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European Social Enterprise Monitor

The State of Social Enterprise in Europe 2021-2022



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European Social Enterprise Monitor

European Commissioner
Nicolas Schmit



The European Commission is proud to support this year's European Social Enterprise Monitor (ESEM), the second edition covering the period 2021-2022. This report builds on the seminal work of the first ESEM 2020-2021 and has impressively scaled from eight to 21 countries

in just one year across the EU and the wider European neighbourhood. It provides key data and insights for policy-makers, investors, support organisations, academia and social entrepreneurs themselves.

This report comes at a pivotal time: almost one year after the launch of the European Action Plan for the Social Economy and of the Transition Pathway for the Proximity and Social Economy; and in the midst of challenging times for the European economy. Action is required from all stakeholders across Europe, to ensure that the 2030 targets of the European Pillar of Social Rights, the objectives of the European Green Deal and the UN Sustainable Development Goals are met, and that there is a bright future for the next generation of EU citizens.

As showcased in the Commission action plan, social economy plays an important role in the delivery of these objectives and has an untapped economic and job creation potential in several EU countries. However, a series of obstacles currently hamper the development of the social economy; one of them is precisely related to availability and accuracy of data and statistics. These elements are key if we want social economy

business models to be better understood and enable evidence-based policy.

While the impact of COVID-19 continues to be felt, the challenges presented by the green and digital transitions are now front and centre in the minds of policy makers and social enterprises alike. The Proximity and Social Economy is one of the 14 EU industrial ecosystems, contributing to a more sustainable and resilient economy as well as boosting EU's strategic autonomy. To support the development of this industrial ecosystem, we need to take a holistic approach to our policies and funding mechanisms at all levels.

With the data provided by the ESEM, policy-makers at all levels of governance will be able to gain a deeper understanding of the ecosystems they operate in and of the impact their policy decisions have. They will be able to promote the development of ecosystems that help social enterprises and their support organisations to flourish through holistic support measures influencing financing, recognition and impact measurement. The data collected also provides insights that can be translated beyond the social economy, supporting all businesses to become more sustainable, inclusive and innovative.

In the current context, when living standards and economic certainty are under threat, it is the social innovators, entrepreneurs and enterprises that are so often the first responders. These social enterprises help those in need – all whilst supporting the recovery and resilience of the European economy. It is therefore crucial to have the data, information and insights available to design evidence-based policies to support impact-driven enterprises, putting people



With the data provided by the ESEM, policy-makers at all levels of governance will be able to gain a deeper understanding of the ecosystems they operate in and of the impact their policy decisions have.

and the planet at the centre of their activities. By working across policy areas, the data generated through the ESEM can and will have a real significant positive impact on the social entrepreneurs and social innovators that will design the future we want to see and that the next generations deserve.

Nicolas Schmit

European Commissioner for Jobs and Social Rights

Euclid Network

In 2019, the European Social Enterprise Monitor (ESEM) was just an idea, a dream, to let the voices of thousands of social entrepreneurs across Europe be heard and influence evidence-based decision-making on policies, legislation, social enterprise strategies, support programmes and funding.

The aim: to effectively decrease the barriers and challenges that social entrepreneurs face, facilitate the development of enabling ecosystems, increase access to and the availability of (non-)financial support. This will better enable social entrepreneurs and innovators to successfully lead the transition to a more socially-inclusive, green and digital society and economy and the achievement of the UN Sustainable Development Goals by 2030.

Much has happened since 2019. The ESEM has gone from dream to reality. The initiative has scaled within two years from eight countries in the first year to 21 countries in the second year, and is available in 21 languages. An inspiring number of social entrepreneurs (close to 2000) participated in the study this year. They shared their voices and provided insights on the impact they create, the wide variety of social and environmental challenges they solve, their innovative business models, their needs, the opportunities they see and the challenges and barriers they face.

Social entrepreneurship and social innovation are on the rise. The social enterprise movement is growing at an increasingly rapid pace though still stands relatively at its beginnings. Specifically, when one takes into consideration that every enterprise has the ability to be(come) a social enterprise, and yet across Europe only 10% were classified as social economy organisations in the last large-scale European review.¹

The ESEM has identified strong and positive trends in the number of social enterprises being founded and surviving, and has also found these SEs to exhibit an exciting level of ambition. 82.7% of participating social enterprises (ESEM SEs) were founded in the past 20 years, though the majority (63.5%) were founded in the past 10 years and 30% were founded only in the past three years. A high 91.0% of ESEM SEs expressed their intention to scale their organisations, most of them through innovation, diversification and partnerships. In the coming year, 56.0% expect to increase revenues and 57.6% to hire additional staff. And, of those who reported on their profits in this study, 70.0% were profitable or reached break even, rather resiliently while the pandemic was having an impact on all enterprises and society.

The rise of social entrepreneurship and social innovation is further reinforced by increasing interest and support among citizens as well as the public, private and third sectors for social enterprises and innovators. Increasingly impressive and bold steps are being made by influential mainstream institutions and thought leaders to support the still relatively young but growing movement for social enterprise, social innovation and social economy.

Looking at Europe's public sector, in 2021 the European Commission has uniquely crafted and launched a seminal Action Plan for the Social Economy, giving direction to crucial policy developments and funding over the next years to support the transition to a social economy. In addition - and just one day before the official launch of this 2nd European Social Enterprise Monitor - the European Commission is launching its Transition Pathway for the Social and Proximity Economy, which will enable actors in the ecosystem to deliver on the twin green and digital transitions while fostering a more sustainable and resilient economy.



The rise of social entrepreneurship and social innovation is further reinforced by increasing interest and support among citizens as well as the public, private and third sectors for social enterprises and innovators.

At the country level, an increasing number of national and local governments across Europe are making similar steps. In Portugal, the government launched the pioneering initiative Portugal Social Innovation in 2020, aimed at promoting social innovation and stimulating the country's social investment market. In the Netherlands, EN member and ESEM partner Social Enterprise NL is currently working with the Dutch government on the development of a legal status for social enterprises (the BVm).

Similarly, as in the public sector, the private sector and foundations are increasingly recognizing the value that social enterprises can bring towards achieving the UN SDGs and leading the transition towards a more socially-inclusive, green and digital society and economy. In 2021, Google.org - a partner of the ESEM - launched a €20+ million Social Innovation Fund that aims to catalyse the social economy ecosystem across Europe through the provision of support and capital to social entrepreneurs from underserved backgrounds and leading social enterprise support organisations.

Furthermore, an increasing number of mainstream businesses see an opportunity to transform their supply chains by transitioning their procurement spend to buying products and services from social enterprises. In 2020 SAP - another partner of the ESEM - announced its very visionary and bold '5 & 5 by 2025' campaign to redirect 5% of their annual addressable procurement spend to social enterprises and diverse businesses by 2025, and in doing so to make a significant impact on social inequalities and environmental imperatives. In 2021, Social Enterprise UK, in partnership with Euclid Network and the Social Enterprise World Forum, launched Buy Social Europe, an initiative which includes an increasing number of national alliances for social entrepreneurship, social enterprises and mainstream enterprises (including SAP, Zurich Insurance Group, CBRE, and AstraZeneca, amongst others), to enable an increase in successful trade relationships between social enterprises and mainstream enterprises.

If all stakeholders in the ecosystem surrounding social enterprises will play their part, if barriers and challenges for social entrepreneurs will be removed, if policies and legislation will be adapted, and if (non-)financial support will be made accessible and sufficiently available, in alignment with the opportunity and scale that social entrepreneurs can achieve. Then they can lead the transition towards a social economy, and achieving the UN SDGs by 2030 will come a great step closer.

This study and the time and effort of the close to 2000 social entrepreneurs who shared their voices, the 41 country and research partners, and the 150+ outreach partners at least does seem to be supporting the transition by providing valuable insights to drive the future of this emerging field. Its data has been used as evidence to inform the aforementioned plans and actions and an increasing number of other such

initiatives, including the 'Unlocking the Social Economy' report published by the World Economic Forum. The ESEM also received a mention in the Eurostat report 'Empowering society by reusing privately-held data for official statistics — A European approach.' In this way, the ESEM lives up to its vision and promise to the social entrepreneurs who have contributed to it. Your voices are being heard and listened to.

Before closing, we would like to express our gratitude to the founding partners and sponsors of the ESEM: the European Commission, Google.org, SAP, ImpactCity, Bertelsmann Stiftung, the World Economic Forum Global Alliance for Social Entrepreneurs and Schwab Foundation. We would also like to extend a special thank-you to our esteemed academic research board members: Professors Johanna Mair of the Hertie School and Stanford, Matthias Raith of Otto-von-Guericke University, Magdeburg and Niels Bosma of Utrecht University, as well as Malte Bau and Nicole Siebold from our research committee. We congratulate Malte, Matthias and Nicole with winning the first award that uses ESEM data in an academic paper at this year's Business Model conference in Lille. Last but not least, a thank-you to all consortium participants across 41 organisations in 21 countries, our close to 130 outreach partners, and of course all social entrepreneurs who participated!!

Looking to the future, the next Social Enterprise Monitor survey is planned to be launched in Fall 2023. A vision is currently being set for the future of this initiative, with the aims to launch the survey in an increased number of countries next year, for new consortium and research partners to join, for the number of social enterprises contributing to continue to rise, and for additional stakeholders to be able to use the data generated in order to create evidence-based policies,

legislation, social enterprise and social economy strategies, support programmes and funding opportunities.

Now is the time for social entrepreneurship and social innovation to reach its full potential, so our youth and children can live in a just and green world in a not-so-distant future.



Suzanne Wisse-Huiskes

CEO



Wieteke Dupain

Head of Knowledge, Research and Development

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The European Social Enterprise Monitor has engaged more than 150 social enterprise support organisations and close to 2,000 social entrepreneurs. We thank the following key consortium partners for co-leading and executing this ambitious project.



Founding Partners & Sponsors:



Country Partners:



Research Board:



Research Partners:





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Europe is facing challenging times - with rising prices, pressures on the European energy grid, the war in Ukraine, and the global climate crisis. Getting through and recovering from these, and successfully transforming our societies and economies to be more just, sustainable and resilient, will not only require deep investment, it will also require deep social innovation. That's why social entrepreneurs are needed now more than ever - and we need to do more to empower them to grow and scale innovative social solutions.

But what needs to be done to enable social entrepreneurs to be catalysts and drivers of this socio-economic transformation? What are the needs and barriers to social enterprises successfully starting up and scaling up? How do we elevate them to inspire other entrepreneurs to put people, purpose and the planet at the centre of business goals? What are evidence-based solutions and proven best practices in helping the ecosystem grow? The European Social Enterprise Monitor, which Google.org is pleased to support, is a critically important instrument that shines light on answers to some of these burning questions and provides key data for policy makers, support organisations and funders to understand and shape responses accordingly.

Google.org is a data-driven philanthropy. We therefore believe access to comprehensive and comparable data, particularly in emerging fields, is critical to making informed decisions as to where to channel the energy and resources of funders as well as founders, and of course in informing policies. The European Commission last year provided us all with the EU Action Plan, a clear and strategic blueprint to boosting the social economy.

The European Social Enterprise Monitor has been a key tool for us in understanding the challenges and how we can best be helpful in creating solutions to address them.

This is what laid the foundations for Google.org's €20 million Social Innovation Fund, which is supporting leading social enterprise support organisations across Europe to create and scale programmes that provide underserved social entrepreneurs with access to networks, skills, tools and capital.

Through these activities, the Social Innovation Fund aims to address the challenges and barriers these entrepreneurs face and empower them to create and develop innovative solutions, products and services that will benefit their communities, and, just as we saw during the pandemic, help make them more resilient to economic shocks.

We need to work together to create an environment in which social entrepreneurship and innovators can thrive - and a core goal of the initiative is to further strengthen social economy ecosystems and drive more collaboration and sharing of knowledge, data and resources across Europe. The European Social Enterprise Monitor and the work of Euclid Network is a critical component in helping to facilitate and inform this, and we thank and congratulate them on this essential second edition.

Rowan Barnett
Director Google.org EMEA

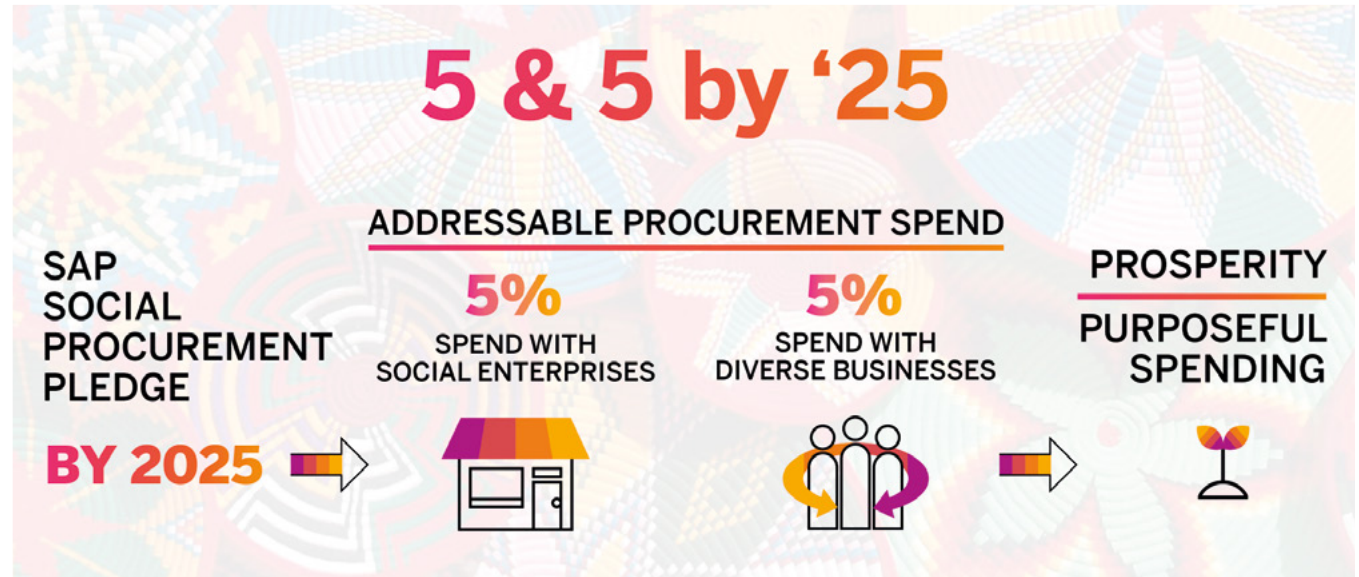


We need to work together to create an environment in which social entrepreneurship and innovators can thrive.

The world's economic, social, and environmental challenges are interconnected and must be addressed holistically. But no one organization or sector has all the answers or corners the market on innovation. Only together can our collective experiences, expertise, and connected ecosystems accelerate solutions to poverty, mounting inequalities, and climate change.

At SAP, the journey into social entrepreneurship began more than a decade ago with a single relationship with a social enterprise. Today, our investment in the space has grown considerably as we embrace new ways to integrate social economy players into our business and perhaps more importantly, to invest in sector infrastructure support. One of our key learnings is that relationships between corporates and social enterprises should be more than transactional social procurement engagements. Yes, social enterprises are delivering quality goods and services across all industries, addressing issues of people and planet through their business models. In partnership with the private sector, we foster the opportunity for scaled impact and to build purpose-driven innovation into all lines-of-businesses across corporations. Further, resources like the European Social Enterprise Monitor Report provide vital support to unite and inform all stakeholders across the social enterprise community. Together, we can continue unlocking the power of the social economy and its value-driven business models.

As I reflect on the growth of the global social enterprise sector over the last ten years, I am imagining a bright future ahead. The British Council reports more than 8.6 million social enterprises in existence worldwide. They are changing



the way the world works. I am convinced now, more than ever, that corporations working in partnership with the social enterprise sector is the right way to generate long-term social and environmental impact, create business value, meet ESG targets, and drive innovation to help the world run better and improve people's lives.



Alexandra van der Ploeg
Global Head of Corporate Social Responsibility, SAP



As I reflect on the growth of the global social enterprise sector over the last ten years, I am imagining a bright future ahead.



Social entrepreneurs are already providing significant stimuli for social innovation and positive social change in many areas of our lives.

Social entrepreneurs are driven by a social mission: They develop innovative solutions to social or ecological challenges and achieve high transformative impact with creative approaches and their dissemination at local, national, European or global level. They aim to maximise social benefit and impact, not their own financial advantage or profit.

Given the massive ecological, social and political challenges facing the world, social entrepreneurs not only play a key role in finding localised solutions to seemingly intractable problems, but also show established economic and political actors the importance of creativity and innovation.

In the meantime, social entrepreneurs are already providing significant stimuli for social innovation and positive social change in many areas of our lives – also regarding the “Agenda 2030” and its Sustainable Development Goals (SDGs). By demonstrating that social engagement and entrepreneurship as well as a focus on the common good and economic principles do not have to be contradictory, social entrepreneurship is gaining increasing acknowledgement as well quantitative and qualitative relevance in politics, business and civil society all over Europe.

