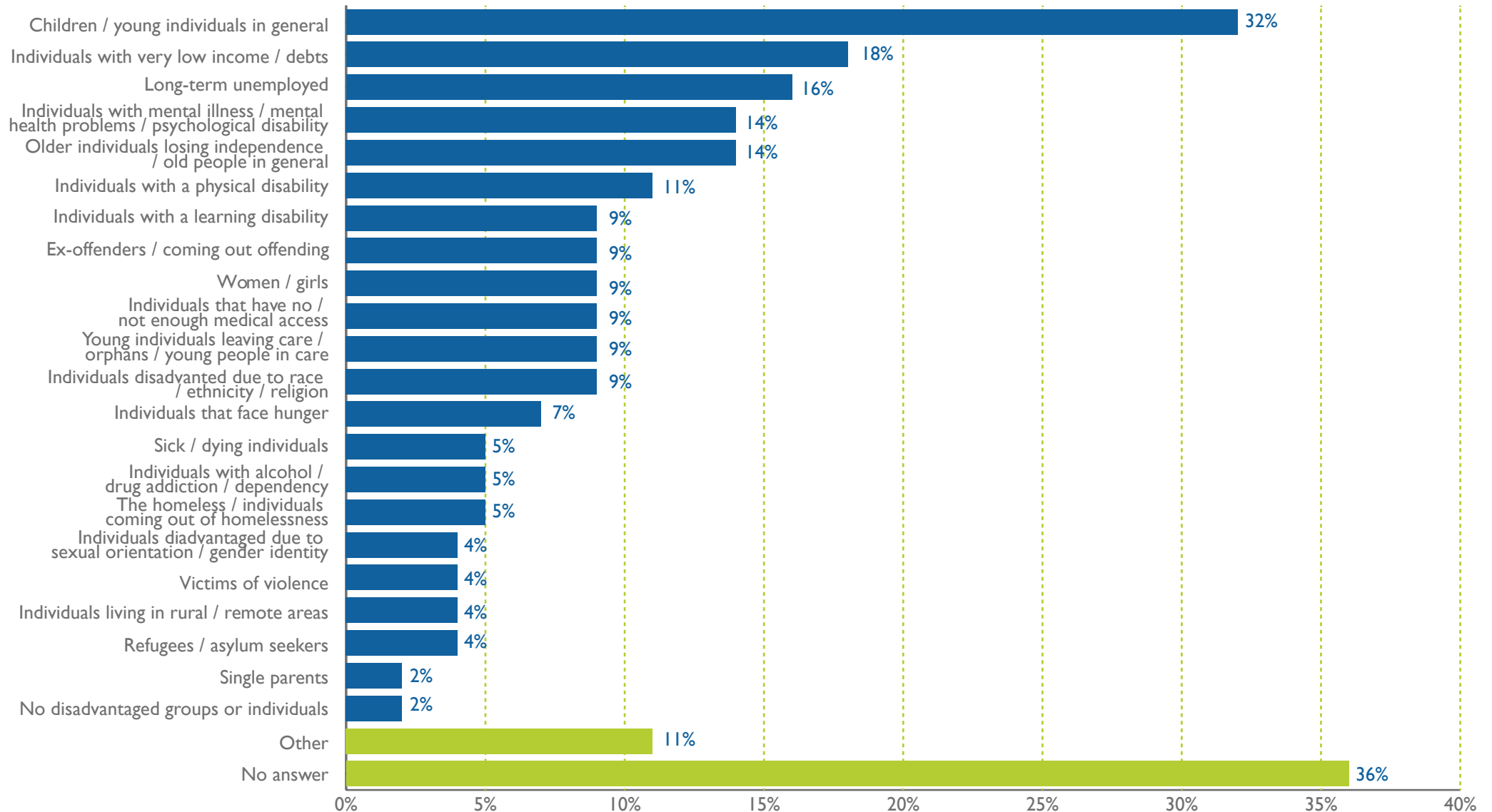


Figure 13. Specific target groups

### Involvement of beneficiaries

Social Enterprises are committed to support and engage their beneficiary group through different business-impact models. It is relevant to point out that social enterprises might grapple with a degree of overlap between “customers” (those who pay for the product or service) and “beneficiaries” (the target groups that are the focus of the social mission)<sup>18</sup>. In some cases the beneficiaries are the “consumers” of the products and services. In these lock-step models social and business activities are the same and fully aligned, meaning that social impact is generated in direct proportion to commercial activity (the more product / service sold, the higher the social impact). In other cases where beneficiaries have limited willingness to pay, a separate customer group is needed. An illustrative example is a social enterprise that trains people with autism and matches them with qualified job opportunities in the IT sector, integrating previously disconnected beneficiaries and customers in the same intervention. In this case beneficiaries are involved in the “services” processes of the organization.

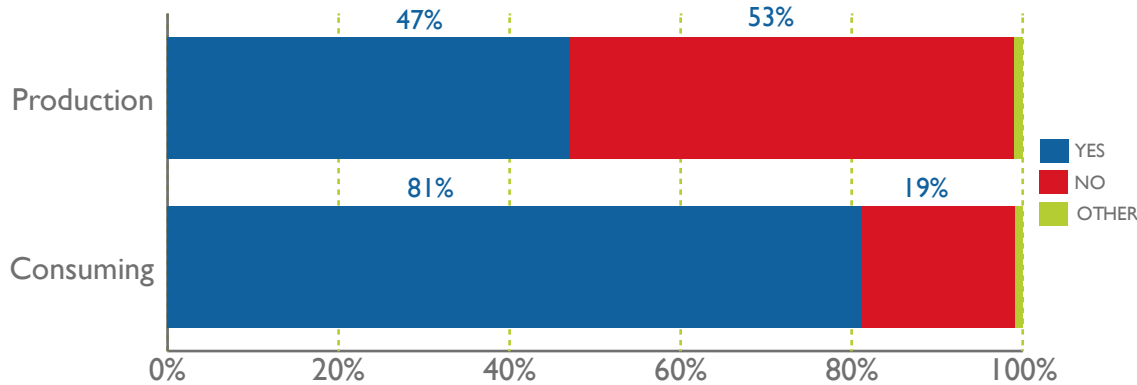


Figure 14. Involvement of beneficiaries

In the PSEM social enterprises survey, 81% of the organizations that address specific groups of people supply their beneficiaries directly with products and/or services.

47% stated that they involve the beneficiaries in the production and/or services processes, achieving their impact by integrating disadvantaged groups into the professional life.

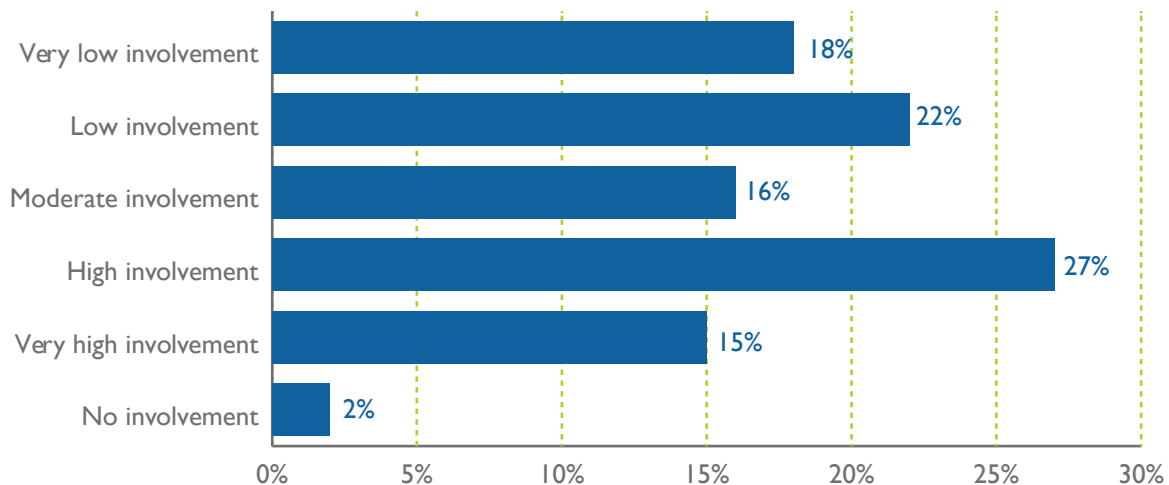


Figure 15. Level of Involvement of beneficiaries in the decision making

Regardless the strategy and business model chosen to engage with the beneficiaries, the social entrepreneurship approach to achieve the desired outcomes is to empower beneficiaries (and potential stakeholders) to become an integral part of the solution<sup>19</sup>.

Accordingly, 41% of the PSEM social enterprises report a very high or high involvement of the beneficiaries in the decision-making process. Only 2% do not involve their target group and 2% do not provide information.

### 2.3. Procurement decisions and supply chains

The purchasing decisions of organizations directly influence the economic, social and ecological conditions of the locals where those services are subcontracted. While efficient supply chains aim to drive down the costs and increase profitability, there is an increasing pressure and concern with sustainability in the value chain. Specifically, social enterprises can integrate a triple bottom line (profit, people, and the planet) aspects into their procurement or help other organizations in achieving sustainability in their procurement.

When making decisions about their own procurement,

86% of the PSEM social enterprises rate social responsibility as an important or very important criteria. 75% rate ecological responsibility as an important or very important criteria. Still, costs remain a key concern, with 87% of the respondents stating it is an important or very important criteria in the decision making.

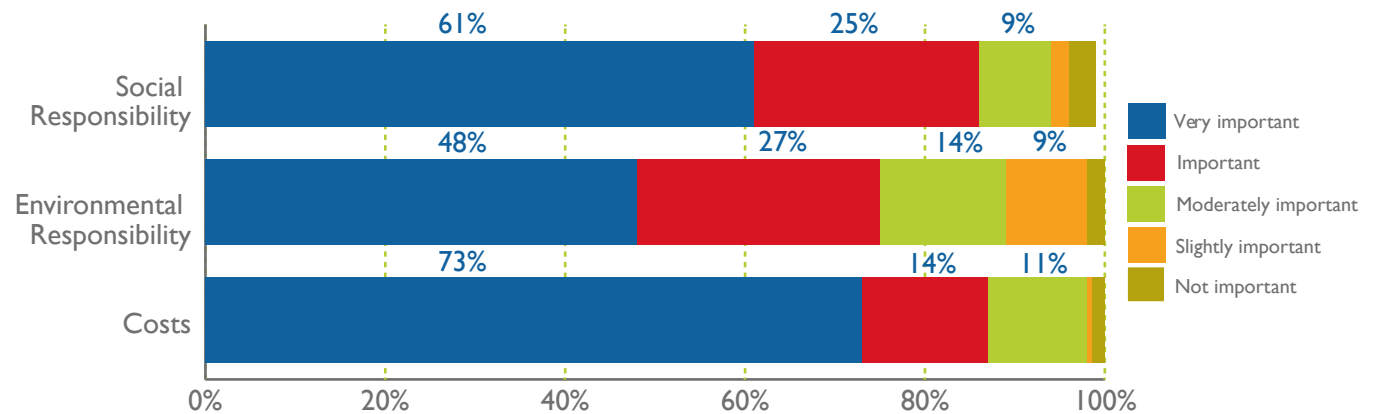


Figure 16. The importance of social, environmental and economic aspects in the procurement decisions

### 2.4. Impact measurement

**6 out of 10 PSEM social enterprises regularly analyze their impact goals.**

Impact measurement refers to the process of measuring the change that organizations or projects create. Frequently, impact measurement tools aim to fulfil three different roles at the same time – accounting to stakeholders, improving internal management practices and measuring social impact<sup>20</sup>. Whilst standards for measuring an organization’s impact are still underdeveloped, the measurement effort of one’s own impact should be a key component of the steering and controlling mechanisms of a social enterprise. They can contribute significantly to anchoring the common good in the organization and prevent a potential mission drift where a favouring of the financial sustainability and profitability could be observed.

Among the PSEM social enterprises, 58,9% regularly analyse their impact goals. The several challenges associated with the process of measuring the impact (high costs, lack of skills and expertise, challenges in capturing data, identifying benchmarks and comparators) are still a barrier for many organizations<sup>21</sup> and could be a possible explanation of why this value is not higher.