The second European Social Enterprise Monitor 2022 (ESEM), presented herewith by the Euclid Network in close cooperation with its members and partners, provides deep insights into the ecosystem of social enterprises across Europe and demonstrates the development opportunities of the sector and its impact potential. The fact that the ESEM 2022 – compared to its first edition in 2021 – includes country reports, data and evaluations on now 21 European countries was a unique

challenge and is a great success. And also through European comparison and action-relevant conclusions, the ESEM 2022 meets its mission to “close the gap between social enterprises and EU decision-makers”. This remains a much-needed task to ensure that policy makers recognize social entrepreneurs as a part of the solution and remove the political and legal hurdles in building up a thriving ecosystem of social entrepreneurs.

The German Bertelsmann Foundation partnered to facilitate the European Social Enterprise Monitor 2022 (ESEM) and supported the development of the German Social Entrepreneurship Monitor 2021/22 (DSEM). “More minds need to think” (Reinhard Mohn, founder of the Bertelsmann Foundation) to address the pressing challenges of our time: Innovative and creative ideas, courage to leave well-trodden paths and independent action. The ESEM can provide role models and impulses for social enterprises and for policy makers at national and European level, thus giving them the opportunity to learn from each other in the best sense of the word.

Dr. Stefan Empter

Senior Advisor, Bertelsmann Stiftung



The input of social entrepreneurs is essential for policymakers to better understand which policies and support instruments have been effective and which should be adapted.

ImpactCity The Hague is founding father and supporter of the European Social Enterprise Monitor (ESEM) initiative.

The Hague, ImpactCity, is dedicated to contributing to the European social economy and to joint efforts that seek to strengthen the impact ecosystem in Europe. We collaborate with various other leading impact cities and frontrunning partners, such as Euclid Network, and we will continue to do so. Every day, tens of thousands of people in The Hague are working on making the world a better place. Doing good and doing business is in our DNA. Those that tackle global challenges and accelerate the transition to the new economy will find support in The Hague and our large ImpactCity network. We are committed to offering a wide range of opportunities and services to impactmakers with innovative

solutions. The input of social entrepreneurs is essential for policymakers to better understand which policies and support instruments have been effective and which should be adapted. That is why we are very pleased to see that the ESEM monitor includes more and more countries, including The Netherlands.

The ESEM is crucial for so-called 'evidence-based policymaking'. For leading European impact ecosystems like ImpactCity, this provides us with decisive information to further develop our local and European ecosystem. We congratulate Euclid Network on this important ESEM initiative and are honoured to be part of it.

Wim Kulik

Head of Economic Affairs
Municipality of The Hague





World Economic Forum Global Alliance for Social Entrepreneurship



Climate change, pandemics, geopolitical shifts and rising inequality have caused a growing number of people to question the long-term viability of today's dominant model of shareholder capitalism.

As we continue to live beyond our planet's limitations, it is imperative that we embrace alternative models driven by and with all stakeholders. Significant advances have been made with emerging evidence that a net positive economy and a more social and inclusive economy are not only possible, but already an active force.

With the urgency to shift towards more stable, healthy, and sustainable socio-economic systems on the rise, the demonstration effect of social entrepreneurship provides a set of highly relevant signals for what this new reality could look like. Patagonia committed to a radical transparency of doing business, helping to spearhead a social economy movement, ultimately giving away the company in support of climate action. EnAble India partnered with the government, over 700 companies, 200 NGOs and national universities to build a nationwide ecosystem of employability, employment and entrepreneurship for people with disabilities, through technology innovations, breakthroughs in skills training, new workplace solutions and behaviour-change tools.

To understand and emulate the work and impact of social enterprises and to uncover what they need to thrive to build a more social economy, data is essential. It is through research

initiatives such as the European Social Enterprise Monitor (ESEM) that such insights can be uncovered and inform policy action, ecosystem development and further investment.

The World Economic Forum's Global Alliance for Social Entrepreneurship commends Euclid Network, its members, and partners, on the successful second edition of the ESEM report for 2021-2022. This is not only an important milestone of an ambitious initiative, but it also represents a growing repository of European social enterprise data to provide evidence of the scope, scale and importance of the sector that must continue.

The Global Alliance for Social Entrepreneurship now represents 101 members, of which private and public sectors now represent almost half its membership. The information provided by the ESEM is not only crucial for efforts to develop and support the European and national social enterprise ecosystems further, it also provides invaluable insights that mainstream businesses can use to champion their own sustainability agendas and to deepen their engagement with social entrepreneurs as mutually reinforcing partners towards the United Nations Sustainable Development Goals.

2022 has been a year of unprecedented global momentum behind the social economy with the consensus in passing the International Labour Organisation's Resolution and the OECD recommendations, with the World Economic Forum report on Unlocking the Social Economy mainstreaming this agenda.

Similarly, the European Commission will release the Transition Pathway for the Proximity and Social Economy and the Corporate Sustainability Reporting Directive, building on the European Social Economy Action Plan released late last year. Significant steps are thus being taken in the public domain to drive social inclusion as part of accelerated green and digital transitions.

The ESEM offers a much-needed evidence base in support of policy formulation and implementation as well as ecosystem design. It also provides a solid baseline for tracking their effectiveness over time, and a model for other countries who are moving to invest in growing the social economy in their regions.



Carolien de Bruin

Senior Advisor,
Global Alliance for Social Entrepreneurship,
World Economic Forum



Dr François Bonnici

Director,
Schwab Foundation for Social Entrepreneurship
and Head of Social Innovation,
World Economic Forum

The European Social Enterprise Monitor (ESEM) Social Enterprise (SE) Profile²

Characteristics & Activities

ESEM Social Enterprises are...

...young. Approximately 6 out of 10 ESEM SEs were founded in the past 10 years. The most common stage of development with which ESEM SEs identify is early implementation and growth (39.2%).

...ambitious. At least 91.0% of ESEM SEs are aiming to scale up. The most popular scaling activities are the development of new products/services (62.1%), followed by increasing marketing/advertising (42.3%) and diversification or expansion into new customer markets/target groups (39.4%).

...still most often small and medium enterprises. 95.4% can be classified as SMEs (<250 employees), which is unsurprising considering that the median age of ESEM SEs is 7 years.

...but resilient and growing. Defying the COVID-19 crisis, 44.0% of ESEM SEs had increased revenues over the year preceding the study. In the coming year, 56.0% of ESEM SEs expect to increase revenues and 57.6% expect to hire additional staff.

...active in all economic sectors. Most common are human health and social work activities (23.3%), education (22.2%), other services activities (12.0%) and information/communication (11.6%). However, 11.1% of ESEM SEs cannot be (fully) categorised within standard economic sectors.

...impact-oriented. ESEM SEs create impact across all 17 United Nations Sustainable Development Goals (UN SDGs), with 83.2% targeting multiple SDGs.

...structured as a variety of legal forms. ESEM SEs use 158 different legal structures, with 8.1% hybrid SEs taking multiple legal forms. 65.5% perceive value in a SE-specific legal status.

...making income from both trading and non-trading activities. The most common sources are trading with individual consumers (42.6%), grants from the government/local authority/public sector (38.0%) and trading with profit-oriented companies (35.4%).

...inclusive and diverse. ESEM SEs report that their management teams consist of 55.8% women, on average. 37.2% of ESEM SEs employ people with disabilities.

...participatory. 68.3% of ESEM SEs have 'high' or 'very high' involvement of employees in organisational decision-making. 43.7% of ESEM SEs involve their beneficiaries in production processes/services.

...engaging for volunteers. 55.2% of ESEM SEs employ and engage volunteers to contribute and sometimes even drive their work. 63.4% of ESEM SEs that employ 0 FTE (full time equivalent) staff employ at least 1 volunteer.

...caring and agile. During the COVID-19 pandemic, 58.3% of ESEM SEs helped target groups affected by the crisis. 37.4% developed new offers for their target group while 32.1% digitised their existing offers.

² NB: Percentages in this report are obtained by merging all 21 country-level samples without weighting for varying levels of participation. In addition, the total number of responses (n=1907) does not provide a complete representation of all social enterprises across Europe.

A woman with long brown hair, wearing a black blazer, is seen from the back, gesturing with her hands as she speaks to a diverse group of people seated in a bright, modern setting. The audience members are clapping and smiling, indicating a positive and engaged atmosphere. A circular graphic with a red-to-white gradient is overlaid on the left side of the image, containing text.

ESEM SEs report that their management teams consist of 55.8% women, on average.



Impact

ESEM Social Enterprises create impact...

...on social and environmental sustainability. ESEM SEs create impact across all 17 UN SDGs. Those most commonly targeted are SDG 8: Decent Work and Economic Growth (49.9%), SDG 3: Good Health and Well-being (49.0%) and SDG 10: Reduced Inequalities (46.2%).

...at multiple geographical levels. 29.8% operate in their local neighbourhood or community, 71.4% focus only on their own countries, 13.5% create impact at the European level and 17.3% work beyond European borders (in neighbouring countries or internationally).

...for a diverse array of beneficiaries. 65.9% of ESEM SEs support specific groups of individuals, 61.6% support society in general and 27.3% support other organisations. The most common groups of individuals supported are children/young individuals (33.3%), women/girls (27.2%) and individuals with mental illness/health problems/psychological/neurological disabilities (27.1%).

...in a measurable way. 58.0% of ESEM SEs currently analyse their impact targets while an additional 28.3% are planning to engage in impact measurement in future, bringing the total number of those engaged and interested in impact measurement to 86.3%. 37.2% utilise the SDGs in their impact reporting and an additional 23.2% plan to do this in future.

...for the common good. Of the (n=1299) ESEM SEs reporting on the redistribution of profits, 86.0% distribute, reinvest or donate their profits 'mainly' or 'mostly to exclusively' for the social or environmental purpose of the organisation.



Of the ESEM SEs reporting on the redistribution of profits, 86.0% distribute, reinvest or donate their profits 'mainly' or 'mostly to exclusively' for the social or environmental purpose of the organisation.

...in innovative ways. A total of 85.5% of ESEM SEs indicate that they chose at least one new or innovative approach at the time of their foundation, most commonly with regards to their products/services (59.0%), impact model (36.3%) or business model (36.2%).

...digitally. For at least 55.4% of ESEM SEs the use of technologies is important for their business and/or impact model.

...through social procurement. 61.0% of ESEM SEs sell to other firms, of which 24.5% already have multinational corporations as clients. ESEM SEs are also very attentive to social and environmental concerns in their own procurement and supply chains – they rank, on average, the importance of social responsibility with a value of 74.9% out of 100% and environmental responsibility with a value of 75.6% out of 100%.

Reported Challenges & Potential Solutions

To create more impact, help reach the SDGs by 2030 and contribute more effectively to the new social economy ESEM Social Enterprises indicate that they need...

...access to more financial resources. 32.3% of ESEM SEs had financial needs of up to €50,000 and 77.0% had needs of up to €1 million in the past year, while on average they only succeeded in accessing financing for 60.7% of these needs. Furthermore, 75.2% have safe financial planning for less than a year; for 25.0% of ESEM SEs these stable horizons are only 0-3 months in length.

...better access to financial resources. Financial barriers are among the most common hindering factors for ESEM SEs. Most notable are: 1) a lack of options to finance the organisation once started (40.0% of ESEM SEs), 2) too complex public financing (37.0%) and 3) a lack of patient capital (35.3%).

...a diverse array of financing. The most common external sources sought are public financing (44.2%), private donations (24.7%) and foundation funding (21.3%). While much less frequently, ESEM SEs are also financed by business angels (7.0%), impact investment and (5.5%) and venture capital (5.3%).

...simplified access to EU funding. 34.4% of ESEM SEs have previously applied and 50.4% plan to apply in future. However, timeliness and complexity of applications was a key factor inhibiting applications (amongst other barriers) for 45.6% of those who have not yet applied and 50.4% of those who do not plan to apply in future.

...better access to markets. 18.7% of ESEM SEs are not yet selling to conventional firms would like to be able to do this in future. 50.5% of the 61.1% ESEM SEs already selling to conventional firms would like to have additional corporate customers, and 43.2% are currently seeking such clients. Furthermore, 50.4% of the ESEM SEs not yet selling to conventional firms but planning to do so in future would also like to have more corporate customers, and 20.7% are already seeking such clients.

...considerably more visibility and advocacy. Aside from financial challenges, the most common hindrances for ESEM SEs are poor understanding/awareness of SEs among the general public/customers (44.6%), a weak lobby for social entrepreneurship (41.0%) and poor understanding/awareness of SEs among banks/investors/support organisations (37.7%).

...greater political support. On average, ESEM SEs rank the level of political support for social entrepreneurship in their country at only 33.0 out of 100. Furthermore, 36.0% perceive that there is a problematic lack of public support schemes and 35.3% are hindered by the lack of supportive fiscal frameworks.

...more and better access to support organisations. 21.3% of ESEM SEs perceive a lack of access to social entrepreneurship specific support to be a barrier, and of this number, 57.5% report that this barrier 'much' or 'very much' hinders their organisation. Currently, 31.1% are part of national networks or associations, 9.0% participate in incubators and 7.9% in accelerators. 6.4% are part of international membership/network organisations, and 36.7% do not belong to any support organisations at all. However, high proportions of the national samples in Latvia (59.8%), the Netherlands (53.2%) and Germany (46.2%) can be seen to belong to national support organisations.



Aside from financial challenges, the most common hindrances for ESEM SEs are poor understanding/awareness of SEs among the general public/customers, a weak lobby for social entrepreneurship and poor understanding/awareness of SEs among banks/investors/support organisations.

Purpose, History & Future of the Study

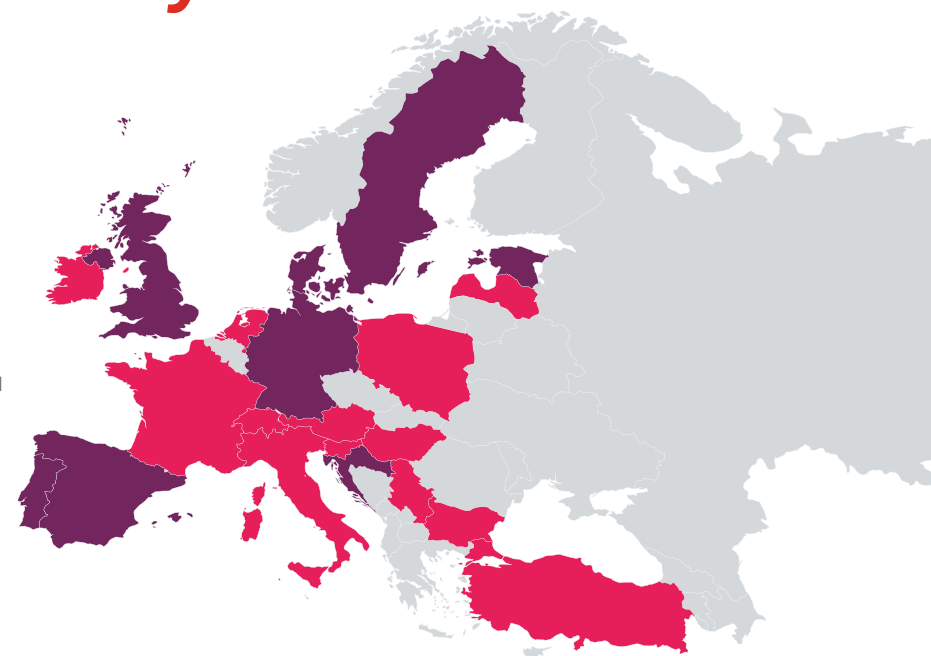
The European Social Enterprise Monitor (ESEM) 2021-2022 is a (bi-)annual survey-based study on social entrepreneurship across Europe. It provides decision-makers in government, business, academia and civil society with data and insights on social enterprises (SEs) and the social enterprise (SE) ecosystem. The study uncovers the key challenges, barriers and opportunities that social entrepreneurs face across Europe.

In particular, the ESEM supports evidence-based decision and policy-making, contributing to the further development of sources of financial and non-financial support that SEs need to succeed. The ESEM also informs and accelerates social innovation, which allows us to more comfortably move away from traditional business models to new, more innovative entrepreneurial approaches that put people and planet at the centre, accelerating the transition to a fair, inclusive and green society and economy that can reach the SDGs by 2030.

The study is executed by a consortium of partners³ led by Euclid Network, the European Social Enterprise Network. Consortium partners are leading national networks supporting and representing social entrepreneurs, universities, and knowledge or research centres in each of the participating countries. The survey in 2021-2022 was launched in 21 countries and in 21 languages. The study builds upon the experience and success of national SE monitors developed in Germany, the Netherlands and the United Kingdom in the past years. In the first year, the European Monitor was carried out in eight countries. Within one year the initiative has expanded significantly and has been adopted by leading SE support organisations (SESOs) and networks, universities and research centres across 21 countries.

> What year did ESEM countries join the project?

- Countries joining in 2020-2021
- Countries joining in 2021-2022
- Countries not currently in the ESEM



The consortium today includes 41 organisations and 86 individuals, not counting more than 130 outreach partners who will support with the dissemination of study results and insights. The aim is to increase the number of countries and respondents participating in future years.

The first ESEM report and its results have already started to contribute to policy and decision-making, and have had influence both in Europe and on a global scale. The findings were used by the European Commission in the development of the EU Action Plan for the Social Economy (SEAP),⁴ launched in December 2021. In addition, the study was referenced in the 'Unlocking the Social Economy'⁵ report published by the World

Economic Forum Global Alliance for Social Entrepreneurs and presented at Davos in May 2022, as well as in Eurostat's report⁶ 'Empowering society by reusing privately-held data for official statistics — A European approach,' launched in June 2022. Furthermore, ESEM insights (amongst other research) inspired Google.org to launch a €20 million Social Innovation Fund in 2021.

The ESEM consortium is grateful that its work and this report at the European level are supported by the European Commission, Google.org, SAP, Bertelsmann Stiftung, ImpactCity, the World Economic Forum Global Alliance for Social Entrepreneurs and Schwab Foundation, without their support this study would not have been feasible.

³ See on pages 140-146 which partners are part of the ESEM consortium or visit the website at <https://euclidnetwork.eu/portfolio-posts/consortium-members/>

⁴ European Commission, *Building an Economy That Works for People: An Action Plan for the Social Economy* (Luxembourg: Publications Office of the European Union, 2021), <https://doi.org/10.2767/12083>

⁵ Schwab Foundation for Social Entrepreneurship and the World Economic Forum, *Unlocking the Social Economy: Towards an Inclusive and Resilient Society* (2022), <https://www.weforum.org/reports/unlocking-the-social-economy-towards-an-inclusive-and-resilient-society-davos2022/>

⁶ Eurostat, *Empowering Society by Reusing Privately-held Data for Official Statistics: A European Approach*, (Luxembourg: Publications Office of the European Union, 2022), <https://doi.org/10.2785/948477>

Defining Social Enterprise

As identified in the previous year's study, there does not exist a single definition of SE that is agreed upon across Europe. Most close to a unified standard is the operational definition used by the European Commission since 2011,⁷ which conceptualises a SE as:

- 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;
- which uses its profits mainly to achieve these social goals; and
- which is managed in an accountable, transparent and innovative way, in particular by involving workers, customers, and stakeholders affected by its business activity.

The European Commission has further classified the concept of SE as encompassing three key dimensions: firstly a social dimension,⁸ secondly an entrepreneurial dimension, and thirdly a governance dimension. The ESEM survey contains questions to gather data on each of these dimensions.

The EU operational definition represents the 'ideal' type of SE.⁹ Interpretation and application of this definition differ across and within countries. In the EU operational definition and in several countries minimum thresholds exist for SEs to be defined as such. These are not always comparable to definitions and thresholds in other countries. For example, to meet the economic dimension in the EU definition the incidence of trading income (versus non-trading) should ideally be above 25%. This is not a parameter that is required or considered in all countries across the EU.



The EU operational definition represents the 'ideal' type of SE. Interpretation and application of this definition differ across and within countries.

Indeed, each country has its own definition of SE in place. In some countries, where a national representative body, network or alliance of SEs exists, the organisation has created a national definition. This is, for example, the case in countries such as Germany or Austria. In other countries, such as The Netherlands, the national bodies representing SEs have adopted the definition used by the European Commission as well, or one defined by the national government in legislation (as in Latvia or the United Kingdom). It should also be highlighted that in some countries, such as Switzerland or Türkiye, there is no clear, unified or commonly used definition of SE. As the following table demonstrates, there are both common and diverging elements in the definitions of SE across participating countries. While this variety of definitions poses some challenges with regard to comparability across enterprises (hence the approach to survey definition and data cleaning outlined above), it also demonstrates the diversity of SE traditions and models across countries and represents valuable opportunities for dialogue and mutual learning.

The ESEM initiative includes 21 countries and 41 organisations. To ensure methodological consistency and enable the benchmarking of results across these diverse countries and organisations, all drawing on differing SE definitions in their own contexts, 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. This common definition is: '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 and of itself.
2. Clean all data across countries in a unified way, based on the principle that respondents indicated 'social impact to be more important or equally important to financial interests when making strategic business decisions.'¹⁰ In addition, some additional SEs are included who, according to their legal entity or other country-specific reasons, are considered a SE by ESEM country partners, as national experts on SE within their respective contexts.

The uniqueness of the ESEM questionnaire as an instrument is that the variety of questions it includes allows the raw data collected to be sorted and analysed to accommodate varying European, national and local definitions of SE with their specific key dimensions. This will enable ESEM data to support evidence-based policymaking in every circumstance, unencumbered by evolving, diverging or even converging definitions in future.

⁷ European Commission, "Social Business Initiative: Creating a Favourable Climate for Social Enterprises, Key Stakeholders in the Social Economy and Innovation" (communication from the European Commission, Brussels, October 2011), <https://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2011:0682:FIN:EN:PDF>

⁸ Carlo Borzaga et al., *Social Enterprises and Their Ecosystems in Europe: Comparative Synthesis Report*, report prepared for the European Commission (Luxembourg: Publications Office of the European Union, 2020), <https://ec.europa.eu/social/BlobServlet?docId=22304&langId=en>

⁹ Andrea Maier, *A Map of Social Enterprises and Their Ecosystems in Europe*, report prepared for the European Commission (Luxembourg: Publications Office of the European Union, 2015), <https://ec.europa.eu/social/BlobServlet?docId=12987&langId=en>

¹⁰ Participants rated on a 0-100 scale how important social impact and financial interests/return are in their strategic business decisions. If ratings on social impact were lower than those of financial interests, participants were excluded from the survey analysis. Even though this was the general approach to make sure only social enterprises were analysed there were some exceptions when country partners, as the experts of their national social enterprise ecosystems, had reasons that those enterprises were nevertheless social enterprises, for example due to legal forms, personal knowledge or specifics of the respective country context. See the Methodology for more information.

Details on Social Enterprise Definitions of ESEM Participating Countries¹¹

Country	SE Definition
Austria	There is no official definition, though the closest to it would be the one used by the Austrian Network for Social Enterprises (SENA). They define SEs as organisations that use an entrepreneurial approach and offer products and services to paying customers, have the creation of social and environmental value at the core of their business model, reinvest a significant part of their profits into impact-generating activities and operate in a socially-responsible manner. Other definitions coexist (a.o. in scientific work and monitor studies), often relaxing the requirement of 100% market income included in SENAs definition.
<i>More information:</i>	Social Entrepreneurship Network Austria's (2022) definition of social entrepreneurship and SEs: https://sena.or.at/socent/
Bulgaria	According to the "Law on enterprises of social and solidarity economy" (2019) a SE is a legal entity of various legal forms (association, foundation, cooperation or company) and is described as follows: <ul style="list-style-type: none"> • Has profit-generating (commercial) activities • Employs people from socially vulnerable groups and/or reinvests most of the profits for achieving its social purpose • Combines economic results with social goals, aiming to achieve measurable and positive social added value • Employees have the right to participate in the management decisions
<i>More information:</i>	Law on Social and Solidarity Economy Enterprises (last revised 25 February, 2020): https://www.lex.bg/bg/laws/ldoc/2137187968

Country	SE Definition
Croatia	SEs are businesses based on the principles of social, environmental, and economic sustainability, in which generated profit or surplus is entirely or largely reinvested for the benefit of the community.
<i>More information:</i>	Strategy for Social Entrepreneurship Development (2015-2020), drafted by the Ministry of Labour and Pension System, supported by a network of civil society organisations and social enterprises and adopted by the Croatian Government in April 2015: https://www.oecd-ilibrary.org/docserver/9789264268500-7-en.pdf
Denmark	SEs are privately held and through their business and profits, have the purpose of promoting specific social objectives.
<i>More information:</i>	Act on Registered Social Economic Enterprises, proposed by the Committee of Social Enterprises in 2013 and adopted by the Danish Parliament in a law in June 2014: https://base.socioeco.org/docs/a20140071130.pdf
Estonia	SEs are social organisations that use entrepreneurship to achieve their goal. Simply put, SEs sell their products or services to make the world a better place. The social purpose of SEs refers to their direct contribution to people's livelihood and well-being, and to the maintenance of the desired state of the natural and living environment.
<i>More information:</i>	Social Enterprise Estonia, in a workgroup with the Public Sector Social Innovation Task Force 2017, has created a definition of social entrepreneurship and SE: https://sev.ee/en/useful-materials/social-entrepreneurship

Country	SE Definition
France	<p>SEs are legal entities governed by private law that fulfil the following cumulative conditions:</p> <ul style="list-style-type: none"> • A goal other than profit sharing • Democratic governance, defined and organised by the articles of incorporation, providing for information and participation • Management in accordance with the following principles: • Most of the profits are used to maintain or develop the company's activity • The established mandatory reserves, which cannot be shared, cannot be distributed <p>These legal entities can be:</p> <ul style="list-style-type: none"> • Cooperatives, mutual societies or associations, mutual insurance companies, foundations or associations • Commercial companies which, according to their articles of association, fulfil the following conditions: • They comply with the conditions set out above • They pursue a social purpose • They apply specific management principles as defined in Article 1 - LAW no. 2014-856 of 31 July 2014 on the social and solidarity economy (1)
<i>More information:</i>	Article 1 of Law No. 2014-856 on the social and solidarity economy (from 31 July 2014): https://www.legifrance.gouv.fr/loda/article_lc/LEGIARTI000029314926
Germany	The primary goal of social entrepreneurship is to solve societal challenges. This is achieved through the continuous use of entrepreneurial resources and results in new and innovative solutions. Steering and controlling mechanisms ensure that social goals are lived internally and externally.
<i>More information:</i>	Social Entrepreneurship Network Deutschland's (2019) definition of social entrepreneurship: https://www.send-ev.de/social-entrepreneurship
Hungary	There is no official national definition of SE. The EU definition has been promoted by various actors, such as the SE Coalition and SEs themselves, but it has not been officially adopted by the government. Past support programmes have defined SE according to policy priorities. The SE Coalition is now involved in a pilot certification project to introduce the Social Enterprise World Forum SE criteria to Hungary.
<i>More information:</i>	SEWF SE criteria: https://sewfonline.com/about/about-social-enterprise/sewf-verification

Country	SE Definition
Ireland	<p>A SE is an enterprise:</p> <ul style="list-style-type: none"> • Whose objective is to achieve a social, societal, or environmental impact rather than maximising profit for its owners or shareholders • Which pursues its objectives by trading on an ongoing basis through the provision of goods and/or services • Which reinvests surpluses into achieving social objectives • Which is governed in a fully accountable and transparent manner and is independent of the public sector • Which if dissolved, should transfer its assets to another organisation with a similar mission
<i>More information:</i>	<p>National Social Enterprise Policy for Ireland 2019-2022: https://assets.gov.ie/19332/2fae274a44904593abba864427718a46.pdf</p> <p>There is currently no national information point or source of further information for SEs, but there is a network of Local Development Partnerships that are tasked with assisting SE start-ups: https://ildn.ie/themes/enterprise-and-social-enterprise-development</p>
Italy	Pursuant to Article 1 of Legislative Decree 112/17, all private entities, including those established in the forms referred to in Book V of the Civil Code which carry out on a stable and principal basis a business activity in the general interest, with non-profit and civic, solidarity and socially useful purposes, adopting responsible and transparent management methods and favouring the widest involvement of workers, users and other stakeholders in their activities, can acquire the status of SE.
<i>More information:</i>	Legislative Decree 112/17: https://www.normattiva.it/atto/caricaDettaglioAtto?atto.dataPubblicazioneGazzetta=2017-07-19&atto.codiceRedazionale=17G00124&atto.articolo.numero=0&atto.articolo.sottoArticolo=1&atto.articolo.sottoArticolo1=10&qId=264fd059-1ba2-48b7-8bcb-a1b2e6d1a77b&tabID=0.5757019480571679&title=lbl.dettaglioAtto

Country	SE Definition
Latvia	According to the SE law, a SE is a limited liability company that has been granted the status of a social enterprise which carries out economic activity that creates a beneficial and significant social impact by employing target groups or improving the quality of life for groups of society whose lives are affected by significant social issues (for example, the provision of social, healthcare or educational services, as well as the production of specialised goods), or by performing other socially significant activities that create a lasting positive social impact (for example, building an inclusive civil society, supporting science, protecting and preserving the environment, protecting animals or ensuring cultural diversity).
<i>More information:</i>	Social enterprise law that came into force on 1 April, 2018: https://likumi.lv/ta/en/en/id/294484-social-enterprise-law
Poland	SE status can be assigned to social economy units such as: social cooperatives, worker cooperatives, NGOs, social integration clubs, social integration centres, vocational activity workshops or occupational therapy workshops. These units should pursue one of the following forms of economic activities: business activity, paid mission-related activity or other kinds of paid activity. The main goal of SE is the social and economic integration of the people in danger of social exclusion or the provision of social services (including, for example, family support, social care, care of children, healthcare, support for people with disabilities, education, cultural development, environmental protection, preventing unemployment, social and economic reintegration and more).
<i>More information:</i>	Item 1812 of the Act on Social Economy from 5 August 2022, found in the Journal of Laws 2022: https://isap.sejm.gov.pl/isap.nsf/download.xsp/WDU20220001812/T/D20221812L.pdf

Country	SE Definition
Portugal	Social entrepreneurship is the implementation and development of innovative ideas to address problems in the community, with a social and, often, economic purpose. The Portuguese SE definition places the focus on the process, enabling a broader perspective of the phenomenon on how social entrepreneurship ventures come to life. It is still, however, aligned with the operational definition of 'social enterprise' used by the European Commission. This is also because in Portugal there is no definition of SE thus far and there is also a lack of a specific legal framework.
<i>More information:</i>	The government initiative 'Portugal Social Innovation,' aimed at promoting social innovation and stimulating the social investment market in Portugal, created a definition of social entrepreneurship: https://inovacaosocial.portugal2020.pt/en/about-us/portugal-inovacao-social
Serbia	Social entrepreneurship is the performance of activities of general interest, for the purpose of creating new and innovative opportunities for solving social problems, problems of individuals or socially-sensitive groups and preventing the emergence and elimination of the consequences of social exclusion, strengthening social cohesion and solving other problems in local communities and society as a whole.
<i>More information:</i>	Law on Social Entrepreneurship (2022): http://www.parlament.gov.rs/upload/archive/files/cir/pdf/predlozi_zakona/2021/2505-21.pdf
Slovenia	Article 2 of the Social Entrepreneurship Act defines a SE as a 'non-profit legal entity, which acquires the status of SE and can be an association, institute, foundation, company, cooperative, European cooperative or other legal entity of the private law, that is not established for the sole purpose of generating profit and does not distribute assets or the generated profit or excess revenue over expenditure.'
<i>More information:</i>	Social Enterprises and Their Ecosystems in Europe – Updated Country Report: Slovenia, prepared for the European Commission by Tatjana Rakar and Zinka Kolarič (2019): https://ec.europa.eu/social/BlobServlet?docId=21575&langId=en
Spain	Organisations that try to solve a social problem through the methods and tools of commercial companies, including both those organisations of the social economy - foundations, insertion companies, special employment centres and cooperatives - and those that operate within the legal and tax framework of commercial companies but whose main mission is to achieve a positive social impact.
<i>More information:</i>	Spain NAB, Hacia una economía de impacto (2019): https://spainnab.org/images/pdfs_conocimiento/Hacia_una_economia_de_impacto_SpainNAB.pdf

Country	SE Definition
Sweden	<p>There is no official definition, but the below criteria are mentioned in the government strategy for SEs:</p> <p>Social entrepreneurship covers a heterogeneous group of actors and activities that often operate on the borderline between the public sector, the private sector and civil society. By definition, it is difficult to differentiate social entrepreneurship from other kinds of entrepreneurship. Generally, SEs display a number of characteristics that may help to define this group:</p> <ul style="list-style-type: none"> • They are companies, regardless of legal form, where the business operation is a means to achieve one or more specific public benefit goals, such as reducing exclusion, improving the climate and environment or contributing to a more secure living environment • The company's performance is measured in relation to the public benefit goals specified as being its purpose to achieve • The company's financial surplus is primarily invested in its operations. Alternatively, it is invested in a new public benefit project rather than primarily being taken as profits in the form of earnings for the owners
<i>More information:</i>	<p>Swedish Government's 2018 'Strategy for social enterprises – a sustainable society through social enterprise and social innovation': https://www.regeringen.se/regeringsuppdrag/2018/02/uppdrag-att-stodja-utveckling-av-sociala-foretag/</p>
Switzerland	<p>There is no 'official' definition, although there are five principles Social Enterprise CH uses:</p> <ul style="list-style-type: none"> • The business' purpose is a positive social, environmental or cultural impact • At least 50% of revenues result from selling services or products • Decision-making authority and responsibility lies within the company • Surplus income is largely reinvested for the social impact • Stakeholders are given opportunities to participate
<i>More information:</i>	<p>SENS' definition of SE: https://sens-suisse.ch/was-ist-soziales-unternehmertum/#prinzipien</p>