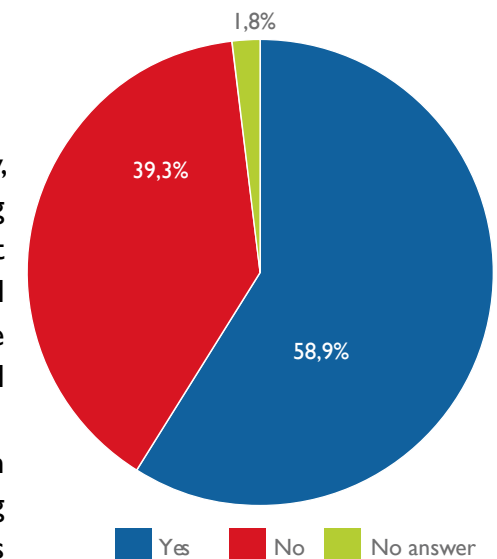


Figure 17. Social enterprises that measure social / environmental impact regularly

## 2. Social and Environmental Impact

For those who measure the impact in a regular basis, the most common time frame is in a yearly basis (52%). Also 27% of the respondents assess their impact continuously.

Only 8,9% of PSEM social enterprises use certifications that enable them to demonstrate their social and / or ecological impact to the outside world. The most common certifications are the ISO9001, an international standard that specifies requirements for a quality management system (QMS) and B-Corp which is a certification that measures a company's entire social and environmental performance.

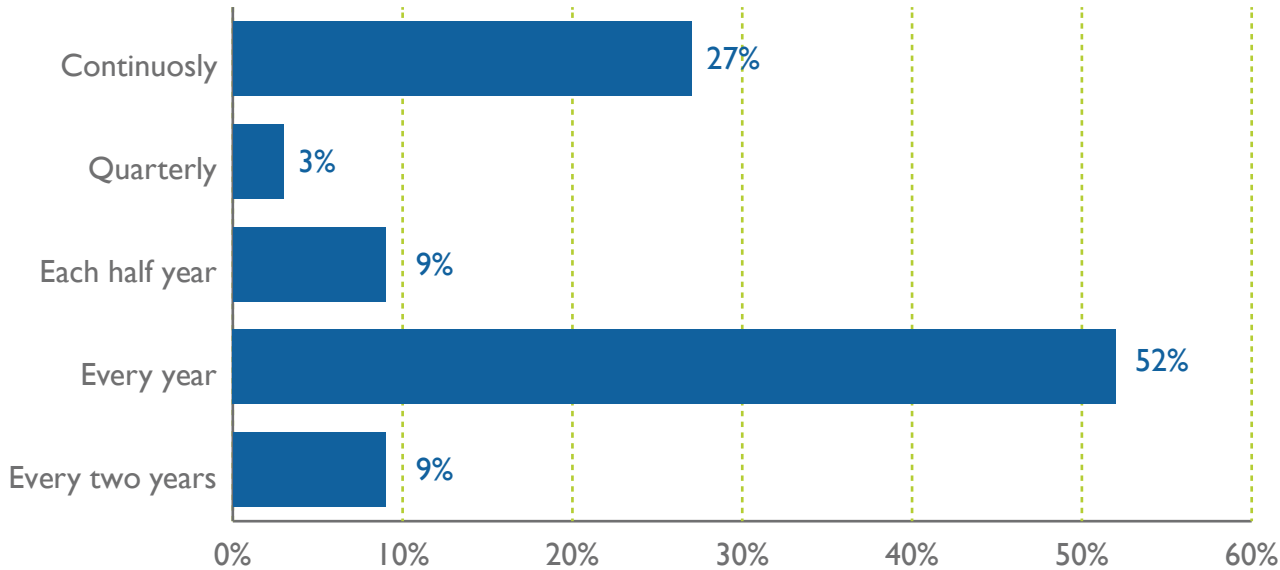


Figure 18. Frequency of impact measurement

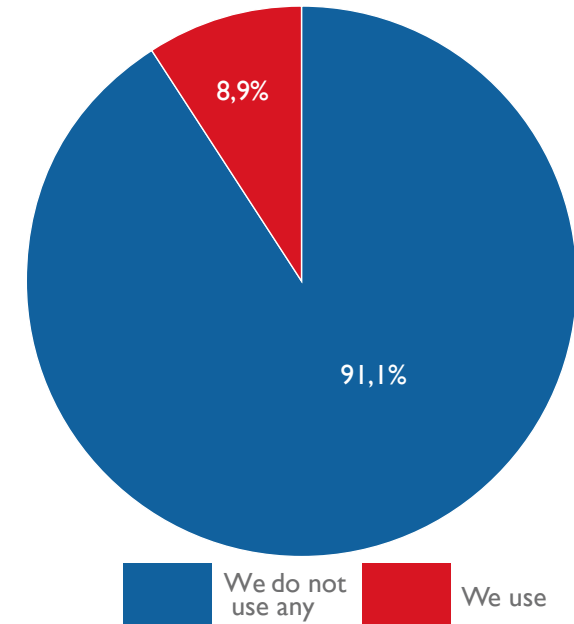


Figure 19. Use of Certifications to signal social / ecological impact

# 3. Markets, Money and Financing

## 3.1. Sources of income

**45% PSEM social enterprises' total income accrues from commercial activities.**

Following the European Social Enterprise's definition presented in the introductory chapter, SEs must be market-oriented, meaning that the incidence of trading should be ideally above 25%. In this study, an estimate of 45% PSEM social enterprises' total income originates from trading activities that result from the sale of goods and services and 55% originates from non-trading activities, such as grants or public subsidies.

It is important to note that the optimal diversification of financing sources for a social enterprise depends on several factors. For instance, it can depend on business and social sector characteristics, geographic location, area of intervention, the stage of the organizational life cycle, among other reasons<sup>22</sup>. Considering the life cycle dimension, it is expected that, at an early stage of development, social enterprises may rely only on volunteers and mainly on grants, when compared to later stages. An European study suggests that the number of financing sources increases with organisational age<sup>23</sup>. Notably, most social enterprises use a diversified financial structure to be less financial vulnerable, achieve their financial sustainability and mission. Sometimes this can be a time and skill consuming task, also because different funding sources can be associated with different expectations and time-horizons<sup>24</sup>. The drawback happens when resources are often diverted towards fundraising and away from mission related activities<sup>25</sup>. As an alternative, increasing the concentration of income through the self-generated revenues component can give the organization a greater focus to decide the scaling strategy or the allocation of resources between their activities. Often this requires to strengthen capacity within the organisation. The risk is a greater exposure to swings in an organization's financial position<sup>26</sup>. So social enterprises face a complex set of choices about the optimal composition of their revenues' sources.

It is interesting to look to the decomposition of the PSEM social enterprises main sales sources of income: they are equally divided between the public sector (27%), third sector organizations (27%) and consumers (27%), making them relevant purchasers of SEs' goods and services. The trading with for-profit companies comes in 4th place (21%). Income from non-market activities can take several forms. Most of the monetary contributions come from public subsidies (27%) and from donations from private individuals (25%), equally followed by donations from profit-oriented companies (25%). Non-monetary contributions also play an important role. PSEM social enterprises resort mainly to volunteering work (38%), pro bono work by stakeholders of the organization (23%) as well as corporate volunteering (13%).

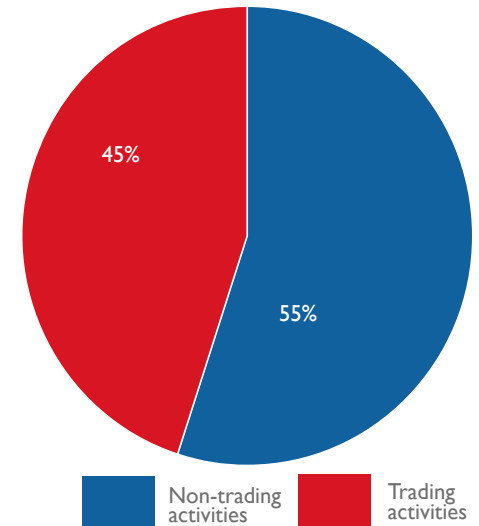


Figure 20. Proportion of total income generated by trading vs. non-trading activities

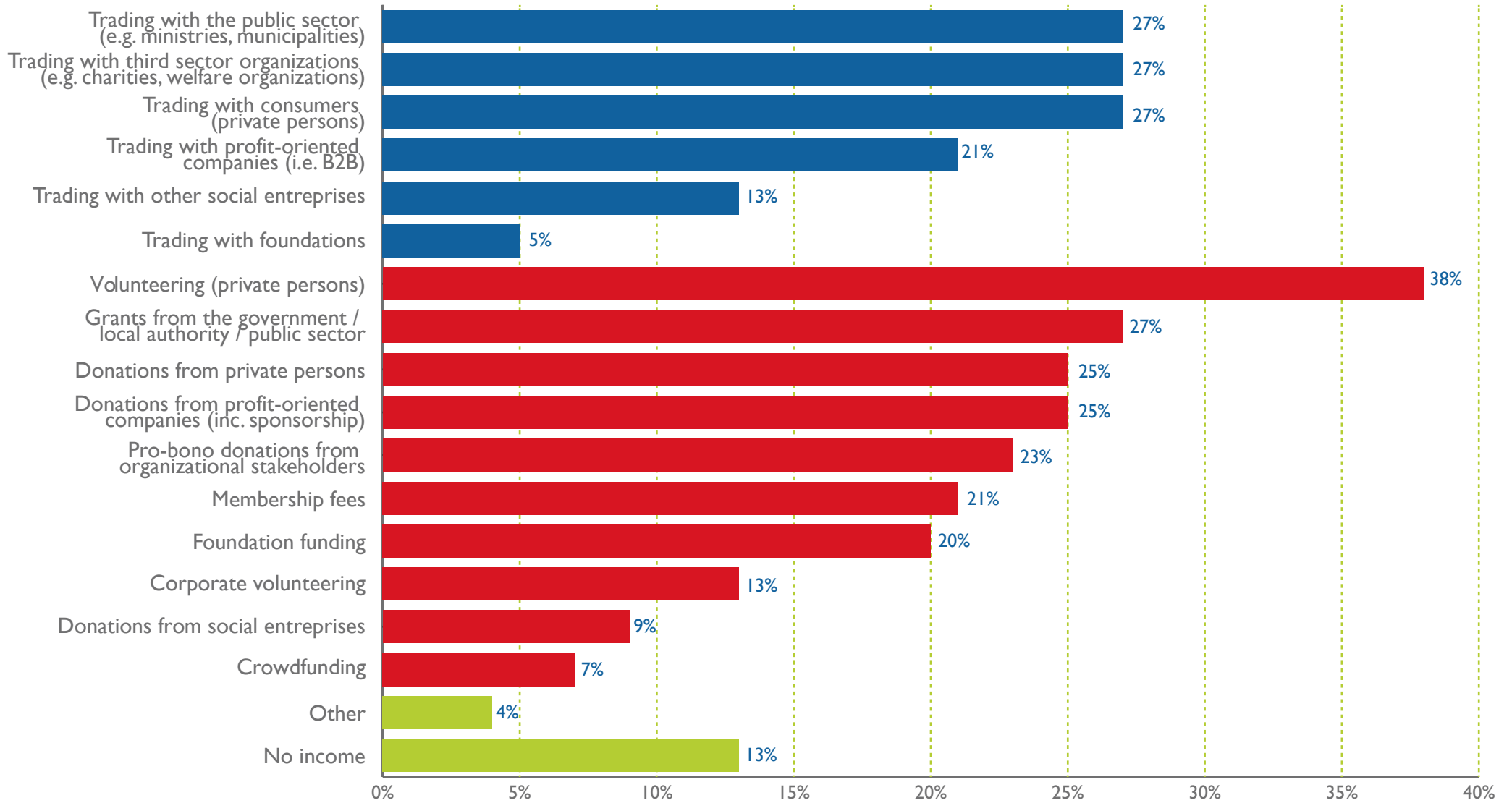


Figure 21. Main sources of income

## 3.2. Revenues and Profits

### Revenues

**68% of PSEM social enterprises generated revenues under 250,000€ in the past 12 months. 11% had over 1 million euros.**

About 68% of PSEM social enterprises generated revenues of up to 250,000€ in the past 12 months. Considering only the market revenues, the value increases to 83%. On the other hand, 11% of the PSEM social enterprises had revenues higher than 1M Euros which gets reduced to 4% when considering only market-based revenues.

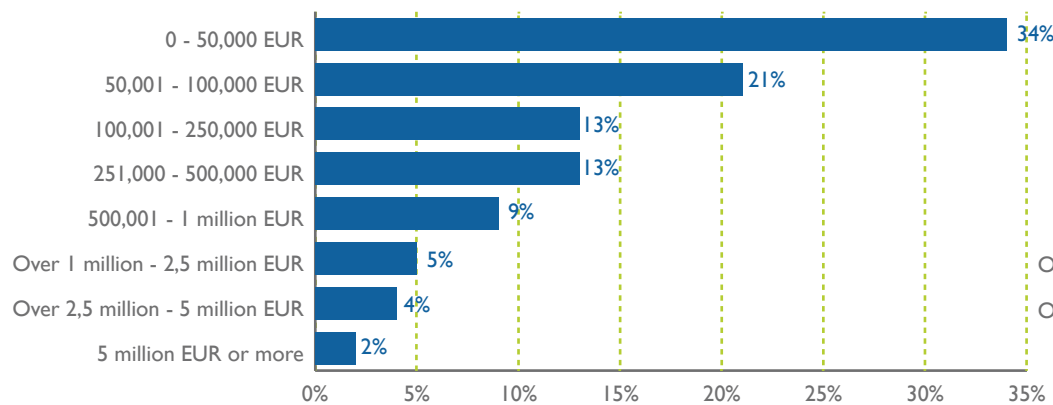


Figure 22. Total revenues of the last 12 months (trading and non-trading)

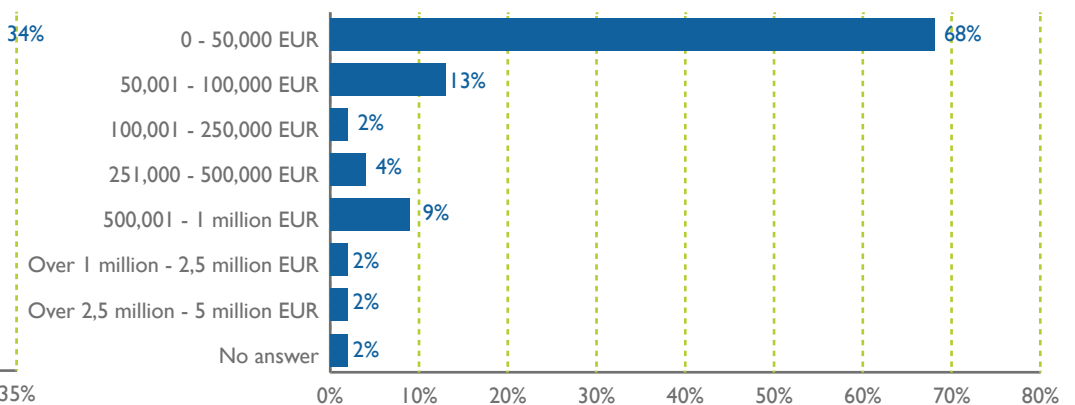


Figure 23. Total revenues of the last 12 months (only trading)

In order to get a picture of the current situation compared with the previous year, the PSEM social enterprises were asked about the change in their sales. At least 30% reported that the sales decreased and 32% that sales stayed the same. 21% of the social enterprises affirmed that sales increased. When questioned about the future, there is an optimistic tone. About 38% expect to increase sales in the next 12 months, whereas 25% posit a decrease in sales. Also, 23% consider that sales will stay the same. Furthermore, the participants were asked about specific reasons for their forecast for the next 12 months. Sales increases were among others explained with the potential recovery of the economy after the COVID-19 crisis, new financed projects and more donations. Regarding the enterprises that expect a decrease in sales, the negative effect of the pandemic is the most common answer.

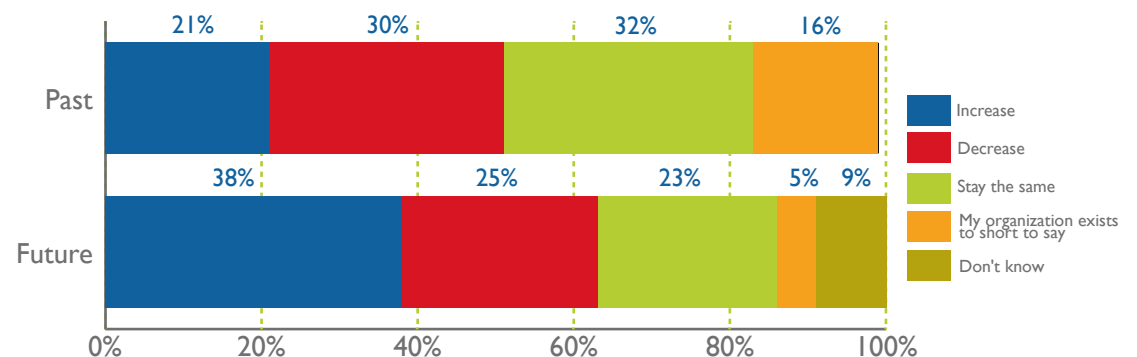


Figure 24. Past revenues vs. Predicted revenues



#### Profits

**8 out of 10 PSEM social enterprises reinvest their profits mostly or exclusively in the purpose of the organization.**

One key aspect identified by Santos (2012)<sup>27</sup> that distinguishes social entrepreneurship from commercial entrepreneurship is a primary focus on value creation (impact) as opposed to value capture (profits). Social entrepreneurs typically maximize on value creation and satisfice on value capture to fuel operations and reinvest in growth. A look at profitability levels allows a more precise analysis of the current sustainability of the PSEM social enterprises. Overall, 36% PSEM social enterprises recorded a profit last year. 21% reported break even and 11% reported a loss. Nevertheless, it is important to mention that 36% did not respond to this question, being that most of them are in the seed and start up stage and therefore might not be certain about this information and some may have considered that the concept “profit” did not apply to them (for non-profit legal entities the concept of “surplus” would be more applicable.). Moreover, the greatest losses are reported at the start-up stage (14%) and in the steady stage (20%). While in a start-up stage a loss can be expected due the need of investment and high risk, the latter stage can be explained in light of a stagnating or falling growth rate which entails less revenues. On contrary, the largest proportion of PSEM enterprises with profits can be encountered in the late implementation and growth stage (52%), followed by the early implementation and growth stage on par with the seed stage (33%).

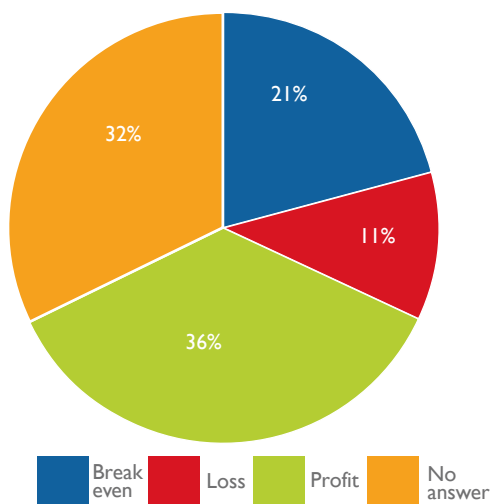


Figure 25. Profit, loss or break even?

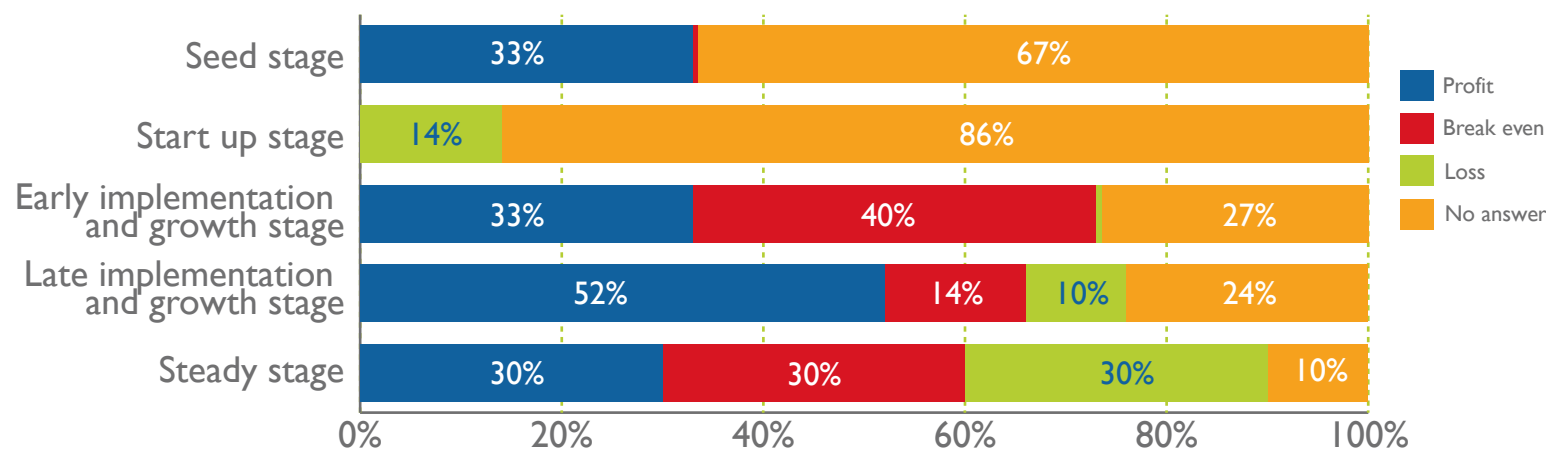


Figure 26. Profit and loss across organizational development stages

In social enterprises, the demand for profit for the owners of the organisation is constrained (by statute and/or practice) by the purpose of delivering value to society. The PSEM Social Enterprises were asked to what extent they tend in their organizational practice to use their profits for the purpose of their own organization, to donate them or to distribute their profits for private purposes. Almost eight out of ten of PSEM social enterprises stated that the majority of their profits were reinvested or donated to the social and / or ecological purpose of the organization.