Country	SE Definition
The Netherlands	<p>There is no 'official' definition, although there is a definition Social Enterprise NL uses based on the definition also used by the European Commission and the Social-Economic Council (SER). This European definition of 'sociale onderneming' includes the following criteria:</p> <ul style="list-style-type: none"> • Impact first • Makes impact by supplying services and/or goods as an independent company • Has a revenue model • Sees profit as a means, not as a goal • Is transparent and fair • Is social in the way the company is structured and led • Is basing its governance and policies on equal influence of stakeholders
<i>More information:</i>	<p>SE NL's definition of SE: https://www.social-enterprise.nl/over-sociala-ondernemen/wat-zijn-het</p>
Türkiye	<p>Türkiye does not have an official SE definition. In the last research conducted by the Türkiye Social Entrepreneurship Network (TSEN) and using the ESEM data, SEs are defined as organisations:</p> <ul style="list-style-type: none"> • Prioritising social/environmental impact • Having at least 50% of their revenue through trading, • Reinvesting the majority of their surplus in their mission • Having good governance practices in place or adapting participatory approaches to governance
<i>More information:</i>	<p>British Council's 2019 report 'The State of Social Enterprise in Turkey': https://www.britishcouncil.org.tr/sites/default/files/20190702_se_research_report_the_state_of_social_enterprise_in_turkey_eng_single_page.pdf TSEN's 2020 'Social Entrepreneurship Ecosystem in Turkey: Baseline Report': https://drive.google.com/file/d/1DiN9i8XVI8m1VMhkRyWSuRawCXxpSGnt/view</p>
United Kingdom	<p>A business with primarily social objectives whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners.</p>
<i>More information:</i>	<p>Introduced by the United Kingdom government in 2005 under the Companies (Audit, Investigations and Community Enterprise) Act 2004, designed for social enterprises that want to use their profits and assets for the public good.</p>

Participation & Methodology Overview

The actual number of SEs in Europe is still unknown. Estimates by the European Commission in 2017 stated there were in the region of 2.8 million social economy enterprises¹² in Europe – 10% of all businesses.¹³

A total of n=4792 social entrepreneurs started the ESEM,¹⁴ a significant increase over the 1990 initial participants of last year's study. 1388 did not continue the survey after the first few questions (a number which includes participants whose countries were not included in the study, and due to largely anonymised survey links, those who opened the survey and returned later to complete it, as their returns counted multiple times). A further 1150 were removed because they did not achieve the 80% completion rate set as a cut-off for comparability of responses.¹⁵ 159 enterprises were additionally removed as they considered their financial interests to be more important than their social impact, and another 188 enterprises were then removed for other data cleaning reasons. This provided a final number of n=1,907 SEs to be taken into account for the purpose of this study in 2021-2022 (as compared to n=930 in last year's survey). To learn more, please read the methodology on page 132.

This year's ESEM initiative was conducted in 21 countries, including many EU Member States as well as several neighbouring countries. The ESEM therefore does not include all EU countries in 2021-2022, nor all of the EU's neighbouring countries. For this reason, it should be noted that the ESEM cannot claim to be a representative survey for all SEs across Europe and the results in this publication can therefore only relate to the survey participants. This is also reinforced by the



This year's ESEM initiative was conducted in 21 countries, including many EU Member States as well as several neighbouring countries.

voluntary nature of the ESEM survey instrument, as enterprises and individuals must opt-in to answering the survey, thereby influencing the sample and data generated. There are also not enough responses in all countries to consider the sample to be representative of European SEs as a whole. Unless otherwise indicated, all of the following graphics and figures relate to the group of ESEM SE respondents in the 21 countries participating in 2021-2022.

In addition, the study received varying response rates across the different countries. This was influenced by a variety of factors, ranging from the maturity of the social economy in the country to the reach and extent to which the survey has been successfully promoted by national partners. As in the previous study Germany garnered the most participants, which is not surprising as this was the fourth year that German

social enterprises have been surveyed through the German Social Enterprise Monitor (DSEM). The Social Entrepreneurship Network of Germany (SEND), who conducted the survey, have therefore gained vital experience and value in undertaking the research as well as cultivating awareness of the survey within the German SE ecosystem. There is growing political recognition of SEs in Germany, making the DSEM an attractive opportunity for these enterprises to make their voices heard and to influence the future of both the SE sector and their own enterprises.

While the European-level analyses in this report encompass the entire (cleaned) 21 country dataset, cross-country comparisons are only made for those countries where n>30, as lower response rates cannot be considered as statistically meaningful and therefore an accurate representation of those countries. For this reason, Slovenia, Serbia, Ireland and the United Kingdom are excluded from the cross-country analyses. Nevertheless, the inclusion of so many countries across Europe is an important achievement for developing broad and nuanced understandings of European SE. It also represents a strong base from which to grow the study and conduct further research on the challenges and opportunities encountered by European SEs, with the ultimate purpose of supporting, in a participative and data-driven manner, the sector's further development and its growing impact.

¹² Social economy enterprises represent a diverse array of organisations, including businesses, cooperatives, mutual societies, associations and foundations.

¹³ "Social Economy in the EU," Internal Market, Industry, Entrepreneurship and SMEs, European Commission, n.d., https://ec.europa.eu/growth/sectors/social-economy_en

¹⁴ Only social entrepreneurs that participated until the 16th of February 2022 were counted.

¹⁵ Some countries added country-specific questions at the end of the survey. These were not considered regarding the 80% completion rate cut-off.

A woman with long dark hair, wearing a light-colored top and jeans, stands in a meeting room pointing at a wall covered in sticky notes. Several people are seated around a table with laptops, listening to her presentation. The room has a modern, professional feel with a grid of sticky notes on the wall and a large orange arrow graphic pointing upwards and to the right.

Social Entrepreneurship Across Europe

Chapter 1

1.1 Countries & Regions

The 2021-2022 ESEM study encompasses 21 European countries in its analysis. The highest number of responses this year came from Germany, Austria and Türkiye.

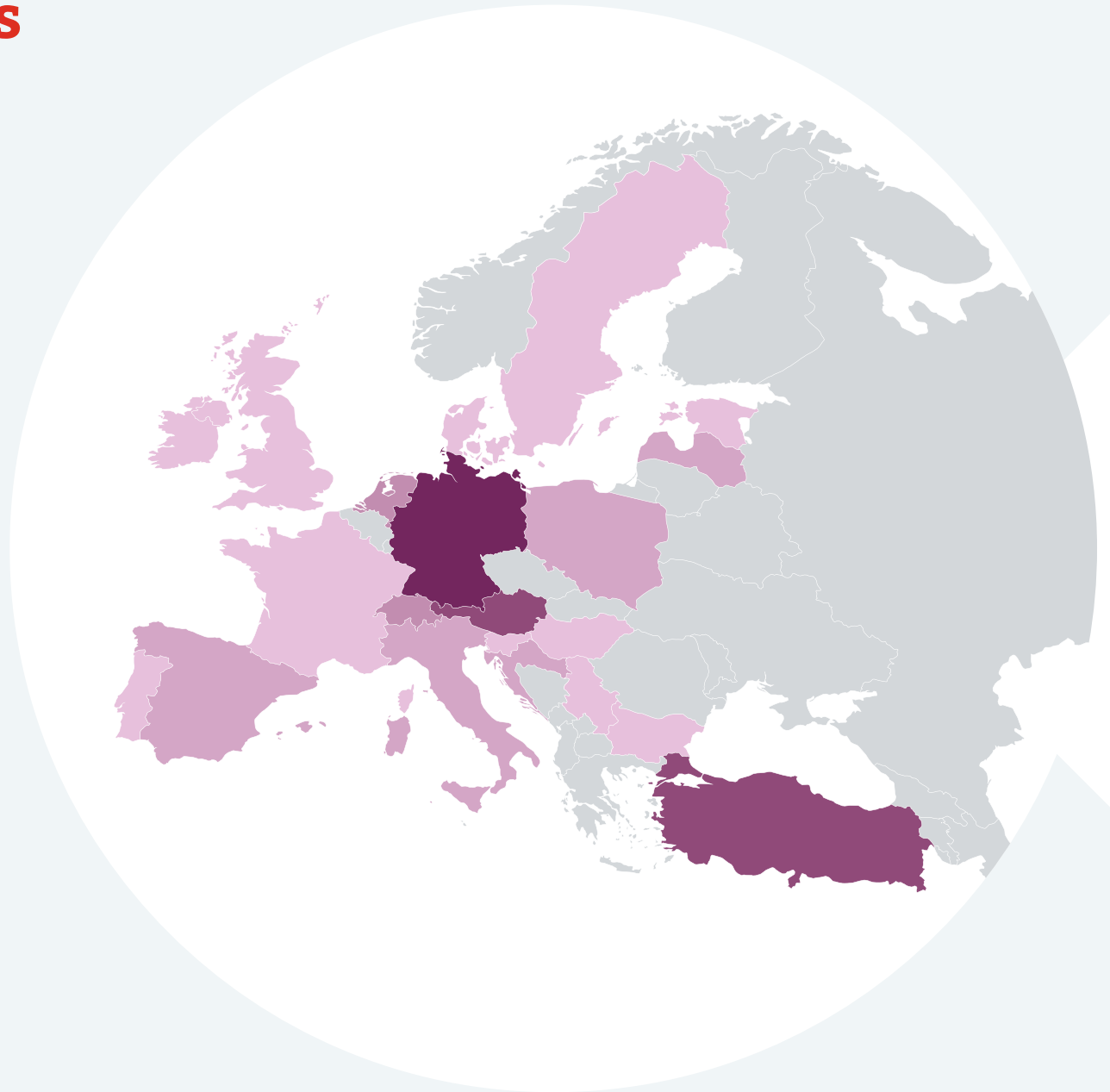
In the study's first pilot year eight countries participated, while this year 21 countries were involved. Continuing this growth, both the number of countries and ESEM Social Enterprises is expected to increase in future editions of this research.



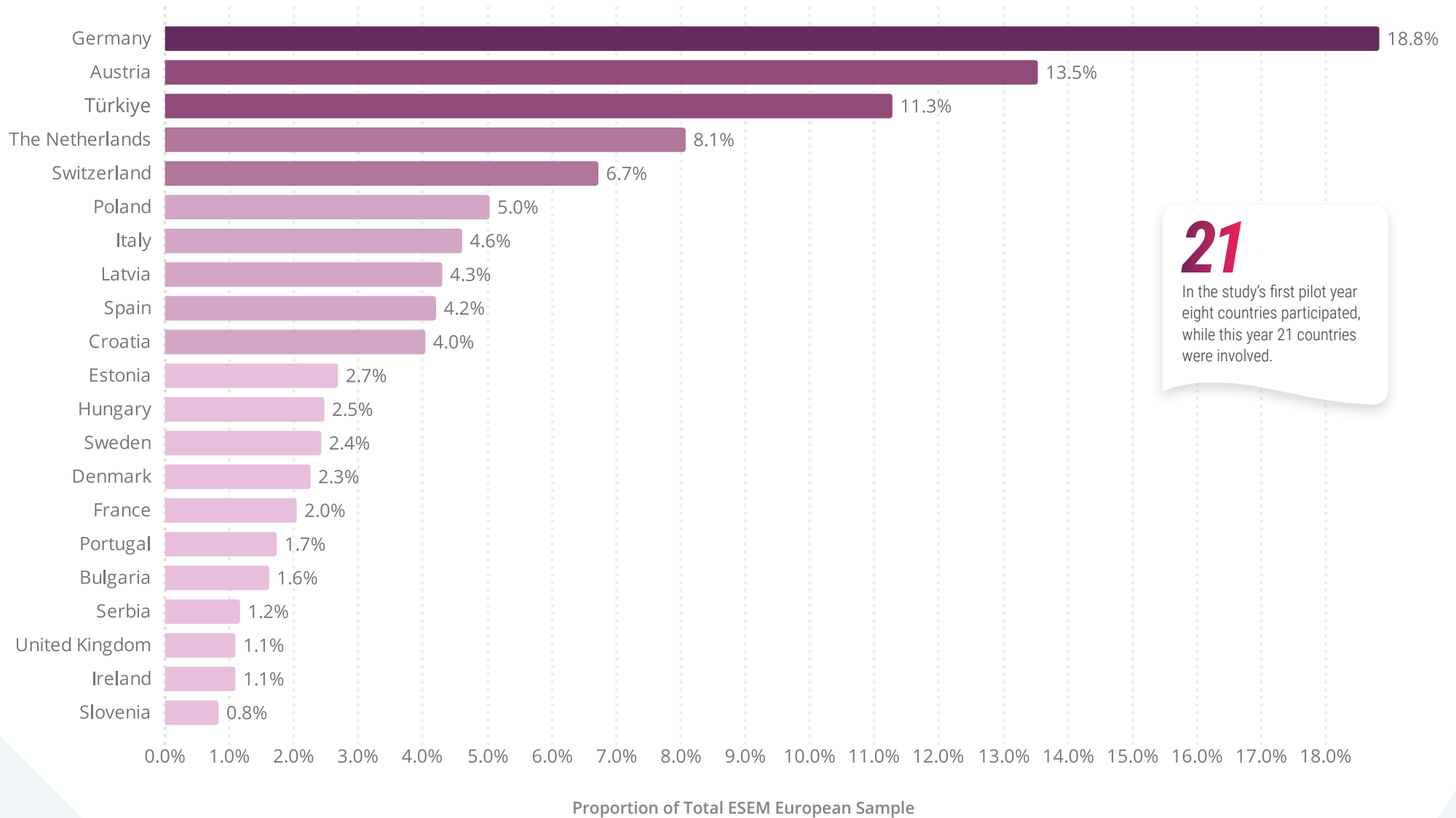
Germany was amongst the first eight countries participating in ESEM, and was similarly the country with the most responses in 2020-2021.

This year, the greatest number of responses came from Germany (18.8% of the European sample), followed by Austria (13.5%), Türkiye (11.3%), the Netherlands (8.1%), Switzerland (6.7%) and Poland (5.0%). Germany was amongst the first eight countries participating in ESEM, and was similarly the country with the most responses in 2020-2021.

The promotion and popularity of the concepts of social entrepreneurship and social innovation continue to increase on agendas of (inter)national and local governments as well as for the academic and private sector communities.



> In what country is the main office of your organisation located?



21
 In the study's first pilot year eight countries participated, while this year 21 countries were involved.

1.2 Age & Stages of Development

Age of Social Enterprises in Europe

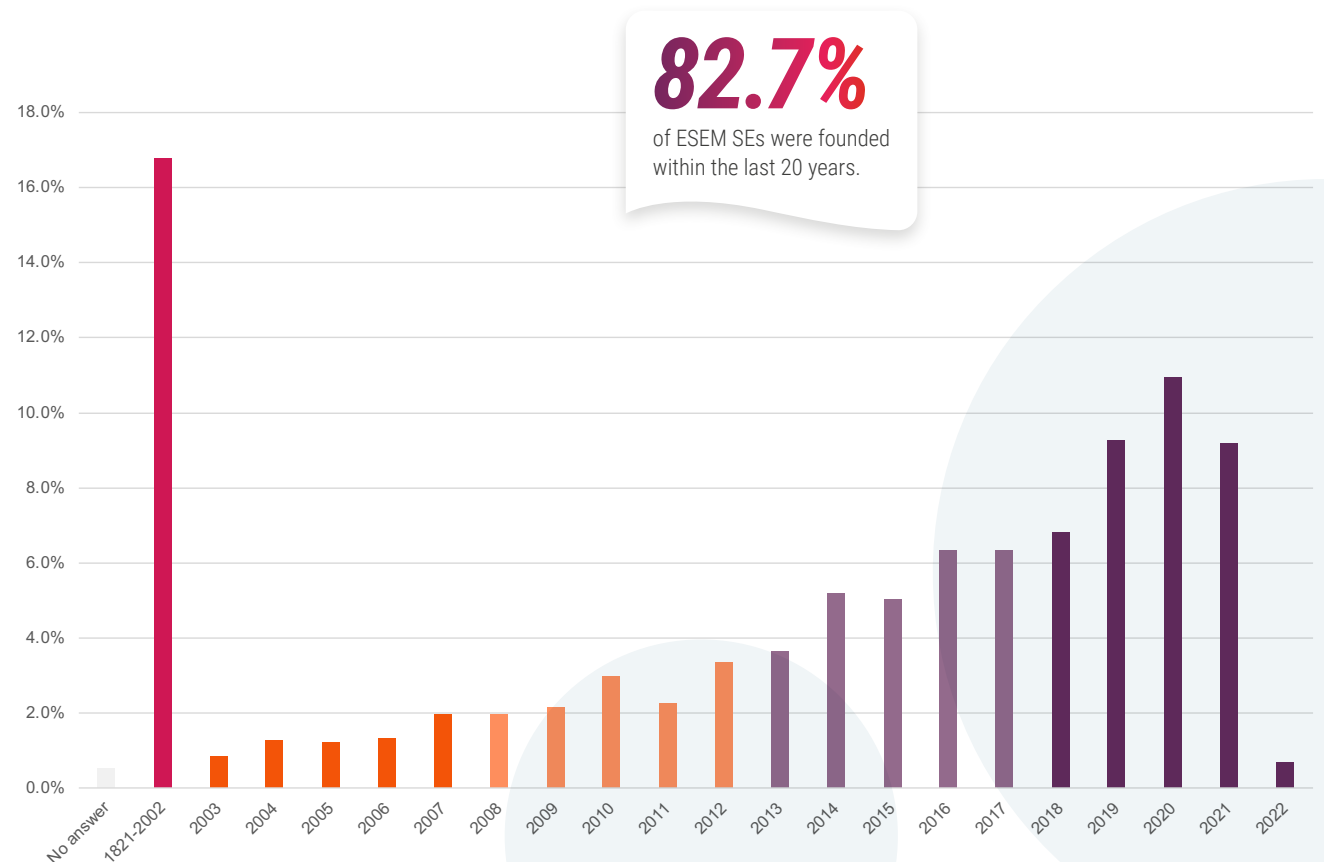
While the age of ESEM SEs varies significantly, with the year 1821 marking the earliest recorded foundation date within the sample (in Germany), the overwhelming majority were founded much later. 37.1% of ESEM SEs were founded within the last five years, 63.5% in the last 10 years (as compared to 69.0% of the previous year's sample) and 82.7% within the last 20 years.¹⁶

On average, SEs within the sample were founded 12 years ago (with a median age of seven years, in relation to a median of six years in last year's report), seeming to indicate that while the roots of social enterprise run deep within Europe, the sector's accelerated growth is a much more recent occurrence.