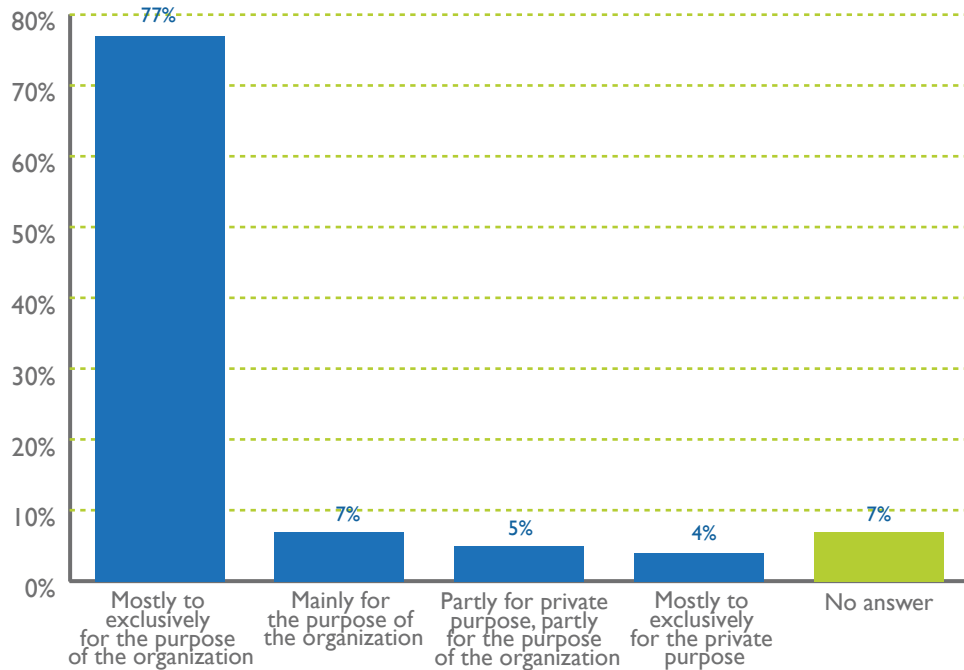


Figure 27. Distribution of profits

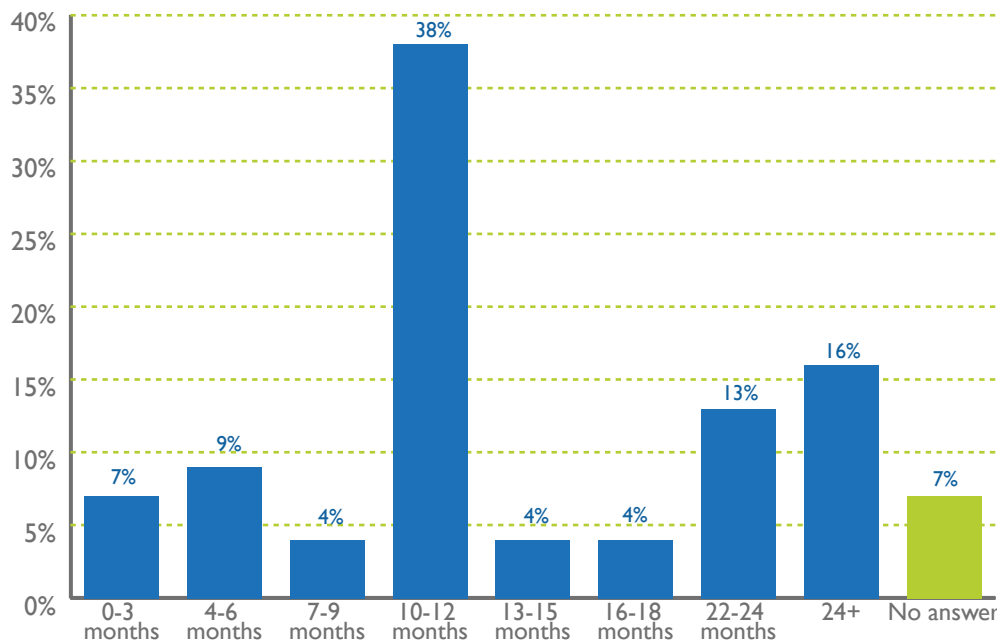


Figure 28. Period of safe financial planning

### 3.3. Financial planning security

**6 out of 10 PSEM social enterprises report a financial planning security of a maximum of one year.**

Social enterprises seek to achieve their mission, while fairly remunerating the resources that they use in activities (including financial capital and human capital). Long-term planning security is an important factor to guarantee the sustainability and growth of social enterprises. Nevertheless, the creation of reserves is often difficult for social enterprises, as they tend to reinvest their profits to increase their effectiveness.

Almost 6 out of 10 PSEM social enterprises have a financial planning security of a maximum of one year, with 4 out of 10 showing a financial security guaranteed between 10 and 12 months.

There are several factors that can be hypothesized to influence the financial planning security of social enterprises. For instance, many social enterprises employ or serve vulnerable or high-risk groups and many will have low or no financial reserves, making them particularly vulnerable to external shocks, such as the COVID-19 pandemic. This financial vulnerability can limit their impact and impairs their ability to fully realize their mission. Instead of focusing their attention on providing support and delivering services, they spend a significant amount of time and effort looking for revenue streams<sup>28</sup>.

This reflection suggests the need for a renewed financial architecture that allows for long-term planning, innovative income generation strategies, alternative financial aid or other regulations for expanded reserves.

#### 3.4. Financing and investments

##### Financing Sources and Success

**In the last 12 months, the PSEM Social Enterprises financed their investment needs most frequently through public funding, private donations and own savings. Impact investment have played a subordinate role so far in the financing of the PSEM Social Enterprises.**

The focus of this section is the types of financing that go beyond the financing of the operational business and allow PSEM social enterprises to make substantial investments. To analyse deeper the funding sources of PSEM social enterprises, they were asked what types of funding they have requested in the last 12 months. Half of the PSEM respondents mentioned public financing (50%), followed by private donations (39%), own savings (32%) and self-financing (32%).

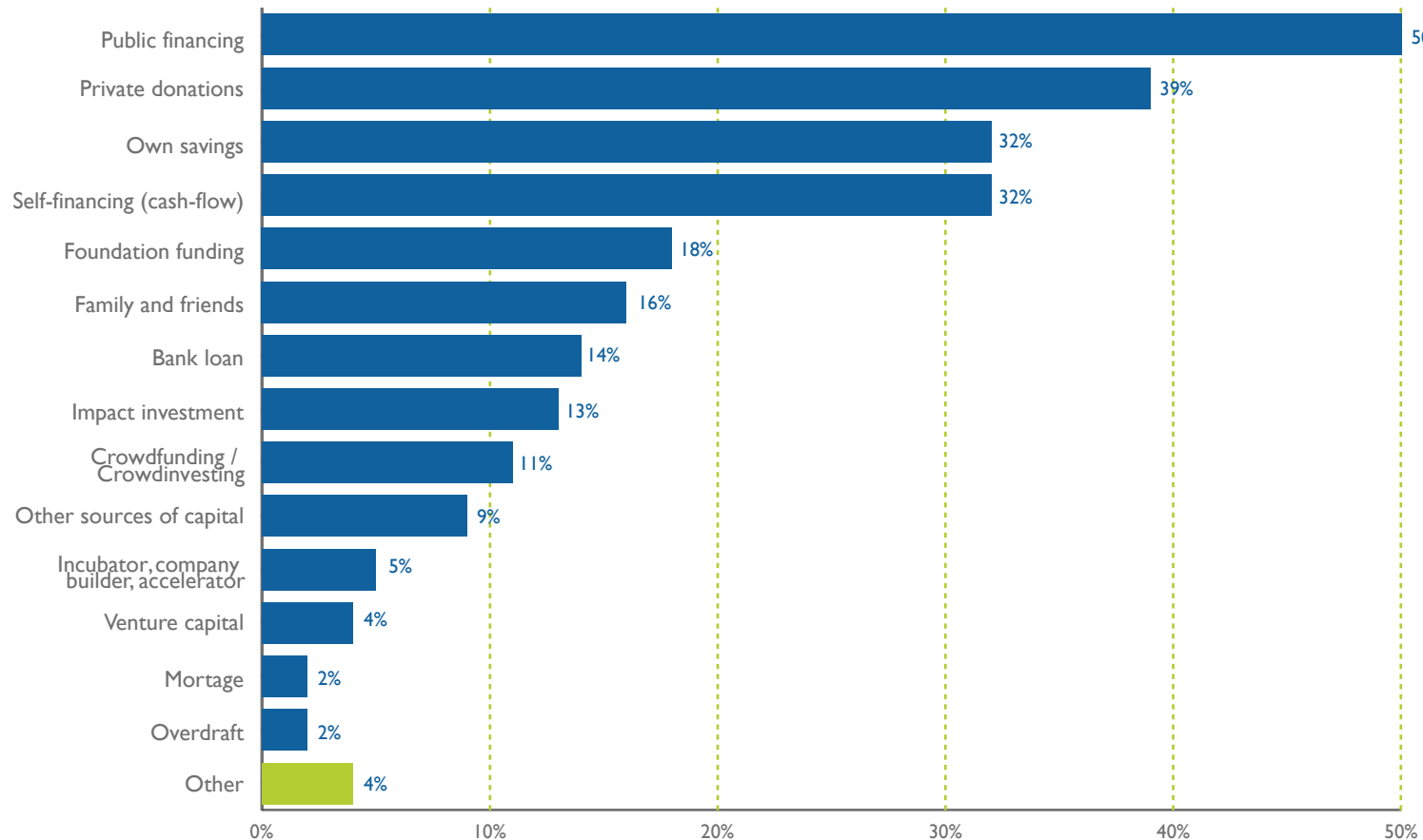


Figure 29. Types of funding requested in the last 12 months

### 3. Markets, Money and Financing

To gain a more detailed insight into the funding landscape, PSEM Social Enterprises were asked to describe whether their funding applications had been successful in the last 12 months. Financing through state subsidies, private donations, self-financing and foundation financing were particularly successful.

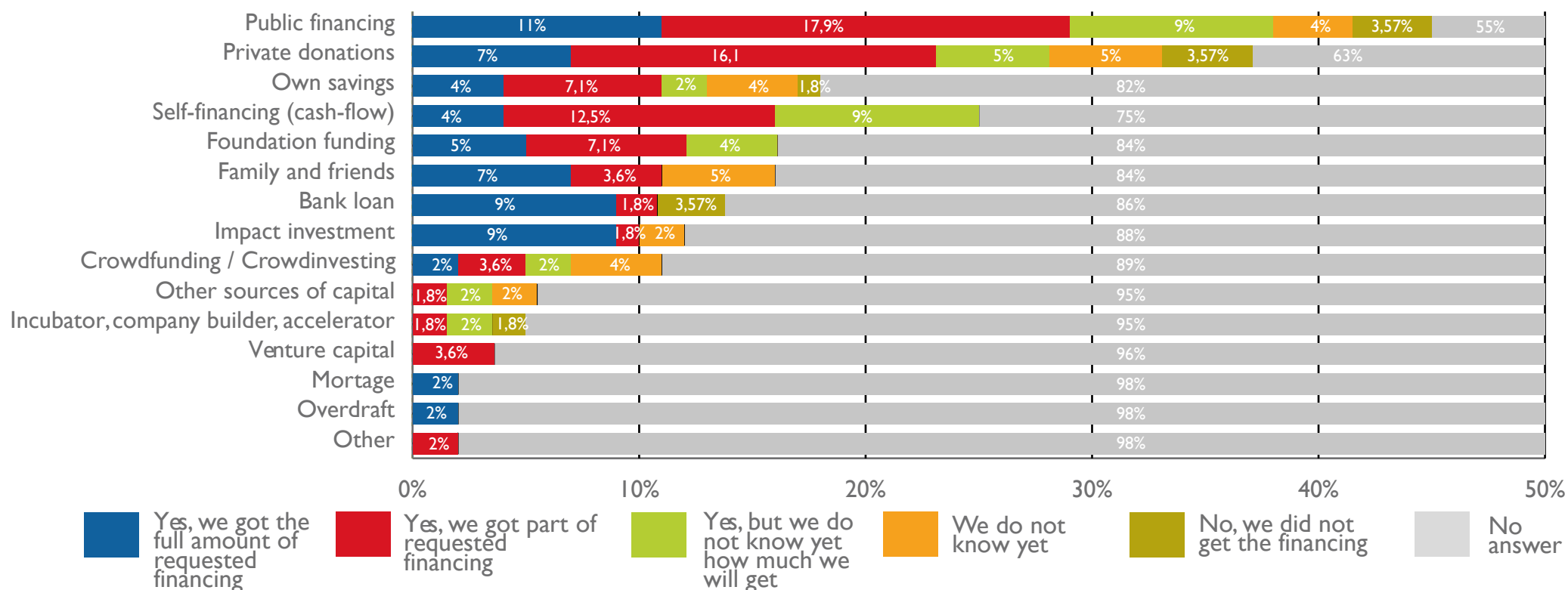


Figure 30. Success of the funds requested

#### EU-Funding

To understand how PSEM social enterprise makes use of EU-funding it was asked if they already applied to this funding mechanism. Half of them acknowledge that they already did so. The funds from the European Social Fund, the Erasmus+, Horizon 2020 and Portugal Inovação Social programs are most popular. For the 35,7% that answered negatively the reasons were related to the complexity of the process and the required time to allocate to it (35%). It was also mentioned that the financial capacity obligations are too high (25%) and there was no funding available related to the mission of the organization (25%). An important highlight is that 80% of the PSEM social enterprises expect to apply again for EU funding in the future, revealing as main reasons the good experience with the program (59%), the substantial amount of funding (52%) and the importance of the income stream to the organization (52%).