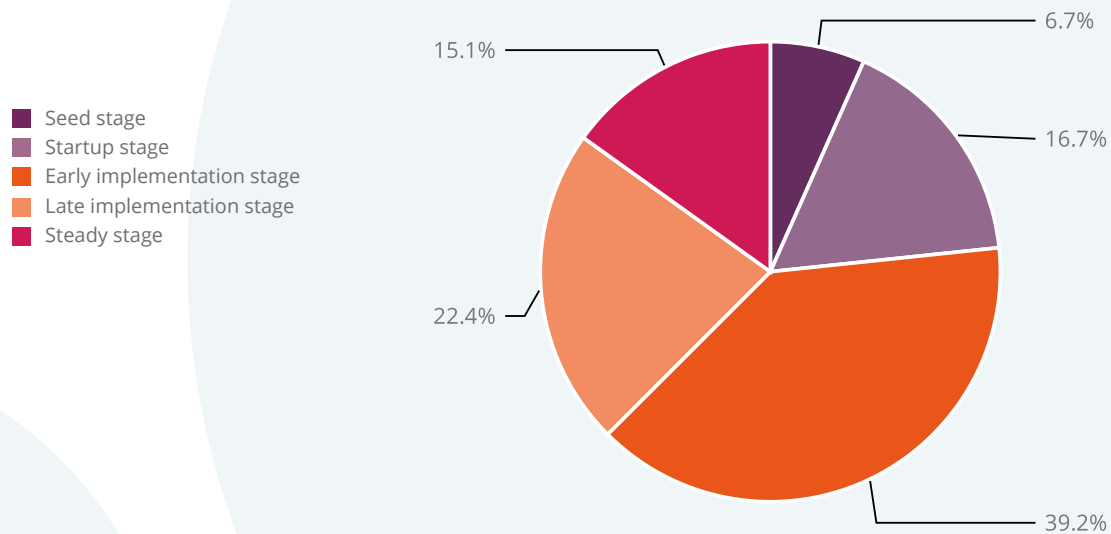
While the roots of social enterprise run deep within Europe, the sector's accelerated growth is a much more recent occurrence.

> What year was your social enterprise founded?



¹⁶ NB: Since the ESEM survey ran during late 2021 and very early 2022 (only until 16 February), these years in particular are likely under-represented by this sample. In the broader European SE sector, it is not necessarily the case that far fewer SEs were founded in 2022 than in previous years, as the foundation year graph might appear to indicate.

> Which of the following development stages best describes your organisation's status?



Entrepreneurial Development Stages

The majority of ESEM SEs are in the early to middle stages of development, just as in the previous year's study. Most common is the early implementation and growth stage (39.2% of the sample), followed by the late implementation and growth stage (22.4%). A fairly significant number of SEs in the startup and steady stages of development also participated in the study, respectively comprising 16.7% and 15.1% of the sample, while seed stage SEs were less common among the sample. This should not necessarily be taken to mean that, broadly speaking, seed stage SEs are uncommon, as this data may reflect a limited availability of time among such SEs for participating in the research, as well as potential awareness and access challenges among outreach partners towards SEs that are not yet well-established.



Most common is the early implementation and growth stage, followed by the late implementation and growth stage.



While this concentration of implementation and growth stage SEs is the case at the aggregated European level, there are various country outliers for each stage. As indicated by the table to the right, there is significant variation in terms of the proportion of ESEM SEs falling within each development stage (as a percentage of each national sample).

Such divergences from the European average could potentially indicate that the social enterprise model is more established in certain countries, but they are also influenced by the method of survey distribution. The subset of ESEM SEs within each country that are connected to national outreach partners and which were therefore prompted to take the survey are not necessarily representative of the broader development stage of the social economy within a particular country. Nevertheless, the broader point about the differential development trajectories of SE ecosystems across countries remains, and cases where SEs are well-established represent valuable sources of potential learning for contexts where the growth of social entrepreneurship is a more recent trend.

2 OUT OF 5

On average, the highest number of ESEM Social Enterprises (2 out of 5) are in the early implementation and growth stage.

> ESEM SEs at Each Development Stage, as a % of National Samples

■ Highest
■ Lowest

Country	Seed	Startup	Early Implementation & Growth	Late Implementation & Growth	Steady
ESEM Average	6.7%	16.7%	39.2%	22.4%	15.1%
Austria	2.7%	13.2%	23.6%	19.0%	41.5%
Bulgaria	3.2%	19.4%	48.4%	22.6%	6.5%
Croatia	9.1%	13.0%	53.2%	10.4%	14.3%
Denmark	2.3%	2.3%	32.6%	44.2%	18.6%
Estonia	5.9%	13.7%	39.2%	31.4%	9.8%
France	0.0%	30.8%	33.3%	28.2%	7.7%
Germany	7.8%	23.1%	40.7%	22.0%	6.4%
Hungary	4.3%	2.1%	63.8%	17.0%	12.8%
Italy	8.0%	27.3%	45.5%	11.4%	8.0%
Latvia	13.4%	14.6%	41.5%	19.5%	11.0%
Poland	4.2%	3.1%	40.6%	25.0%	27.1%
Portugal	9.1%	12.1%	27.3%	36.4%	15.2%
Spain	2.5%	11.3%	45.0%	26.3%	15.0%
Sweden	2.2%	15.2%	34.8%	32.6%	15.2%
Switzerland	1.6%	14.1%	41.4%	31.3%	11.7%
The Netherlands	2.6%	11.0%	47.4%	27.9%	11.0%
Türkiye	17.2%	25.1%	37.2%	14.4%	6.0%

1.3 Scaling

Social enterprises, as innovative and impact-focused entities, have enormous potential to create change at scale if they are able to grow both their impact and operations in a sustainable manner.

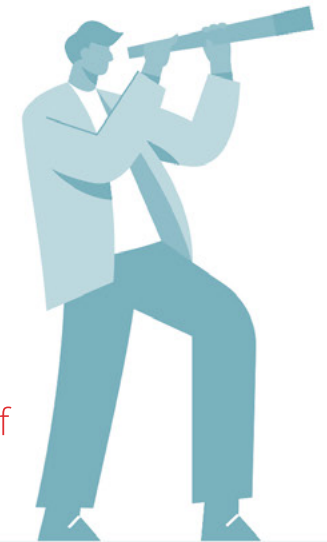
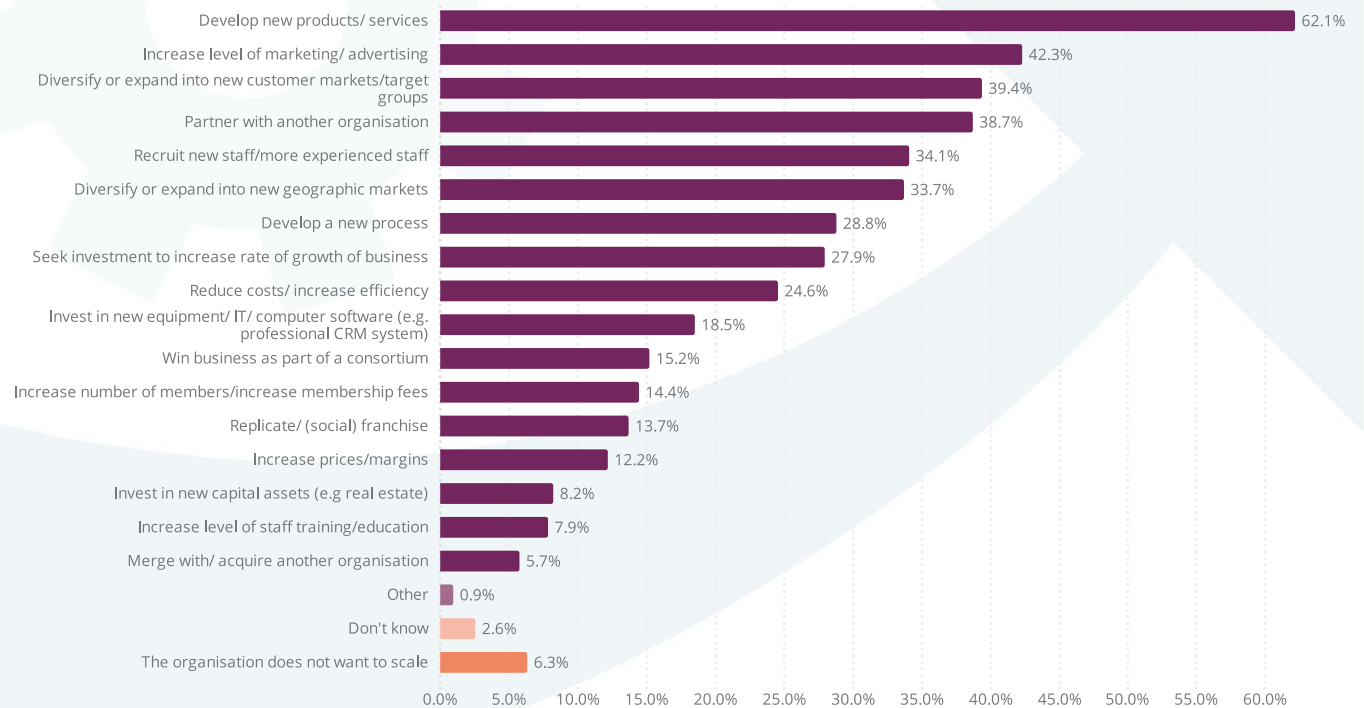
As in the previous study, this desire was once again strongly evidenced by the ESEM SEs, with at least 91.0% of the European sample intending to scale (comparable with 92.8% in last year's study). Indeed, in Estonia and Portugal the entire sample (100%) answered the question about the existence of scaling plans in the affirmative.

Among the diverse array of potential scaling strategies enquired about, the most frequently selected was the development of new products or services (62.1% of respondents). Other common tactics included: increasing marketing or advertising (42.3%); diversification or expansion into new customer markets/target groups (39.4%); and partnering with another organisation (38.7%). Pointing also to the innovativeness of the sector is the fact that 79.9% of ESEM SEs indicated that they planned to employ multiple scaling strategies.

91.0%

of ESEM Social Enterprises aim to scale their organisation.

> Does your organisation intend to scale? If yes, what kind of activity do you plan to achieve scaling? (multiple selections possible)





1.4 Business Sectors

Another indicator of the diversity of ESEM SEs is with regard to business sector. ESEM Social Enterprises are active across the entire range (22 different sectoral activities) of the United Nations International Standard Industrial Classification of All Economic Activities (ISIC).

26.1% of ESEM SEs indicated that they are active in multiple sectors (comparable with the 27.9% of cross-sectoral SEs that participated in last year's study), while 11.1% conducted activities that could not be fully classified under any of the standard categories (again consistent with the previous year's 11.3%). The fact that more than 1 out of every 10 ESEM SEs do not fully identify with any sector categories (and furthermore, 7.0% do not identify at all with any of these categories) points to the limitations of standard classifications for SEs, as well as to the need to revise such systems to include emerging categories more relevant to SEs, such as the circular economy.

Perhaps unsurprisingly given the *raison d'être* of SEs, the most common sectors in which these SEs are active are 'human health and social work' (23.3%) and 'education' (22.2%). Other common sectors are 'other service activities, including membership organisations' (12.0%), 'information and communication' (11.0%) and 'arts, entertainment, and recreation' (8.4%). Among the least common are sectors such as mining and quarrying (0.1%), extraterritorial organisations and bodies (0.7%), public administration, defence, and compulsory social security (0.8%), and electricity, gas, steam, and air conditioning supply (0.8%).

While these low numbers might indicate the particular challenges of applying a SE model to such sectors, these may also be sectors where, in general, fewer enterprises are active, or which are on a general decline (for instance, with circular economy practices potentially reducing the need for mining and quarrying). However, that all 22 sectors are encompassed within the sample is a positive indicator with regard to the model's broad applicability and potential, both demonstrating and reinforcing the European Commission's framing, in both the Social Economy Action Plan¹⁷ and Transition Pathway,¹⁸ of the social economy as a horizontal sector transcending and applicable to all other economic sectors.

It is also worth noting that there were a significant number of early-stage information and communication SEs (28.1% start-ups and 8.1% in seed stage), which may point to the increasing importance of technology and digitalisation for the growth of social economy organisations and the potential for new technologies to be leveraged in the creation of social impact (the 'tech for good' approach).^{12, 20} The involvement of social enterprises in this sector will be crucial for helping to ensure that the digital transition is achieved in an open, social and inclusive (as well as green) manner, which is particularly pressing given the need for the information, communication and technology sector to broadly be made more sustainable²¹ and social.

¹⁷ European Commission, *An Action Plan for the Social Economy*.

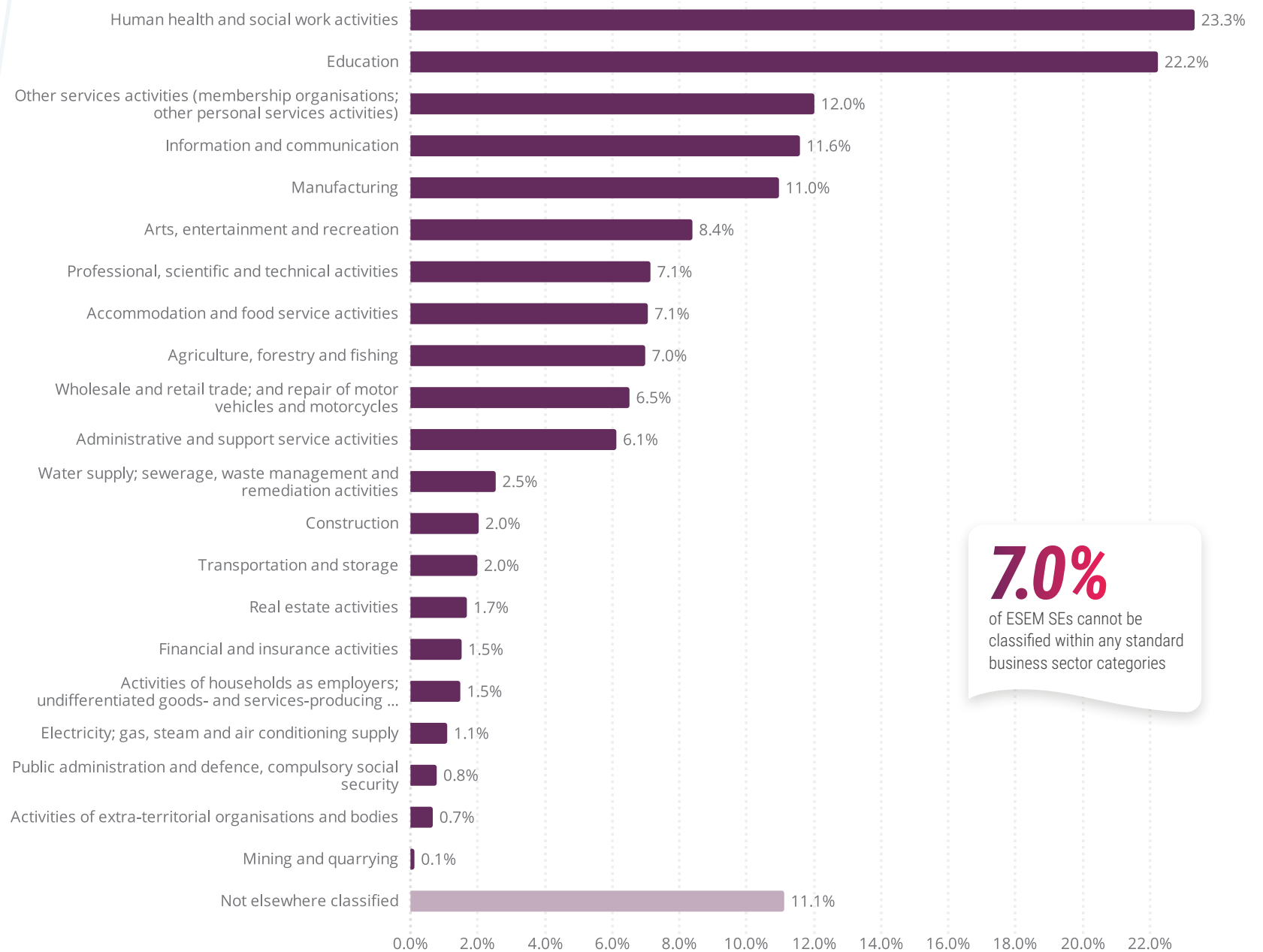
¹⁸ European Commission, "Scenarios Towards Co-creation of a Transition Pathway for a More Resilient, Sustainable and Digital Proximity and Social Economy Industrial Ecosystem" (staff working document, European Commission, Brussels, December 2021), <https://ec.europa.eu/docsroom/documents/47854/attachments/1/translations/en/renditions/native>