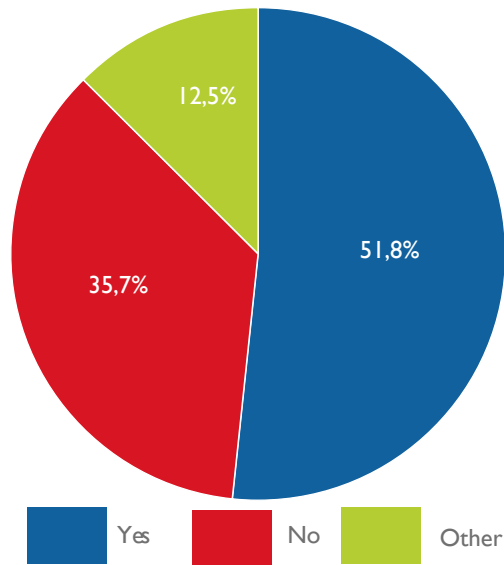


Figure 31. Social enterprises that already applied for EU-Funding

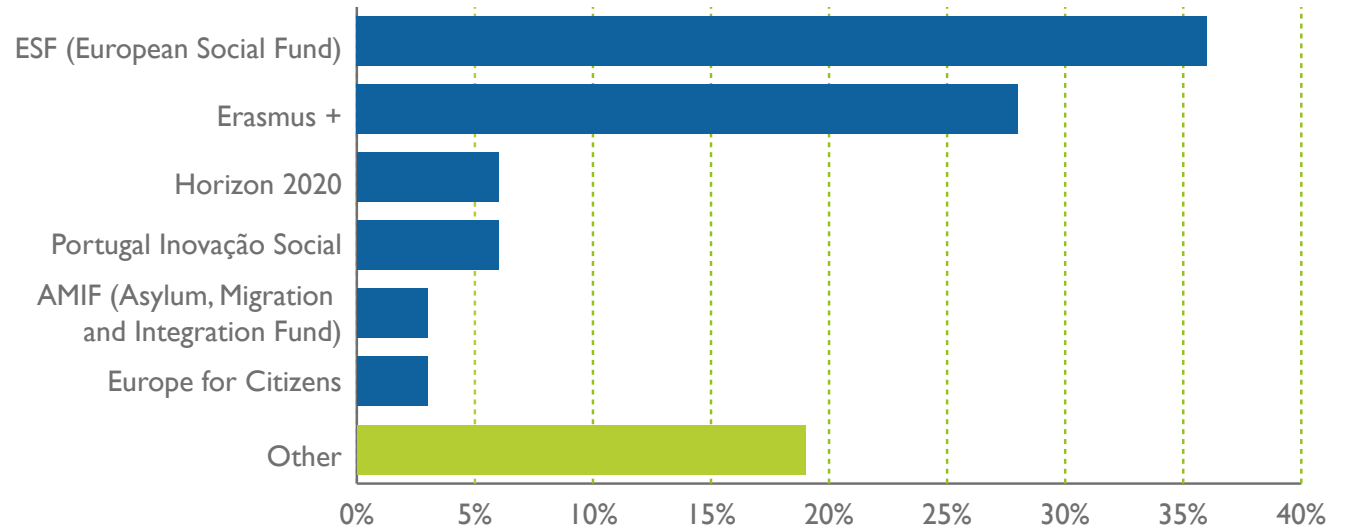


Figure 32. EU-Funds application by type

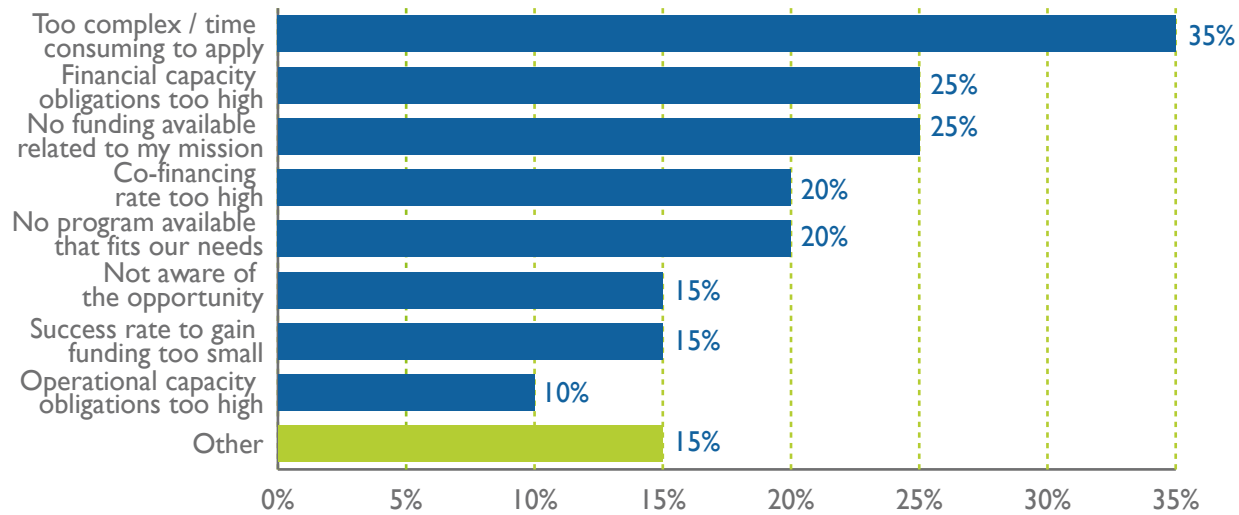


Figure 33. Reasons for not applying to EU-Funding

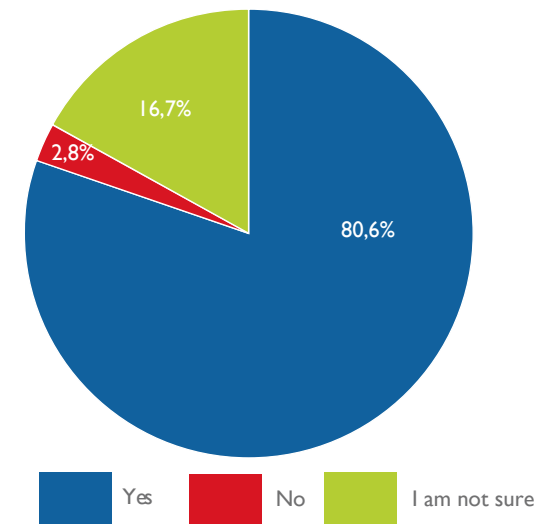


Figure 34. Expectations about applying to EU-funding in the future

## 4. Innovation and growth

### 4.1 Innovation and technology

**43% of the PSEM social enterprises report that the business and impact model were the main sources of innovative approaches.**

#### Market novelties

The increasing economic, social and ecological challenges of our society calls for new responses to societal problems, differentiated from traditional responses, able to promote autonomy, a positive impact and effective use of resources<sup>29</sup>. Social innovations derive from new solutions or from combining existing elements in new ways, but only over time does it become clear whether they really create value<sup>30</sup>.

Social Enterprises develop and test such innovative ideas, products, services and models to create effective solutions to address societal problems.

To assess the innovative strength of the PSEM social enterprises, the participants were asked to indicate which area of their organization was a market novelty at the time of foundation. Overall, the business and impact model were the main sources of innovative approaches (43%), closely followed by innovations in products and services (41%). The supply chain was one of the least mentioned options (4%) although there is an increasing trend to innovate towards sustainability within this area<sup>31</sup>.

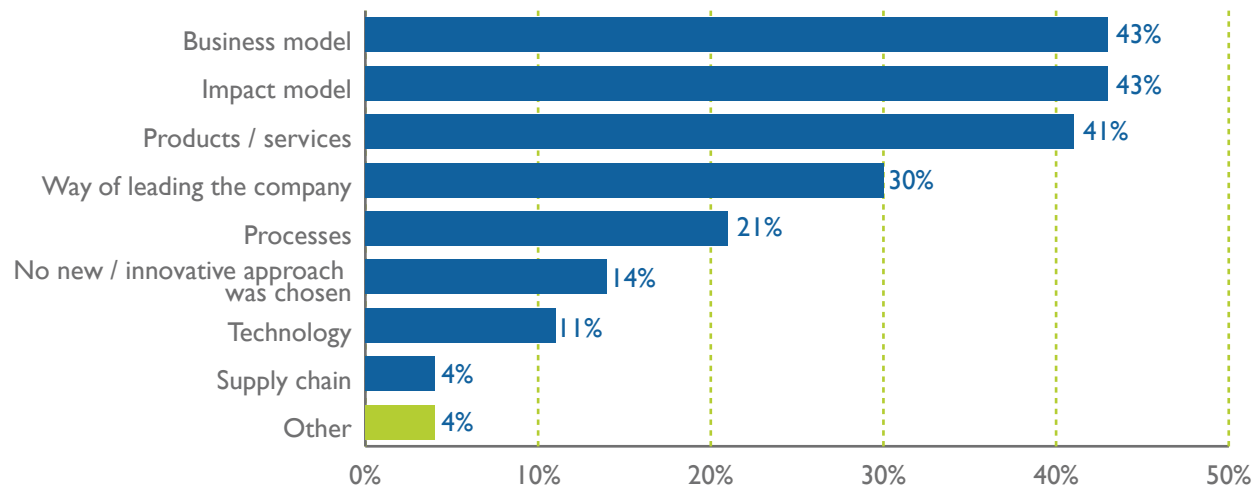


Figure 35. Innovative approaches chosen by the organizations at the time they were founded

### Digital Technologies

**36% of the PSEM social enterprises considered the relevance of mobile apps for the business / impact model.**

Besides the area of market novelty, PSEM social enterprises were asked about specific and relevant digital technologies for their business / impact model. The first insight is that the use of digital technologies is not a prerequisite for social innovation. This is indicated by 38% of PSEM social enterprises that stated that they did not use any digital technologies relevant to the business / impact model. From those who used technology the mobile app was the most adopted (36%), followed by Internet of Things (23%) and virtual reality (14%).

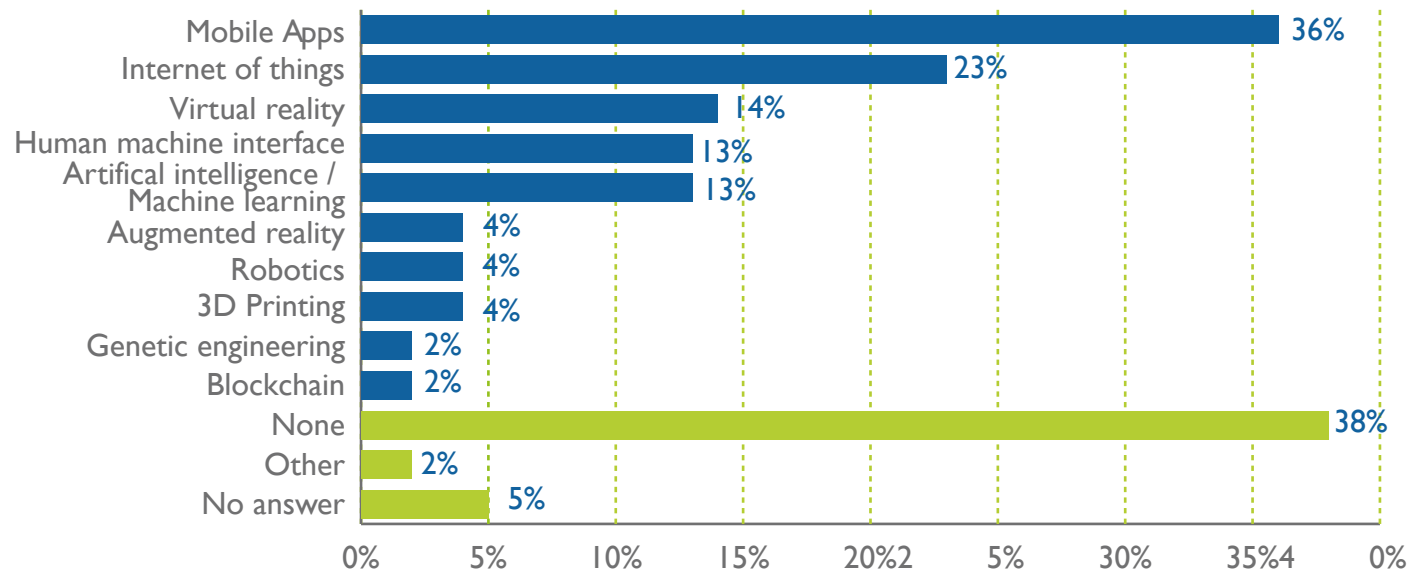


Figure 36. Kinds of technology relevant for the business / impact model

### Scaling

**95% of PSEM social enterprises aim to scale their organization.**

Social entrepreneurship is crucial as a process for finding solutions to solve the greatest societal problems of our time, reaching as many people as possible with positive and sustainable changes. Social Enterprises are a vehicle to develop these innovative ideas and spread them at a larger scale, while being economically viable. About 95% of the PSEM social enterprises aim to scale their organization. The choice of scaling strategy is very diverse and can be leveraged through internal or external drivers. The most frequently mentioned strategies include the development of new products or services (57%), recruiting new staff or

## 4. Innovation and growth

increase the level of training (38%) and diversify or expand into new geographies or different customer markets (36%).