¹⁹ European Commission, "Annual Single Market Report 2021" (staff working document, European Commission, Brussels, May 2021), https://ec.europa.eu/info/sites/default/files/swd-annual-single-market-report-2021_en.pdf

²⁰ Dimitri Gagliardi, Foteini Psarra, Rene Wintjes, Kevin Trendafilii, Jose Pineda Mendoza, K Haaland, S Turkeli, C Giotitsas, A Pazaitis and Francesco Niglia, *New Technologies and Digitisation: Opportunities and Challenges for the Social Economy and Social Enterprises*, report prepared for the European Commission (Luxembourg: Publications Office of the European Union, 2020), <https://doi.org/10.2826/667682>

²¹ "The Twofold Imperative," Sustainable Technology, Accenture, n.d., <https://www.accenture.com/fi-en/services/sustainability/sustainable-it-technology>

> What is your organisation's main business sector?
(multiple selections possible)



7.0%
of ESEM SEs cannot be classified within any standard business sector categories

Country	Most Common Business Sector per Country		
ESEM Average	Human health & social work activities (23.3%)	Education (22.2%)	Other services activities (membership organisations; other personal services activities) (12.0%)
Austria	Human health & social work activities (42.2%)	Education (17.1%)	Information & communication / Not elsewhere classified (12.4% each)
Bulgaria	Human health & social work activities (29.0%)	Manufacturing (29.0%)	Education / Accommodation & food service activities (17.1% each)
Croatia	Education (22.1%)	Manufacturing (18.2%)	Agriculture, forestry & fishing / Professional, scientific & technical activities / Other services activities (membership organisations; other personal services activities) (14.3% each)
Denmark	Human health & social work activities (41.9%)	Education (23.3%)	Manufacturing (16.3%)
Estonia	Human health & social work activities (37.3%)	Education (27.5%)	Arts, entertainment & recreation (15.7%)
France	Human health & social work activities (28.2%)	Education (17.9%)	Real estate activities / Professional, scientific & technical activities / Administrative & support service activities / Other services activities (membership organisations; other personal services activities) (7.7% each)
Germany	Education (24.8%)	Information & communication (19.2%)	Human health & social work activities (18.9%)
Hungary	Education (29.8%)	Human health & social work activities (27.7%)	Accommodation & food service activities (21.3%)
Italy	Information & communication (22.7%)	Education (20.5%)	Professional, scientific & technical activities (18.2%)
Latvia	Human health & social work activities (30.5%)	Education (28.0%)	Arts, entertainment & recreation / Manufacturing (12.2% each)
Poland	Accommodation & food service activities (28.1%)	Education (21.9%)	Human health & social work activities (21.9%)
Portugal	Education (48.5%)	Human health & social work activities (36.4%)	Other services activities (membership organisations; other personal services activities) (30.3%)
Spain	Human health & social work activities (32.5%)	Education (18.8%)	Professional, scientific & technical activities (16.3%)
Sweden	Human health & social work activities (23.9%)	Education (19.6%)	Not elsewhere classified (19.6%)
Switzerland	Manufacturing (14.8%)	Administrative & support service activities (12.5%)	Wholesale and retail trade; and repair of motor vehicles and motorcycles (11.7%)
The Netherlands	Human health & social work activities (22.7%)	Manufacturing (13.6%)	Wholesale and retail trade; and repair of motor vehicles and motorcycles (11.7%)
Türkiye	Education (35.8%)	Manufacturing (24.2%)	Manufacturing (24.2%)

1.5 Legal Forms & Status

In total 158 different legal forms are used by social enterprises across the 21 countries participating in this European study.

Across the 21 countries surveyed, a total of 158 different legal entities were utilised by respondents, not counting answers of 'other'. The highest number of legal forms present in a national sample was seen in Italy (15), followed closely by Poland (14), Germany (13), Austria (11) and Türkiye (10), while the lowest number of legal forms in a national sample was seen in Estonia (3).

3.4% of the European sample identified exclusively with 'other' forms, most of which were from Austria and Türkiye, though these unclassified SEs only represented 6.2% and 6.5% of their respective national samples. A further 0.9% of the total European sample selected 'other' in addition to a given legal form. In total, in 17 of the 21 participating countries respondents selected 'other' instead of or in addition to the given legal forms, while in four of the countries (Estonia, Hungary, Ireland and Switzerland) the sample can be fully classified by the legal forms included in the survey.²²

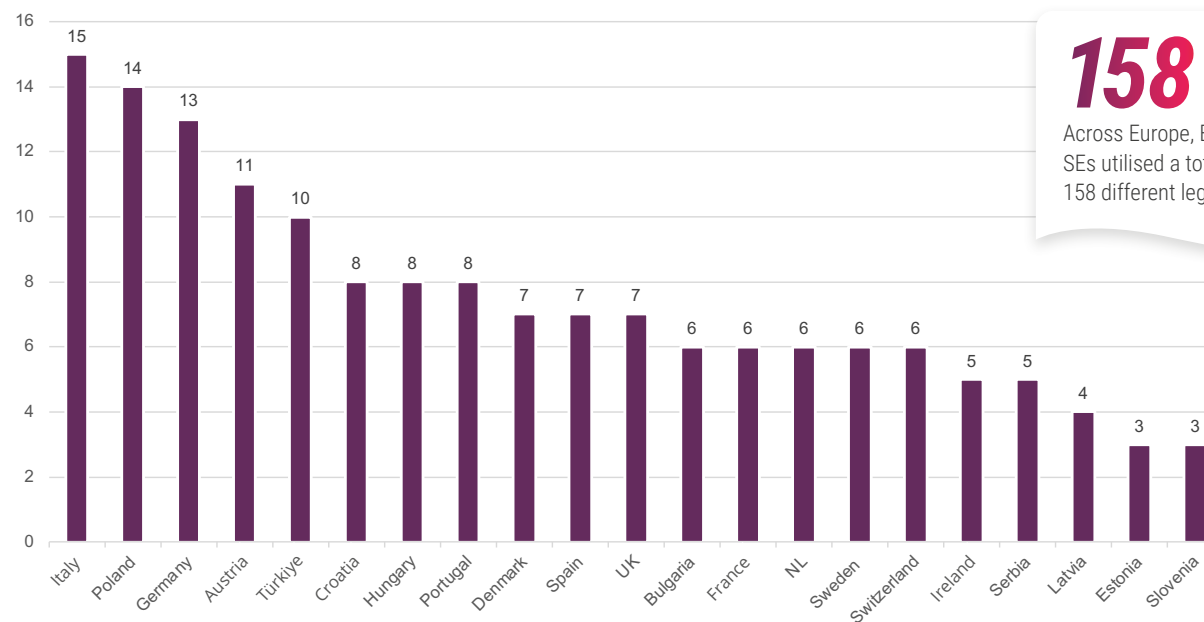
In total, 8.1% of ESEM SEs operate under multiple legal forms.²³ Hybrid entities are most common in Italy (28.4% of the national sample), the Netherlands (20.8%), Denmark (18.6%), and Austria (10.9%). Across the European sample, legal hybridity is present in 16 of the 21 countries, while in the remaining five (Croatia, Estonia, Portugal, Slovenia and Serbia) all of the ESEM SEs take singular legal forms. The number of different legal forms combined by ESEM SEs varies from only two (in six of the 21 countries), to three (most common, seen in nine of the 21 countries), to four (only in Austria). Similarly, the number of

different combinations of available legal forms ranges from one variation to 11 (Austria), with a significant variety of combinations also taken by ESEM SEs in Italy and Türkiye (ten each). In Denmark each combination of legal forms employed by ESEM SEs included the RSV (registreret socialøkonomisk virksomhed) designation taken by registered social economic enterprises.

While hybridity can enable greater flexibility for SEs in terms of relevant legal and tax frameworks, in other cases it adds timely, expensive layers of complexity and indicates a need for the development of new legal forms more tailored to

the particular needs of SEs. In the Netherlands, for instance, the national representative body of social entrepreneurs, Social Enterprise NL, advises SEs against registering as both a company (BV) and foundation (stichting) due to the additional administrative procedures that it entails.²⁴ Hybridity can also inhibit successful participation in socially responsible public and private procurement schemes, as compared to the potential benefits of preferential schemes for public procurement from legally-registered SEs.²⁵

> Number of Legal Forms Used by ESEM SEs in Each Country



158

Across Europe, ESEM SEs utilised a total of 158 different legal forms.

²² NB: The selection of legal forms tested was derived from country partner input, as the experts on the various legal forms available to SEs within their respective countries.

²³ Including those that selected 'other' in addition to a given legal form.

²⁴ Pjotr Anthoni, "De Voor- en Nadelen van de BV-Stichting-Structuur," Social Enterprise NL, last modified March 18, 2019,

<https://www.social-enterprise.nl/nieuws-en-evenementen/actueel/blog/de-voor-en-nadelen-van-de-bv-stichting-constructie#:~:text=Bij%20een%20BV%20%2B%20stichting%2Dstructuur,van%20de%20BV%20te%20beschermen>

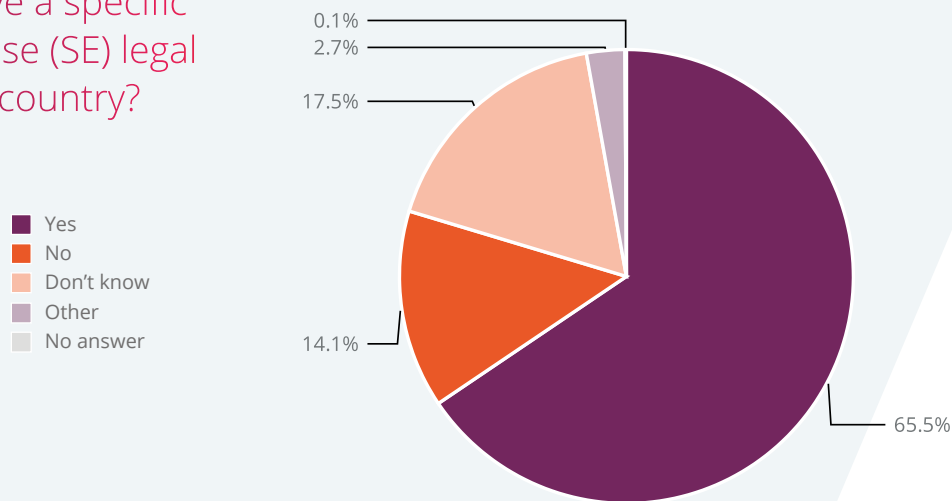
²⁵ Organisation for Economic Cooperation and Development, *Designing Legal Frameworks for Social Enterprises: Practical Guidance for Policy Makers* (Paris: OECD Publishing, 2022), <https://doi.org/10.1787/172b60b2-en>

> Most Common Legal Form per Country

Country	Most Common Legal Form per Country		
Austria	Association (46.9%)	Limited Liability Company (35.3%)	Sole Proprietorship (12.0%)
Bulgaria	Public Benefit Foundation (35.5%)	Public Benefit Association (29.0%)	Limited Liability Company (of one person) (22.6%)
Croatia	Association (42.9%)	Limited Liability Company (23.4%)	Cooperative (19.5%)
Denmark	Private Limited Company (37.2%)	Registered Social Enterprise (27.9%)	Association (23.3%)
Estonia	Non-Profit Organisation (51.0%)	Private Limited Company (37.3%)	Foundation (11.8%)
France	Association Law 1901 (48.7%)	Simplified Joint-Stock Company or Single-Member Simplified Joint-Stock Company (35.9%)	Other (10.3%)
Germany	Limited Liability Company (22.8%)	Non-Profit Limited Company (19.5%)	Non-Profit Registered Association (18.4%)
Hungary	Other Association (21.3%)	Other Foundation (21.3%)	Social Cooperative (19.1%)
Italy	Limited Liability Company (47.4%)	Innovative Start-Up with a Social Vocation (27.3%)	Benefit Company (15.9%)
Latvia	Limited Liability Company with the Status of a Social Enterprise (75.6%)	Society (17.1%)	Sabiedrība ar ierobežotu atbildību (SIA) bezsociālā uzņēmuma statusa (12.2%)
Poland	Social Cooperative of Legal Persons (27.1%)	Social Cooperative of Natural Persons (19.8%)	NGO Foundation / NGO Association (11.5% each)
Portugal	Association (60.6%)	Private Social Solidarity Institutions Association (15.2%)	Sole Proprietorship (6.1%)
Spain	Association (30.3%)	Limited Liability Company (30.3%)	Foundation (22.5%)
Sweden	Economic Association (39.1%)	Limited Company (28.3%)	Non-Profit Association (17.4%)
Switzerland	Joint Stock Company (25.0%)	Association (22.7%)	Limited Liability Company (20.3%)
The Netherlands	Private Limited Company (or a holding of several Private Limited Companies) (50.6%)	Combination of Private Limited Company and Foundation (18.2%)	Foundation (16.9%)
Türkiye	Cooperative (37.7%)	Association (with no trading arm) (12.6%)	Sole Trader (12.6%)

For more information on the various legal forms utilised by SEs in different countries across Europe, please view the national reports of the ESEM project: <https://knowledgecentre.euclidnetwork.eu/european-social-enterprise-monitor-2020-2021/>

> Do you believe it is/would be of value to have a specific Social Enterprise (SE) legal status in your country?



SE-specific legal forms were perceived as valuable by 65.5% of the sample, with a majority of the respondents in nearly all countries seeing value in such a status and as many as 90.9% of ESEM SEs in Italy holding this opinion. Only in Bulgaria, Denmark, and Estonia was this not the majority opinion, and even here the number of affirmative responses were relatively high, ranging from 34.9% to 48.4%.

One notable outlier here is Denmark, where the most common answer (at 32.6%) was that a SE-specific status was not of value. This could indicate challenges with the country's law on registered social enterprises (the Registreret Socialøkonomisk Virksomhed (RSV)), which was confirmed by several experts in the country. It was noted that the scheme has not sufficiently raised awareness of social enterprise and that capacity for improvement exists with its proper implementation. In particular, the quality of the review enabling access to the

register could be enhanced and a more supportive policy framework could be developed, including the provision of financial support and the creation of more opportunities for RSV-accredited SEs to participate in (social) public procurement.²⁶

In Latvia, where a SE-specific legal form was established in 2018 as an adaptation of the company form (taken by 75.6% of ESEM SEs in Latvia), 62.2% of the country sample perceived value in a SE-specific legal status. While still relatively low in comparison to some other ESEM countries, it is important to note, as confirmed by country experts, that this legal development is still quite new and SEs are not yet fully aware or convinced of its benefits. The UK is the only ESEM country where an entirely new legal form has been developed specifically for SE (the Community Interest Company, or CIC). While the sample of ESEM SEs from the UK

is too small to draw any definitive conclusions about the perceived value of such a status, official data from the CIC regulatory authority indicates that usage of the form continues to increase, growing by at least 25.8% in 2021-2022. More than 26,000 CICs are now registered in the UK, and increasing numbers of limited companies are seeking to transition to this social model.²⁷

The appropriate design and introduction of legal forms and statuses tailored to the needs of SEs, currently lacking in most ESEM countries, is therefore a crucial matter.²⁸ It is also important to distinguish between legal forms, as official, registered structures (with accompanying regulations) through which SEs can legally organise themselves, and statuses, as the additional accreditation schemes that SEs (potentially structured as various legal forms) can obtain by meeting qualifying criteria and which thereby give recognition to their identity as SEs. While both legal forms and statuses for SE have significant potential benefits, their advantages and disadvantages may differ. Given the indication among ESEM SEs that such legal structures/schemes are of value, it would behoove policymakers seeking to develop these to assess their varying contextual applicability and to consult SEs and representative organisations in the design of such legal frameworks to ensure that they are fit for purpose.

Encouragingly, new legal forms for social enterprise are now being purposively developed in both the Netherlands (the maatschappelijke besloten vennootschap (BVm) – a private limited company) and Spain (the Sociedades de Beneficio e Interés Común (SBIC) – a Common Benefit and Interest Company). Such developments demonstrate the growing importance and recognition across Europe of SEs as a distinctive type of entity, and as in the Netherlands, demonstrate the effectiveness of national representative bodies for social entrepreneurs, such as Social Enterprise NL, in identifying the need for new legal forms and championing their development.²⁹

²⁶ OECD, *Designing Legal Frameworks for Social Enterprises*.

²⁷ Office of the Regulator of Community Interest Companies, *Regulator of Community Interest Companies Annual Report 2021/22* (2022),

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1096530/cic-22-05-community-interest-companies-annual_report-2021-2022.pdf

²⁸ OECD, *Designing Legal Frameworks for Social Enterprises*.

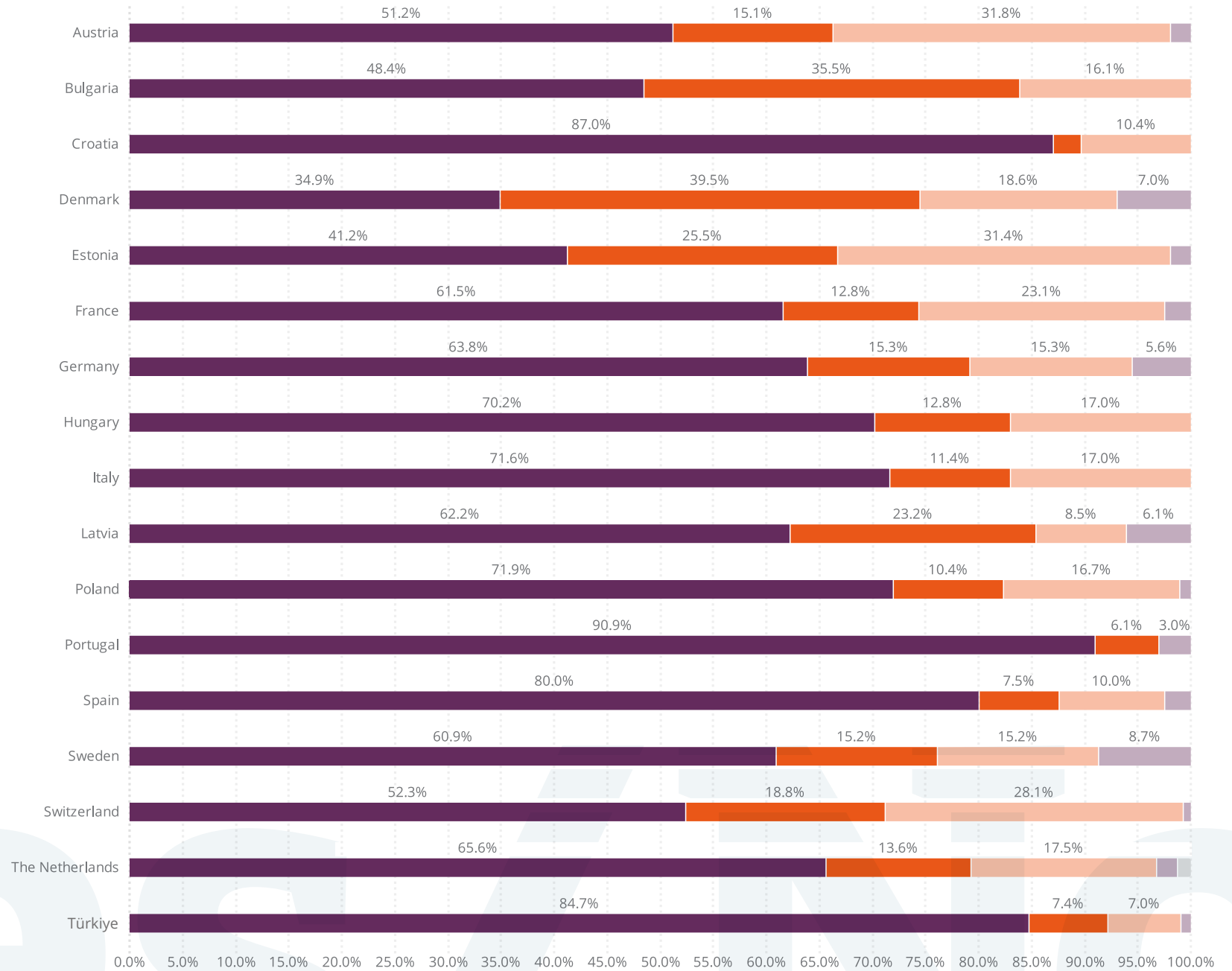
²⁹ Organisation for Economic Cooperation and Development and the European Union, "Boosting Social Entrepreneurship and Social Enterprise Development in the Netherlands: In-depth Policy Review"

(OECD LEED Working Papers, Paris, January 2019), <https://doi.org/10.1787/4e8501b8-en>



> Do you believe it is/would be of value to have a specific Social Enterprise (SE) legal status in your country?

- Yes
- No
- Don't know
- Other
- No answer





Latvian Social Enterprise Law

Social enterprise law in Latvia came into force on 1st of April 2018. The strong involvement of social entrepreneurship ecosystem actors into long discussions with the main focus on defining the sector for many years resulted in a legal framework dedicated to social enterprises.

According to the law, a social enterprise is a limited liability company that has been granted the status of a social enterprise which carries out economic activity that creates a beneficial and significant social impact by employing target groups or improving the quality of life for groups of society whose lives are affected by significant social issues (for example, the provision of social, healthcare or educational services, as well as the production of specialised goods), or by performing other socially significant activities that create a lasting positive social impact (for example, building an inclusive civil society, supporting science, protecting and preserving the environment, protecting animals or ensuring cultural diversity).

The status of a social enterprise is granted to a limited liability company if it meets the criteria - the objectives defined in its statutes correspond to the objective of the law and it performs the economic activity; the board has adopted a decision on obtaining the status of a social enterprise; it does not distribute the profit obtained, but invests it to achieve the goals set in the articles of an enterprise; it employs paid employees; a representative of the target group or a representative of an association representing the target group, or an expert in the specific field, is involved in the company's executive institution, supervisory institution or advisory institution. Law also gives a space for municipalities and other public bodies to get involved in supporting social enterprises. There are around 200 registered social enterprises in Latvia as of September 2022.



Creating & Measuring Social & Environmental Impact

Chapter 2



2.1 Areas of Impact

Following the European Commission's definition of social entrepreneurship, the primary objective of social enterprises is to create social impact.³⁰ Generating such impact means seeking to benefit people and the environment by tackling social and environmental challenges.

The world faces a significant number of social and environmental challenges today, among them climate change, losses in biodiversity, the consequences of the COVID-19 health pandemic, the war in the Ukraine and rising inflation. These complex, interconnected problems all indicate the need for socially- and environmentally-friendly solutions for our society and economy.

Social enterprises all across Europe work on tackling various challenges and improving social and environmental conditions for different target groups. Given their incredible impact potential, social enterprises have been identified as the second most important driver (after NGOs) in achieving the United Nations' Sustainable Development Goals (UN SDGs).³¹ As a key component of the 'Agenda for Sustainable Development 2030,' the UN SDGs serve as an international framework for responsible social, environmental and economic development.

83.2%

of ESEM SEs tackle multiple SDGs.



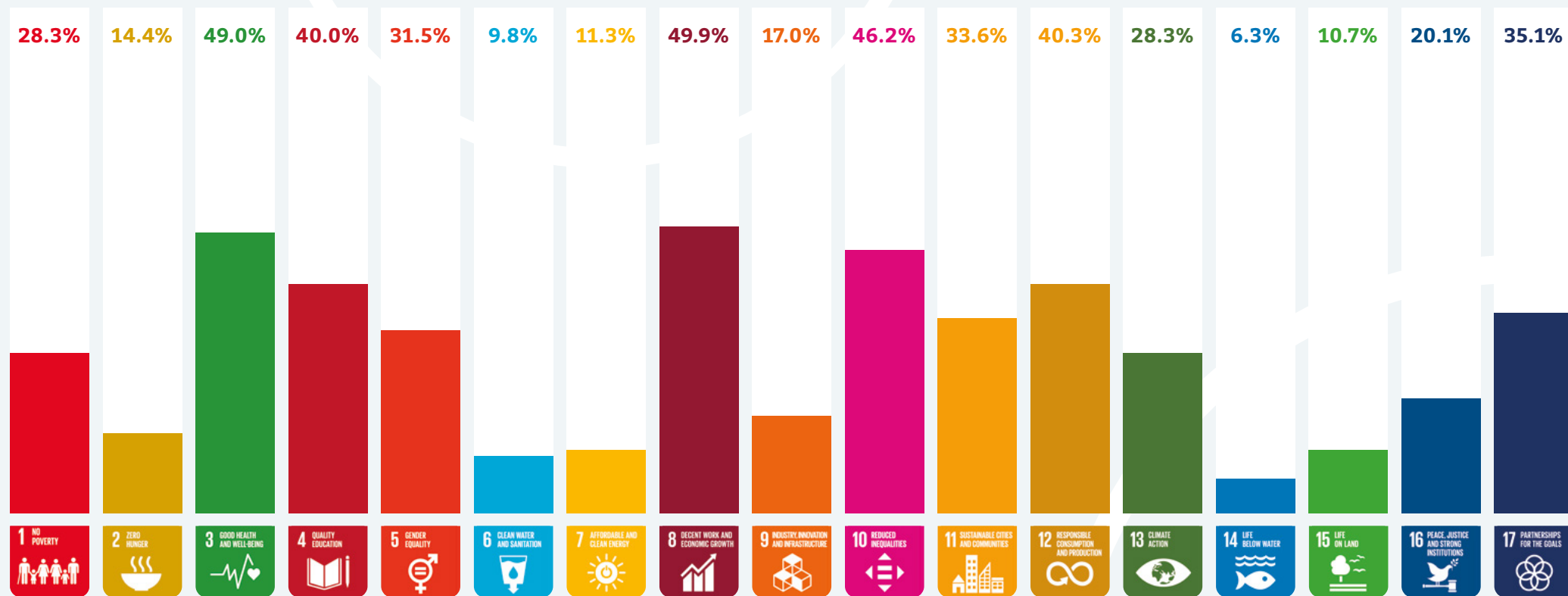
Social enterprises all across Europe work on tackling various challenges and improving social and environmental conditions for different target groups.

To get a sense of precisely which issues social enterprises in Europe are creating positive impact on, participants of this study were asked about which kinds of social/environmental impact their organisation seeks to achieve. ESEM SEs are found to address all of the 17 UN SDGs, with 83.2% targeting multiple SDGs and only 1.8% not targeting any. The three most common SDGs that are addressed by ESEM SEs are SDG 8: Decent Work and Economic Growth (49.9%), SDG 3: Good Health and Well-being (49.0%) and SDG 10: Reduced Inequalities (46.2%). This is a similar prioritisation as was seen among the previous year's sample, although in a different order.

³⁰ "Social Economy and Inclusive Entrepreneurship - Social Entrepreneurship," Employment, Social Affairs and Inclusion, European Commission, n.d., <https://ec.europa.eu/social/main.jsp?catId=952&intPageId=2914&langId=en>

³¹ Eric Whan, Tove Malmqvist, Mark Lee and Bron York, *GlobeScan / SustainAbility - Leaders Survey 2018* (GlobeScan Incorporated and ERM Worldwide Group Limited, 2018), <https://globescan.com/wp-content/uploads/2018/06/GlobeScan-SustainAbility-Leaders-Survey-2018-Report.pdf>

> What kind of social/environmental impact does your organisation want to achieve?



- 1. No Poverty
- 2. Zero Hunger
- 3. Good Health and Well-being
- 4. Quality Education
- 5. Gender Equality

- 6. Clean Water and Sanitation
- 7. Affordable and Clean Energy
- 8. Decent Work and Economic Growth
- 9. Industry, Innovation and Infrastructure
- 10. Reduced Inequalities

- 11. Sustainable Cities and Communities
- 12. Responsible Consumption and Production
- 13. Climate Action
- 14. Life Below Water
- 15. Life On Land

- 16. Peace, Justice and Strong Institutions
- 17. Partnerships for the Goals

Top SDGs Targeted by ESEM SEs

Taking a deeper look at the different countries, one observes that the SDGs addressed most often are quite homogeneous across the national samples and do not differ significantly from the aggregated European results.

Notable, though, is the importance of SDG 12: Responsible Consumption and Production for the participating social enterprises from Denmark, Estonia, Italy and Switzerland, as well as the importance of SDG 4: Quality Education for the participants of Austria, Germany, Portugal and Türkiye. SDG 5: Gender Equality is an often addressed SDG among the participating social enterprises of Sweden and Spain, as well as SDG 11: Sustainable Cities and Communities among those of Croatia and Switzerland, while SDG 17: Partnerships for the Goals is often prioritised by ESEM SEs in Hungary, Latvia, Portugal and Türkiye.



Austria
Bulgaria
Croatia
Denmark
Estonia
France
Germany
Hungary
Italy
Latvia
Netherlands
Poland
Portugal
Sweden



Austria
Germany
Türkiye
Portugal



Spain
Sweden

EU Targeted SDGs

8 DECENT WORK AND ECONOMIC GROWTH



Austria
Bulgaria
Croatia
Denmark
Estonia
France
Italy
Latvia
Netherlands
Poland
Portugal
Spain
Sweden
Switzerland
Türkiye

10 REDUCED INEQUALITIES



Austria
Bulgaria
Croatia
Estonia
France
Germany
Hungary
Netherlands
Poland
Portugal
Spain

11 SUSTAINABLE CITIES AND COMMUNITIES



Croatia
Switzerland

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



Denmark
Italy
Switzerland

17 PARTNERSHIPS FOR THE GOALS



Hungary
Latvia
Türkiye
Portugal



To get a sense of precisely which issues social enterprises in Europe are creating positive impact on, participants of this study were asked about which kinds of social/environmental impact their organisation seeks to achieve.

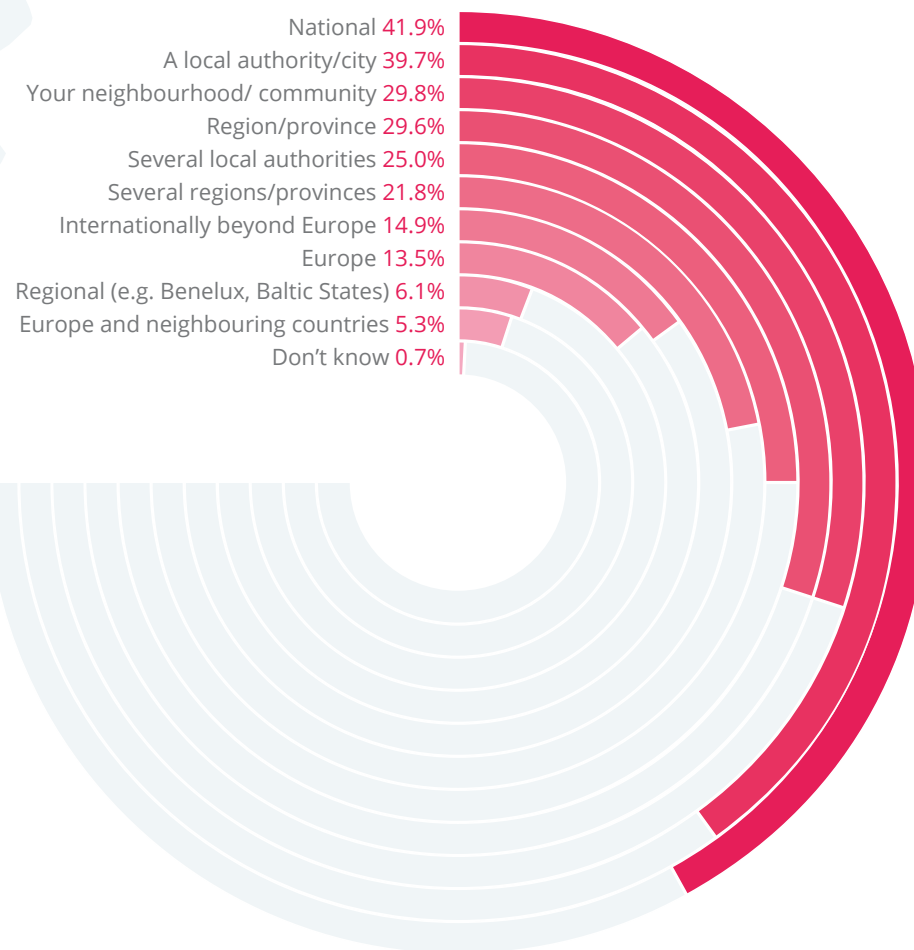
Most commonly, ESEM SEs state that they work to achieve their social and/or environmental goals on a national level (41.9%), followed by the local authority/city level (39.7%) and/or the neighbourhood/community level (29.6%).

However, we can also observe that the majority of ESEM SEs are not active only within a single area, but rather that 51.4% are operating at multiple geographical levels. Overall, 90.4% are locally and/or nationally active and 27.8% indicate that they are internationally active, which means that they operate on a regional level (e.g. Benelux, Baltic States), in Europe, and potentially in neighbouring countries or internationally beyond Europe.