Social Enterprises often see growth as a means to an end: scale social impact. Though according to the article “What’s your end game?”<sup>32</sup>, the scale of an organization does not necessarily equal the scale of its impact, as high structural barriers can limit their access to the funding required to grow in a significant and sustainable way. In this sense, besides expanding its base organization and sustaining the service, there are other “end games” that can be considered such as open source, replication, government adoption, commercial adoption and mission achieved. Though the mentioned article focuses mainly on non-profit organizations, it is possible to apply the same exercise for social enterprises, given the centrality of their social mission.

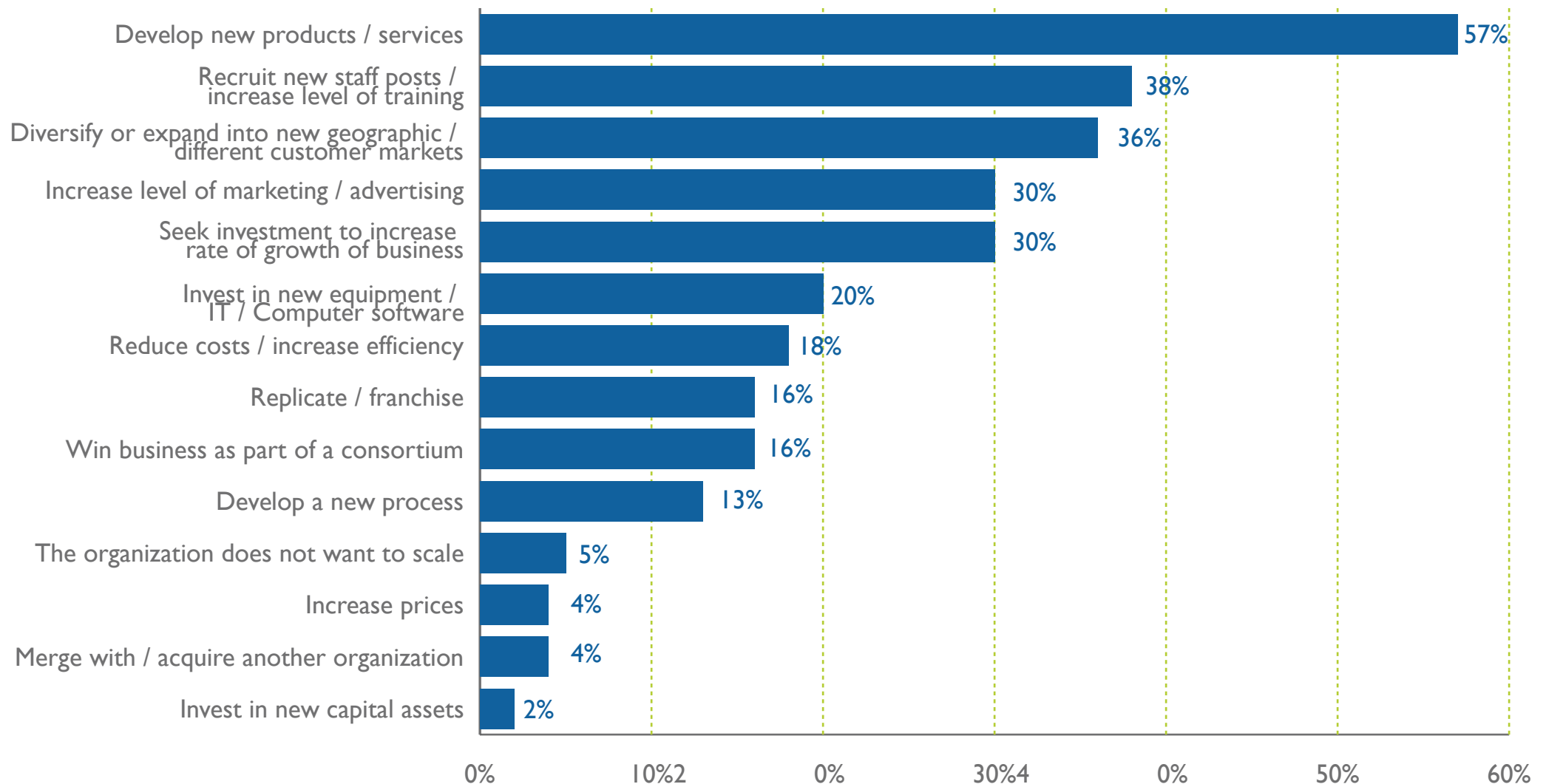


Figure 37. Intention to scale and how



# 5. People & Governance

## 5.1 Staff

### Current and Future Staff

**36% of the PSEM social enterprises have 10 employees or more.**

Considering the number of employees<sup>33</sup>, the largest majority (98%) of the PSEM social enterprises surveyed belong to the group of small and medium-sized enterprises (SMEs). Given that the SMEs as a percentage of the total enterprises in Portugal are 99,9%<sup>34</sup>, the PSEM Social Enterprises are aligned with the national average. While 36% of the PSEM Social Enterprises employ 10 employees or more, 64% of the PSEM Social Enterprises fall into the category of micro-enterprises (10 or fewer employees).

When asked about expectations regarding the evolution of the number of employees, 56% of PSEM social enterprises expect to employ more or significantly more employees in the next 12 months than currently. As opposed to this scenario, 8% estimate that they will employ fewer or significantly fewer employees.

The forecasts is consistent with the sales increases expected in Section 3.2. In addition, the second most mentioned strategy to achieve scaling was to recruit new staff (see section 4.3). Overall, the results set an optimistic tone and show a social entrepreneurship sector geared towards growth.

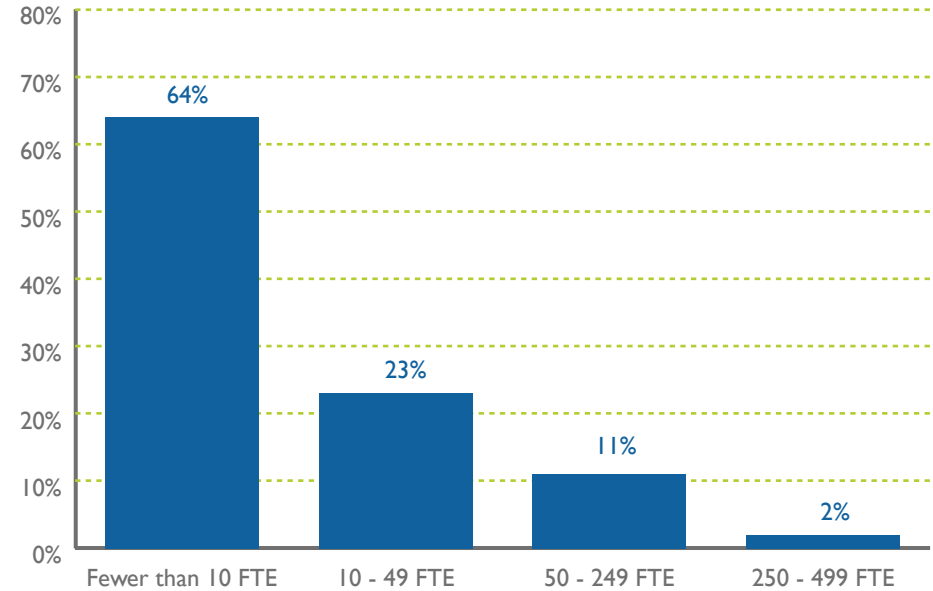


Figure 38. Number of people employed (and paid) by the social enterprises

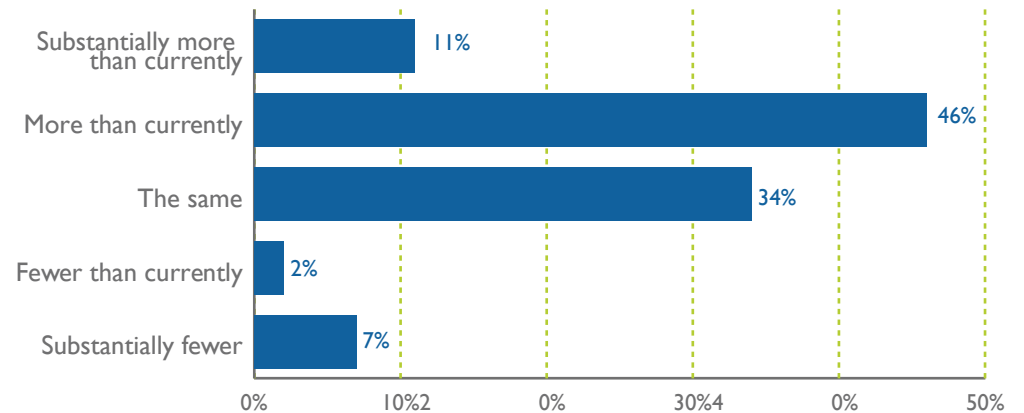


Figure 39. Expectation to employ more, the same or fewer employees than currently in 12 months time

## Diversity and Inclusion

**The average proportion of women on the management boards of PSEM Social Enterprises is 53%.**

In gender balance, Portugal lags other nations. The proportion of women in high-level management positions is increasing gradually, but is still unequal: the proportion of women in managerial positions is 2,1% in 2017, compared to 4,5 % for men (SDG 5, Target 5.5.2)<sup>35</sup>. In 2020, the presence of women in executive positions on the boards of companies listed on the Portuguese stock exchange represented 15,7% of the total (below the European average of 19,3%)<sup>36</sup>.

Social entrepreneurship, on the other hand, is a promoter of a gender-equitable society. An estimated 45% of the world's social entrepreneurs are female, according to the Global Entrepreneurship Monitor<sup>37</sup>. In the PSEM social enterprises, there are about 53% women in management positions. The values are similar for the workforce (54%) and the board (53%). This is strikingly more gender-balanced than other types of leadership. The stronger representation of women in social enterprises can be explained in the light of research that suggests that women are generally more altruistic and socially minded than men, and because of this motivation, they are more likely to found or manage a social enterprise<sup>38</sup>.

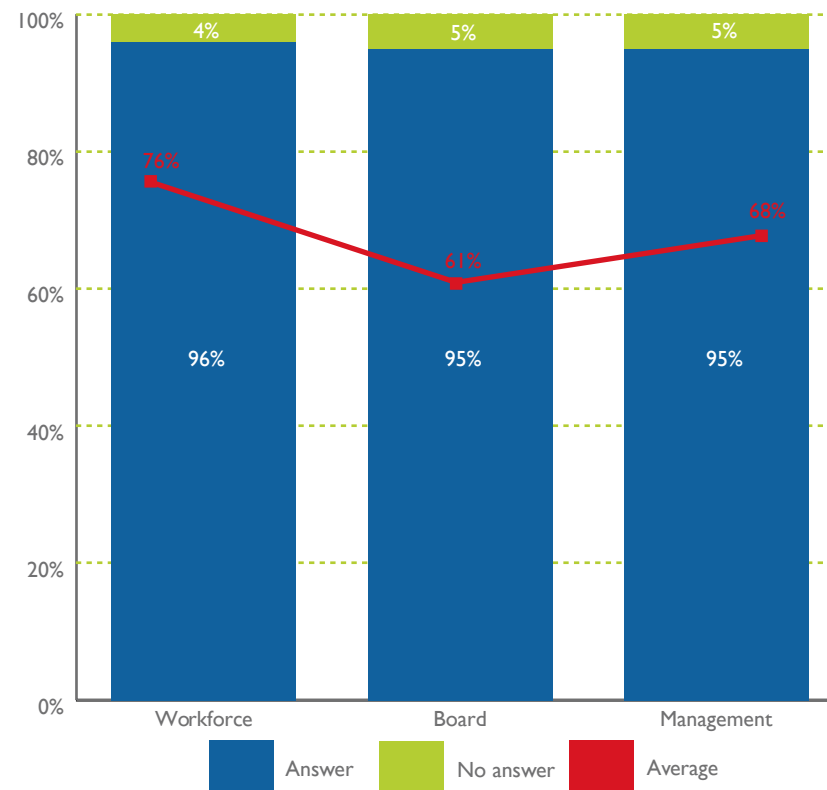


Figure 40. Proportion of women in the organization

**One out of four PSEM social enterprises employ people with physical or psychological impairments.**

Social enterprises are leaders in many ways when it comes to inclusion and diversity. Accordingly, 25% of PSEM social enterprises employ people with physical or psychological impairments, compared to the 0,55% national average for private companies (with more than 10 workers) and 2,66% for public entities in 2018<sup>39</sup>. Since 2019, the Portuguese law obliges that the proportion of persons with disabilities hired must be between 1% and 2% according to the total number of employees of the company<sup>40</sup>.

**75% of the PSEM social enterprises engage their employees strongly or very strongly into the decision-making of the organization.**

The most effective social enterprises understand the power of its employees to shape the destiny of the organization<sup>41</sup>. Over three quarters of the PSEM social enterprises involve their employees in the decision-making of the organization to a great extent or to a very great extent. Only about 11% report a low or very low level of employees' involvement.

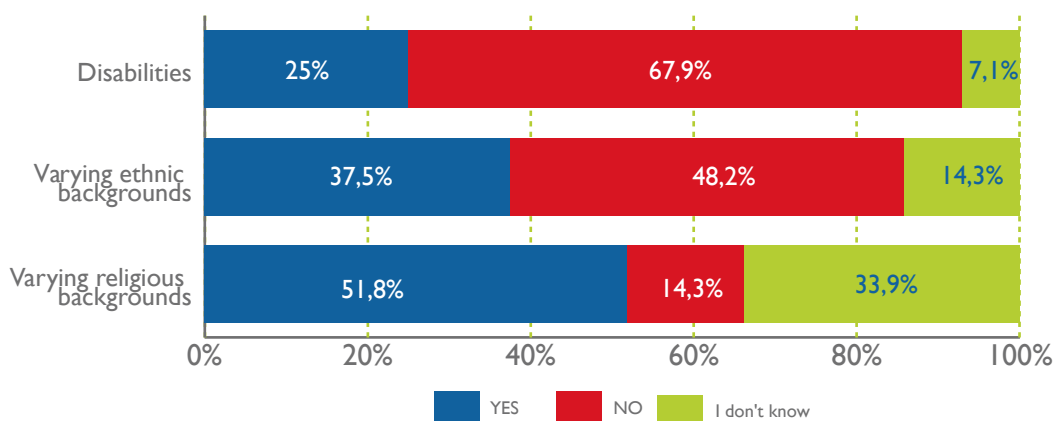


Figure 41. Staff employed in the organization

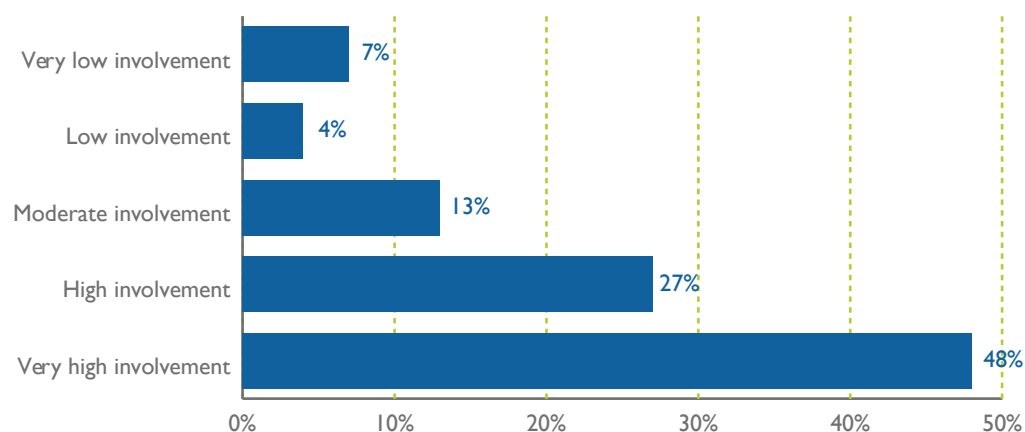


Figure 42. Level of Involvement of staff in the decision making

## 5.2 Volunteering

### 33% of PSEM social enterprises employ 10 or more volunteers.

Volunteers form a decisive part of the workforce of social enterprises and play an important role in their performance and impact<sup>42</sup>. As mentioned earlier, PSEM social enterprises non-monetary contributions resort mainly in volunteering work (38%), pro bono work by stakeholders in the organization (23%) as well as corporate volunteering (13%) (see section 3.1.). Therefore volunteers, alongside funding, are the most wanted resource of social enterprises. The ability to attract and retain qualified volunteers can be a cornerstone of a successful strategy for social enterprises. In turn, social enterprises serve as a vehicle for volunteers, who often actively seek out opportunities to help others<sup>43</sup>, opening the doors for civic engagement.

The majority of PSEM social enterprises (64%) employ less than 10 full-time equivalents as volunteers. Also, 33% employ 10 or more volunteers while 4% did not answer to this question.

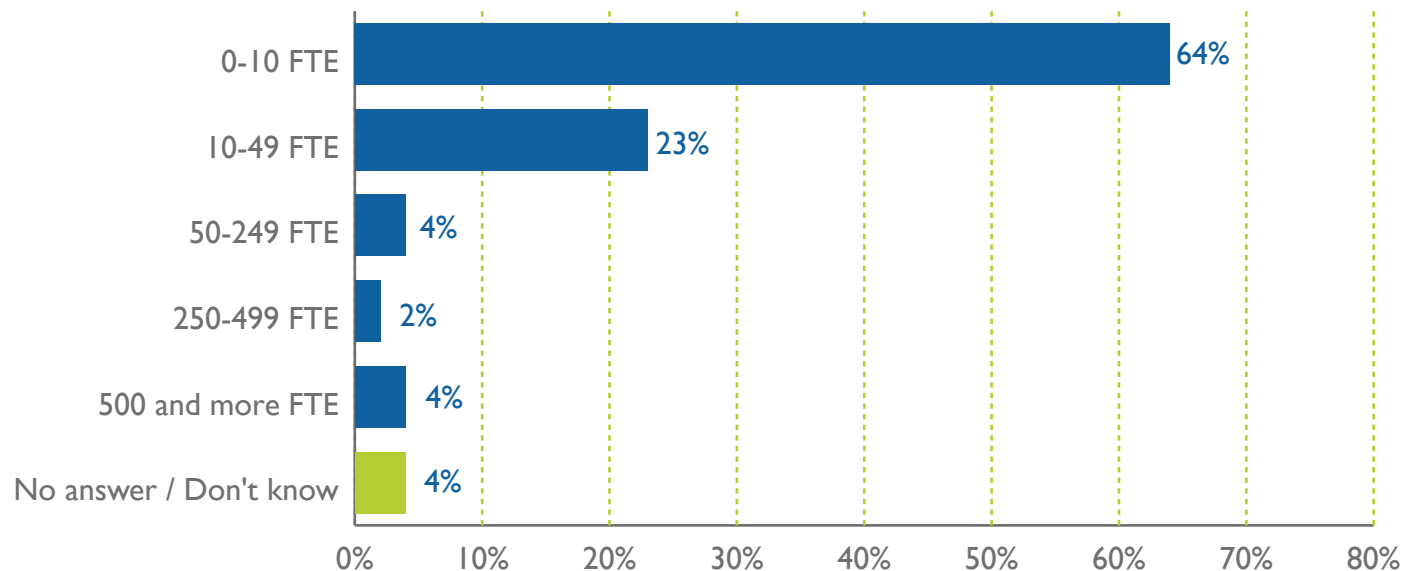


Figure 43. Number of volunteers in the organization

## 6. Barriers and Enablers

### 6.1 Barriers

**The most influential hurdles of the PSEM social enterprises are: poor understanding / awareness of social enterprises among general public and/or customers (48%); lack of options to finance the organization once started (48%) and weak lobby for social entrepreneurship (45%)**

To understand the main challenges of the Portuguese social entrepreneurship landscape, PSEM Social Enterprises were asked to choose from a selection of hurdles that are relevant for their organization. In addition, they were asked how strong the respective influence of the chosen hurdles is on their organization.

The hurdles are divided into four categories: 1. Financial support, 2. Non-monetary support / market access, 3. Legal framework and 4. Visibility. When assessing the individual hurdles, 48% of PSEM Social Enterprises allocated a high or very high influence on their organization to poor understanding / awareness of social enterprises among general public and/or customers. Hence, the major hurdle of PSEM social enterprises is related with visibility. The other highest hurdles are related with the lack of options to finance the organization once started (48%) and weak lobby for social entrepreneurship (45%), suggesting that the sector still does not receive the necessary attention from politicians.

In total, three of the six most influential hurdles are linked with visibility (poor understanding / awareness of social enterprises among general public and/or customers; poor understanding/ awareness of Social Enterprises among banks/ investors/ support organisations; weak lobby for social entrepreneurship); two are related to financial support (lack of options to finance the organization once started; too complex public financing), and one can be placed in the category of legal framework (missing specific legal entity).

The analysis of these barriers suggests that there is a lack of funding in the sector in particular for social enterprises in the later stages of the life-cycle. Still, there is a recent movement towards a stronger social finance ecosystem. [Portugal Social Innovation](#) gained approval in 2014 with 150 million Euros to foster a social investment market by drawing from several EU funded operational programmes. It includes four measures: Capacity building for Social Investment, Partnerships for impact, Social Impact Bonds and the Social Innovation Fund. In total, over the last 5 years more than 580 projects were financed with a total of 110M Euros, including 35M Euros of social investment alongside public matched funding. The goal is to enhance and scale up social innovation and social entrepreneurship projects. Other example is [MAZE](#) an impact investment company with the mission to accelerate and invest in solutions that deliver impactful outcomes. MAZE launched in 2019 the [MSM Fund](#), a €40M early-stage impact VC fund. Also, in the impact investing field, [GoParity](#) is an investment platform promoting sustainable projects by facilitating access to new ethical opportunities.

## 6. Barriers and Enablers

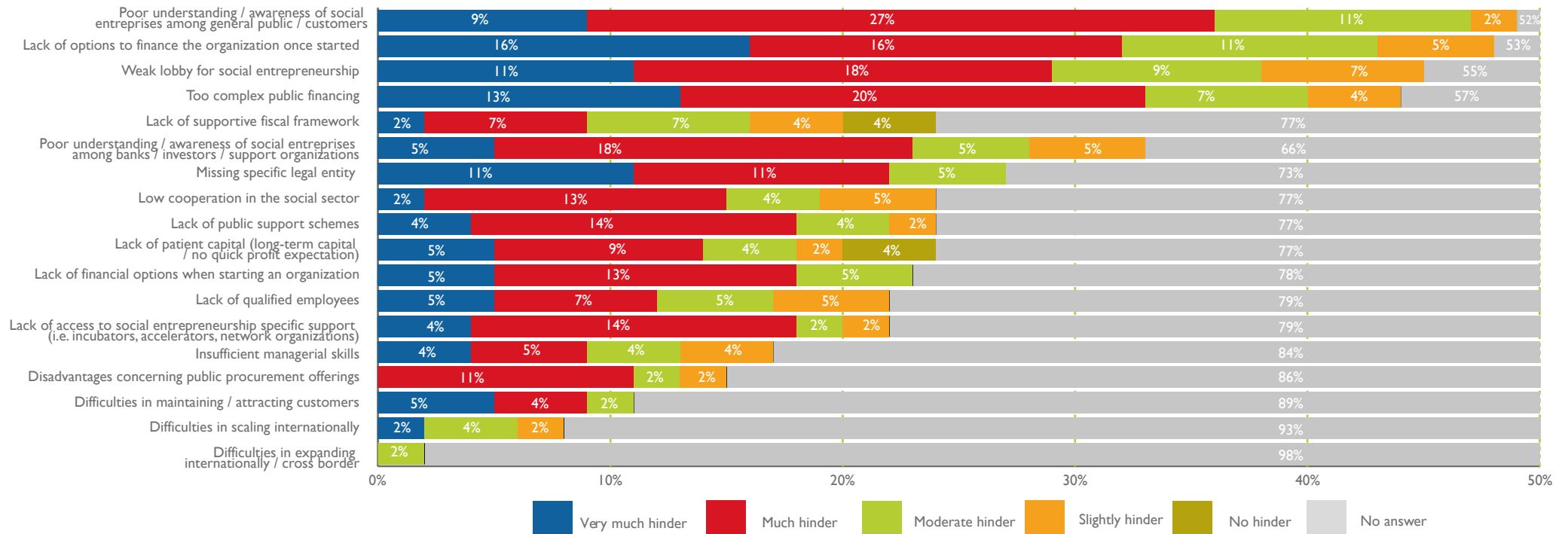
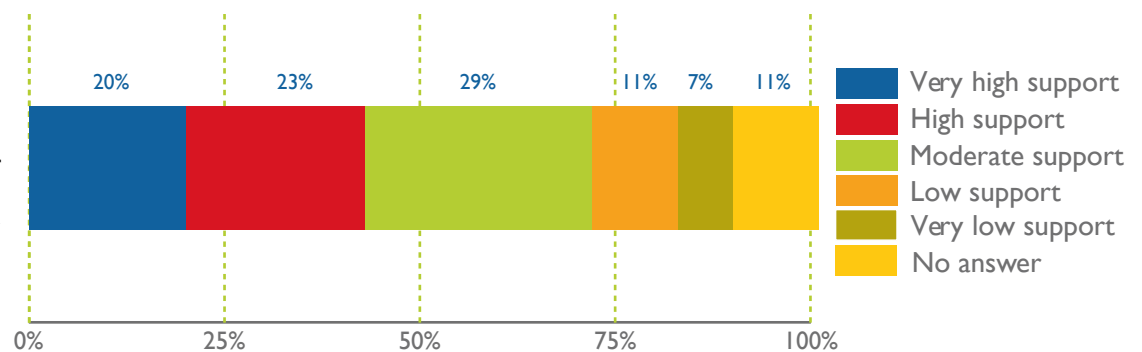


Figure 44. Intensity of the barriers faced by the organizations

### 6.2 Political support

**47% of the PSEM social enterprises are satisfied with the promotion of social entrepreneurship in Portugal by the government.**

Overall, 47% of the PSEM social enterprises rate the political support for social entrepreneurship as moderate to very high. In contrast, 43% considered a low or very low political support to social entrepreneurship. This latter value is in accordance with the hurdles related with the lack of enabling policy measures supporting social enterprises such as the complexity of existing funding mechanisms, lack of supportive fiscal framework and weak lobby for social entrepreneurship. Besides, the missing of a specific legal framework for social enterprises and a lack of public support schemes were also moderate relevant barriers identified by the PSEM social enterprises.



### 6.3 Social entrepreneurship ecosystem support

**63% of the PSEM social enterprises do not take part of business support organizations.**

Access to a vibrant social entrepreneurial ecosystem is essential for the development of social innovations. Yet, the majority of the PSEM social enterprises (63%) did not take advantage of offers from support organizations such as incubators, accelerators or membership network organizations. A possible consequence is the major hurdle identified by PSEM social enterprises related with visibility: the poor understanding / awareness of social enterprises. In contrast, 18% of the PSEM social enterprises belong to a membership network, 13% are in an incubator and 4% in an accelerator program. One possible justification is the fact that a relevant proportion of PSEM social enterprises are at later stages of the life cycle and therefore incubators and accelerators programs might not fit their actual needs.

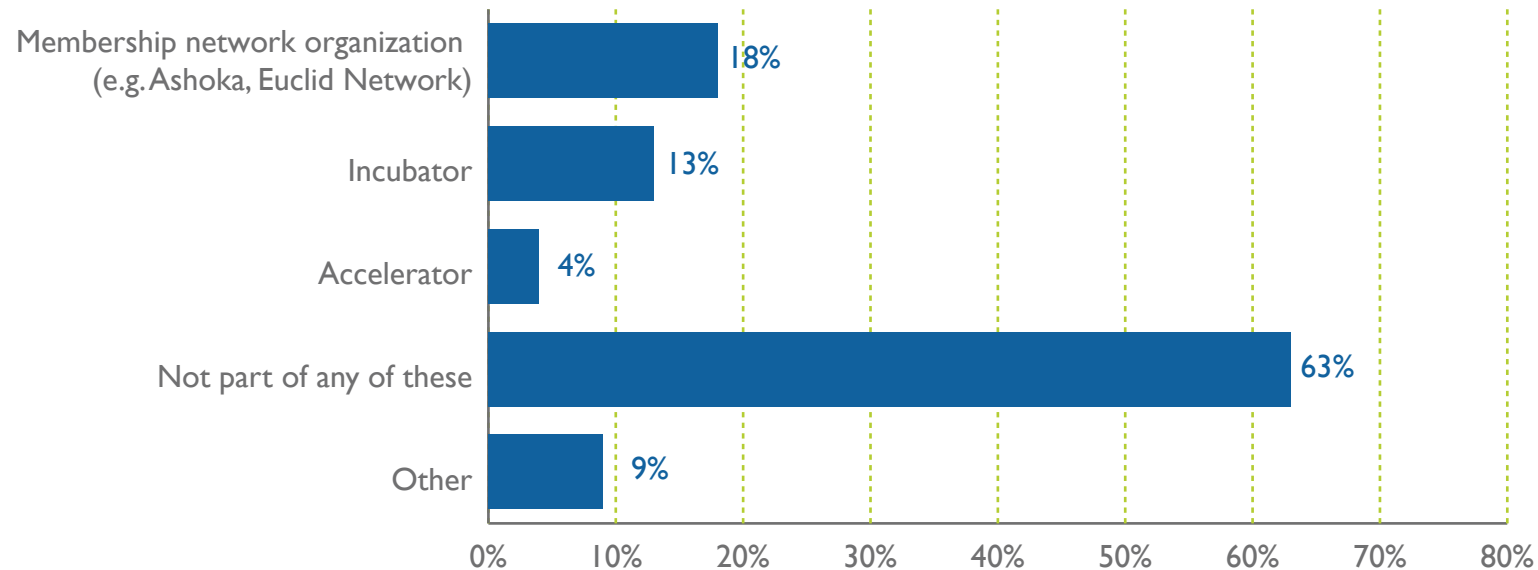


Figure 46. Business support organizations of which social enterprises are part

# Conclusion and Recommendations for Action

Social entrepreneurship plays a prominent role in solving societal challenges and social enterprises have gained traction in Portugal in recent years, although the focus of the country has been on promoting social entrepreneurship among its citizens and the practice of social innovation, not only in the social sector but also in the private and public sectors, as it In fact, in Portugal there is no legal framework for social enterprises nor a social enterprise certification. On the other hand, there is a specific certification for IIES – Initiatives of Social Innovation and Entrepreneurship, which represents a sustainable and inclusive way of doing business with purpose, aiming the common good. This report intends to shed light on the social entrepreneurship ecosystem, providing data and insights that generate greater understanding of the current situation for social enterprises and what should be the way forward.

We propose four recommendations for action that aim to contribute towards a greater impact in the field.

## 1. Promote cross-sector alignment to increase visibility and recognition of social enterprises

The main hurdles identified by the PSEM social enterprises were related with the poor understanding / awareness of social enterprises among general public and/or customers, as well as weak lobby for social enterprises. The lack of clarification of the concept of social enterprise can be a potential constraining contributor. Given that social enterprises combine institutional logics in their efforts to generate innovative solutions to complex problems, there is a need of a deeper reflection and debate about the concept of social enterprise with the engagement of the business, public and social sector representatives. With more knowledge, alignment, and clear message about what defines a social enterprise, it will be possible a stronger and consistent communication and, consequently, an increase in the visibility and legitimacy of social enterprises. Also, it is important to guarantee the consistency of the communication at the local, national and European level. The creation of networks of social enterprises, together with social entrepreneurs and social innovation initiatives, can also be an efficient tool to build legitimacy and recognition.

For Portugal, and due to the strength and established tradition of the social sector, it seems more effective to promote and legitimize the practice of social entrepreneurship and the development of social innovation, and do so across all the sectors of Portuguese society, as opposed to try to create a new narrow segment of social enterprises. The use of certifications and widespread adoption of impact metrics may replace the need for a new legal framework that would be difficult to approve in parliament and could close social innovation in a niche instead of opening it up to the wider society.

## 2. Facilitate access to funding, particularly, at the latter stages of the social enterprise life cycle

Social enterprises, at distinctive stages of their life cycle require different types of funding. PSEM social enterprises suggest that there is lack of availability of funding, in particular for reaching sustainability at the later stages. When funding tends to be available it is to invest in specific projects for the delivery of services and not for organizational investments that can increase the competencies, efficiency and scalability of social enterprises. Hence, there is a need to attract more funding and introduce financial instruments appropriate to these phases as well as to the specific characteristics of social enterprises (e.g. the different legal forms they assume – not for profit associations, cooperatives and companies). The impact investing field - which includes entities such as foundations involved



in venture philanthropy, social impact investment funds, business angels, social enterprise incubators, among others – has been increasing in Portugal and actively finances social innovation projects. Despite its growth in the past five years, it is still a niche with no wide recognition. As a recommendation, it is important to increase awareness and understanding of the opportunities (as well as risks) of financing social enterprises within the “mainstream” private and public sector and provide the appropriate incentives to invest in social innovation initiatives and organizations.

In particular, it should be noted that Portugal is one of the few European countries to have developed and implemented a coherent national policy to promote social innovation and social investment. This includes a focused public mission entity – Portugal Social Innovation - entrusted with channelling public funds and developing the ecosystem. This policy was designed, funded and implemented under the Portugal 2020 program (the EU structural funding for Portugal during the period of 2013-2020). In the last 5 years it has funded more than 500 social innovations projects with more than 100M Euros through different financing instruments, from capacity building to venture philanthropy to outcome payments to impact investing. The seeds for an impact investment ecosystem are now planted and it is fundamental that the program is continued in the Portugal 2030 strategy and included in the 2021-2027 European funding cycle.

### **3. Embedded sustainability in the supply chain of public and private organizations**

PSEM social enterprises consider the relevance of social and ecological aspects when making decisions in their own procurement, though the cost is still the main concern.

Specifically, given the scale of the climate crisis, all social enterprises can take steps to embed environmental purpose into their supply chains and take further steps to reduce their environmental impact. Examples include the innovative product and design packaging, using raw materials that have a relatively favourable environmental footprint, powering the company’s operations with green energy sources, and favouring suppliers that emphasize renewables, increased efficiency in the use of operational resources (e.g. recycling and reusing water consumed in operations), localized sourcing, adoption of Circular-Economy Models, among other options. In a way, social enterprises should be exemplar organizations to other economic agents.

However, given the small scale of the social enterprise segment, the societal impact of these sustainability focused changes is small. Much more significant is to change the procurement practices of the public and private sectors to include sustainability components and also incentive to buy from social enterprises or from entities with an appropriate certification for impact and sustainability. Such innovative procurement practices can enable a leap forward in terms of the adoption of sustainability and impact practices.

### **4. Endorse cross-sector and cross-departmental collaboration for social change**

Addressing complex and increasingly interconnected societal challenges is often beyond the capacity of a single social enterprise. Addressing these types of challenges is only possible if various actors with different perspectives cooperate in cross-sector and cross-departmental collaboration in the spirit of the Partnership for Impact proposed under SDG 17. This effective collaboration may enable new approaches and solution to be deployed, with the aim of achieving greater social impact. It encompasses strategies where the public, private and social sectors collaborate in different ways (e.g., pooling their competencies, resources and complementary activities and offers) but with an aligned vision of the change that needs to happen and the aim of working towards common impact goals. This is a key way forward to achieve a more sustainable society and social enterprises can play a key role on these impact partnerships.

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