The geographical level chosen for action and achievement of SEs' social and environmental goals seems to be independent of their development stage, as the different geographical foci are distributed relatively consistently across stages. This would seem to indicate that the geographical level selected for action is purposive rather than determined by SEs' stage of development and growth.

> At which geographical level(s) is your organisation active to achieve your social/ environmental goals?

(multiple selections possible)



51.4%

of ESEM SEs operate at multiple geographical levels.

START THE RIOT IT'S OK



2.2 Impact Measurement

To ensure that the social or environmental impact a SE seeks to achieve is indeed created, the measurement of this impact can be very useful. Impact measurement serves not only to demonstrate and communicate impact achievements, but can also help organisations to monitor and improve their impact over time.

Of the 1907 SEs that participated in the survey, 58.0% already measure their social/environmental impact, while another 28.3% plan to do so in future. Only 13.0% of participating SEs do not measure or do not plan to measure their impact. As anticipated, the rate of planned measurement is highest for social enterprises in the seed stage (54.3%) and the startup stage (49.1%). Developing an targeted, effective impact measurement framework takes time, consideration and often expert support; however, that so many early stage SEs indicate their intention to undertake this endeavour is promising.

Of those 58.0% of ESEM SEs that already measure their impact, 72.2% are performing measurement at least once a year and 7.0% once every two years, while 20.9% engage in impact measurement ad hoc or irregularly. The majority of these SEs (more than 7 out of every 10) therefore measure their impact on a regular basis, which indicates the high relevance of impact measurement for their organisations.

The countries with the highest proportion of participating social enterprises already performing impact measurement are Austria, Portugal, The Netherlands, France and Italy, all reaching percentages higher than 63.5%. The lowest proportions of current impact measurement are found in Croatia and Poland, both with percentages under 40.0%. The highest motivation to measure (currently measuring

or planning to measure) is found in France, Italy, Germany, Portugal and Austria, all achieving rates exceeding 91.4%, whereas the sum of ESEM SEs from Poland and Denmark that measure or plan to measure their impact does not reach 70.0% in either country.

For impact management and measurement there are many different possibilities regarding frameworks and scales. One option to illustrate the kind of impact an organisation wants to achieve is referring to the relevant SDGs. Although awareness of the UN SDGs differs across the study participants (reaching highs of 96.3% in Spain and 95.3% in Denmark, as compared to a minimum of 31.7% in Latvia), on average three out of every four ESEM SEs (76.9%) are aware of these goals. A total of 37.2% refer (at least to some extent) to the SDGs in their impact reporting, while an additional 23.2% plan to do so in future. ESEM SEs from Spain are particularly likely to refer to the SDGs in their impact reporting (61.3% of the national sample).

The way in which impact is actually measured is very specific to individual organisations, as it is determined not only by the particular impact an organisation wants to achieve but also by its strategy for achieving it. Many SEs therefore find themselves creating their own metrics and indicators. Impact measurement can be especially difficult when the targeted impact involves provoking a change in the behaviour of individuals. These are some of the reasons why impact measurement often takes significant resources and is sometimes hard to develop, especially if SEs do not have support in this endeavour.



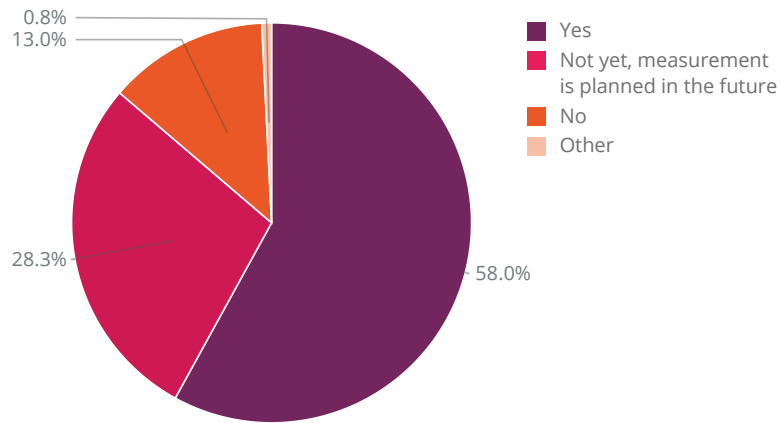
Of those 58.0% of ESEM SEs that already measure their impact, 72.2% are performing measurement at least once a year.

In fact, 60.7% of the ESEM SEs that measure their impact (n=1106) stated that they had developed their impact measurement systems on their own. Only 12.7% had help from organisations that supported their SE financially, only 9.2% were supported by incubator or accelerator programmes, only 8.5% had help from national alliances/networks/centres for social enterprise/social innovation and only 8.6% received support from other sources.

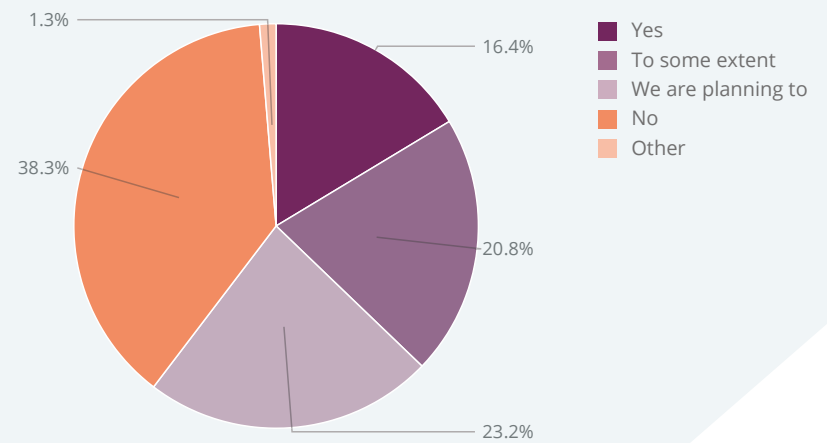
86.3%

of ESEM SEs currently measure their social/environmental impact or plan to do so.

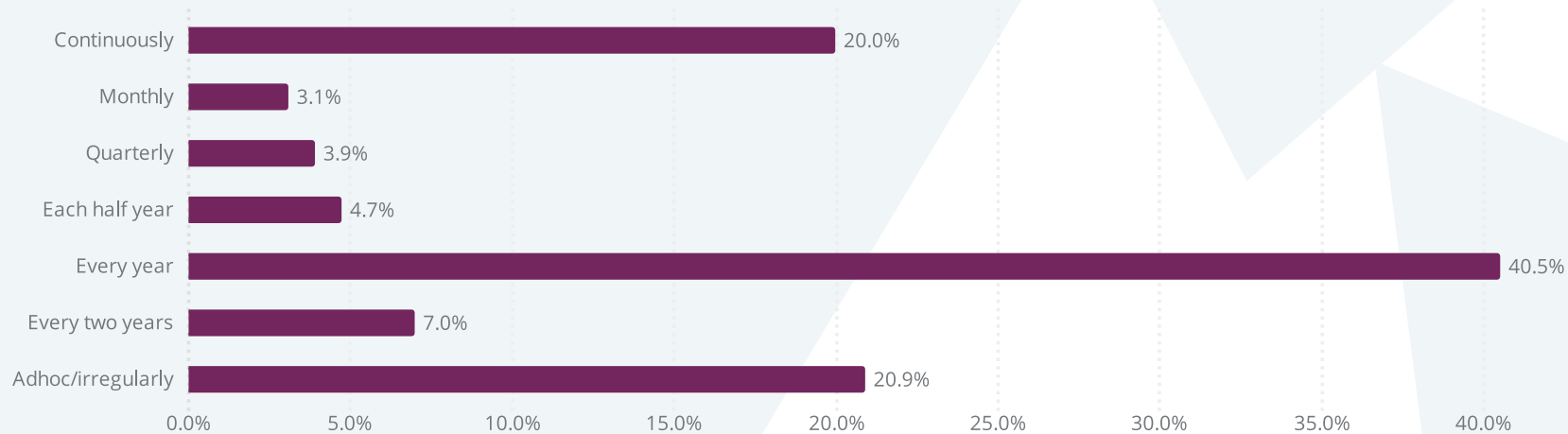
> Do you measure your social/environmental impact?



> Do you refer to the United Nations Sustainable Development Goals to report on your impact?



> If you measure your social/environmental impact, how often do you do so? (n=1106)



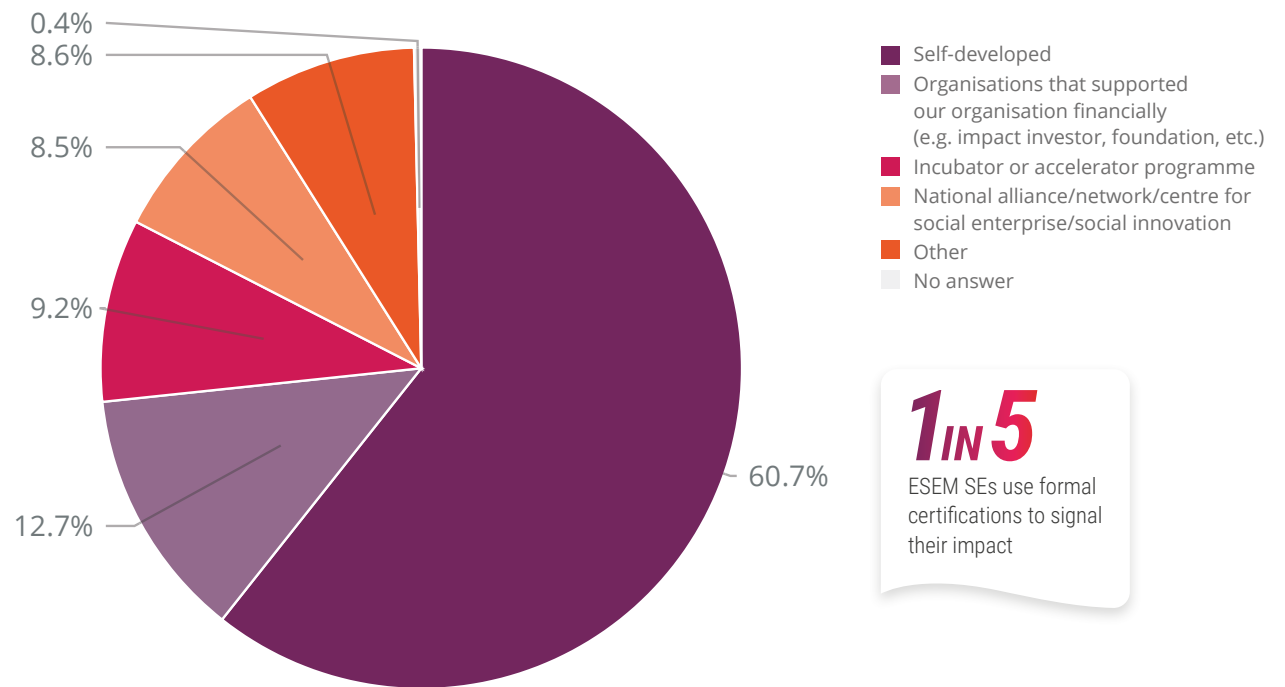
Taking a deeper look into the country data, one observes that the highest rates of self-developed impact measurement occur among SEs located in Switzerland (74.4%), Italy (71.4%), Latvia (71.2%), Germany (66.1%) and Denmark (65.0%). In contrast, ESEM SEs from Portugal, Croatia and Poland have the highest shares (>20%) of organisations that assist with impact measurement as well as financial support. The support of incubator/accelerator programmes in establishing impact measurement frameworks differs significantly between the national samples of ESEM SEs. At least one out of four of those SEs located in Hungary or France was supported by incubators/accelerators in their impact measurement development process, whereas none of those SEs located in Denmark refer to such support.



The likelihood of a SE holding a certification tends to increase with the development stage of the organisation.

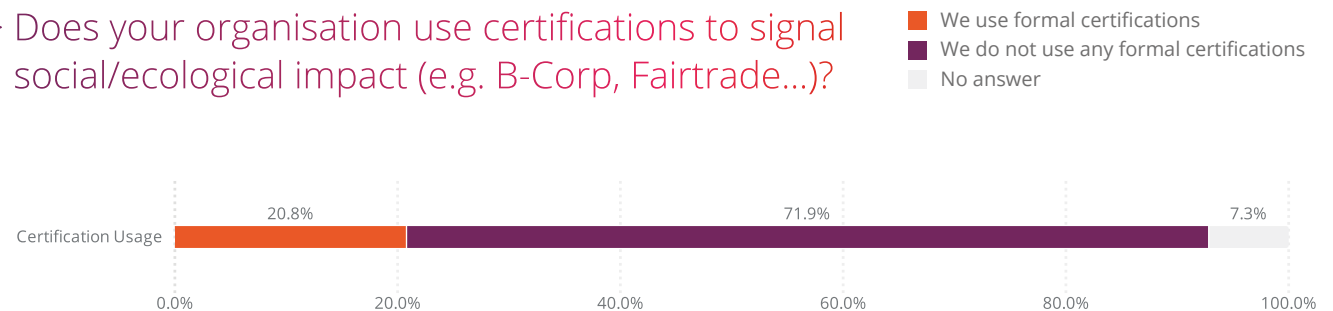
For broader signalling of impact some organisations also seek to use certifications. The results of the ESEM survey show that one in five (20.8%) social enterprises use certifications to signal their social/environmental impact. The likelihood of a SE holding a certification tends to increase with the development stage of the organisation, though the type of certification used greatly varies, especially across countries and business sectors. For instance, while ESEM SEs from Denmark (65.1%)³² and The Netherlands (47.4%)³³ use certifications comparatively often, there is a very low certification usage rate among ESEM SEs from Latvia, Estonia, Hungary and Croatia (all <3.0%).

> Who supported you to develop an impact measurement and management system?



1 IN 5
ESEM SEs use formal certifications to signal their impact

> Does your organisation use certifications to signal social/ecological impact (e.g. B-Corp, Fairtrade...)?



³² For the ESEM SEs based in Denmark the most common certification is the RSV.

³³ For the ESEM SEs based in the Netherlands the most common certifications are Buy Social, B Corp, Code Sociale Ondernemingen and PSO 30+.

2.3 Beneficiaries

The beneficiaries of SEs are those who benefit from the social or environmental impact that each SE achieves. Beneficiary groups can therefore include society at large, nature, animals and plants or air (the environment), but also organisations or persons.

To gain deeper insight on exactly who benefits from the various impacts that SEs pursue, ESEM participants were asked about who their beneficiaries are. A total of 12.8% work on various environmental improvements (abiotic groups - 8.4%, plants - 8.1% and animals - 7.8%), whereas 27.3% strive to make an impact via other NGOs or social enterprises and 61.6% serve society in general. However, the most common

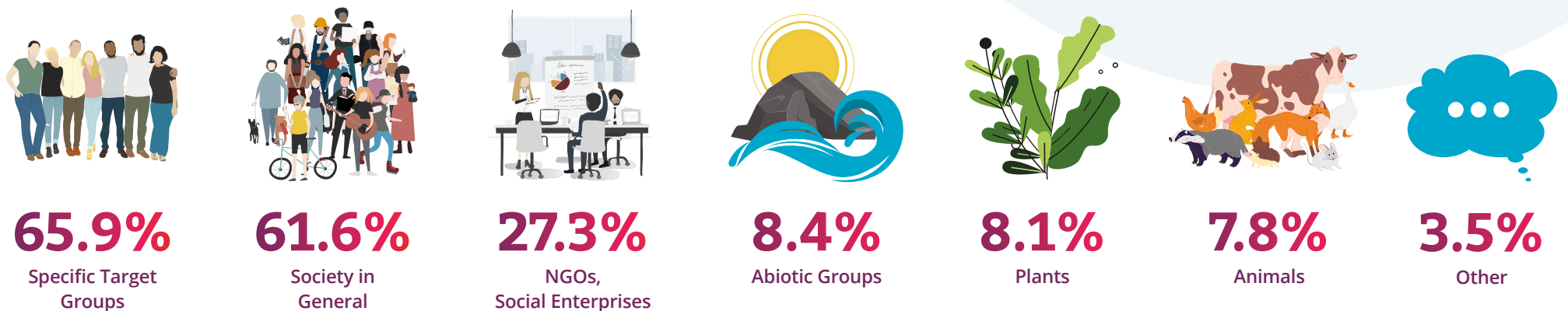
type of beneficiaries are specific groups of persons (65.9%), for whom ESEM SEs seek to directly create a positive impact.

Obviously, there is a great range of specific target groups who can be supported by addressing different social and environmental challenges from various perspectives and with various solutions. Of those 65.9% of ESEM SEs who mentioned specific target groups as their beneficiaries, 33.3% provide benefits or services for children/young individuals in general, 27.2% for women/girls and 27.1% for individuals with mental illnesses/mental health problems/psychological disabilities. However, there are also many other beneficiary groups that are cared for by ESEM SEs, which are shown in more detail in the chart on page 50.



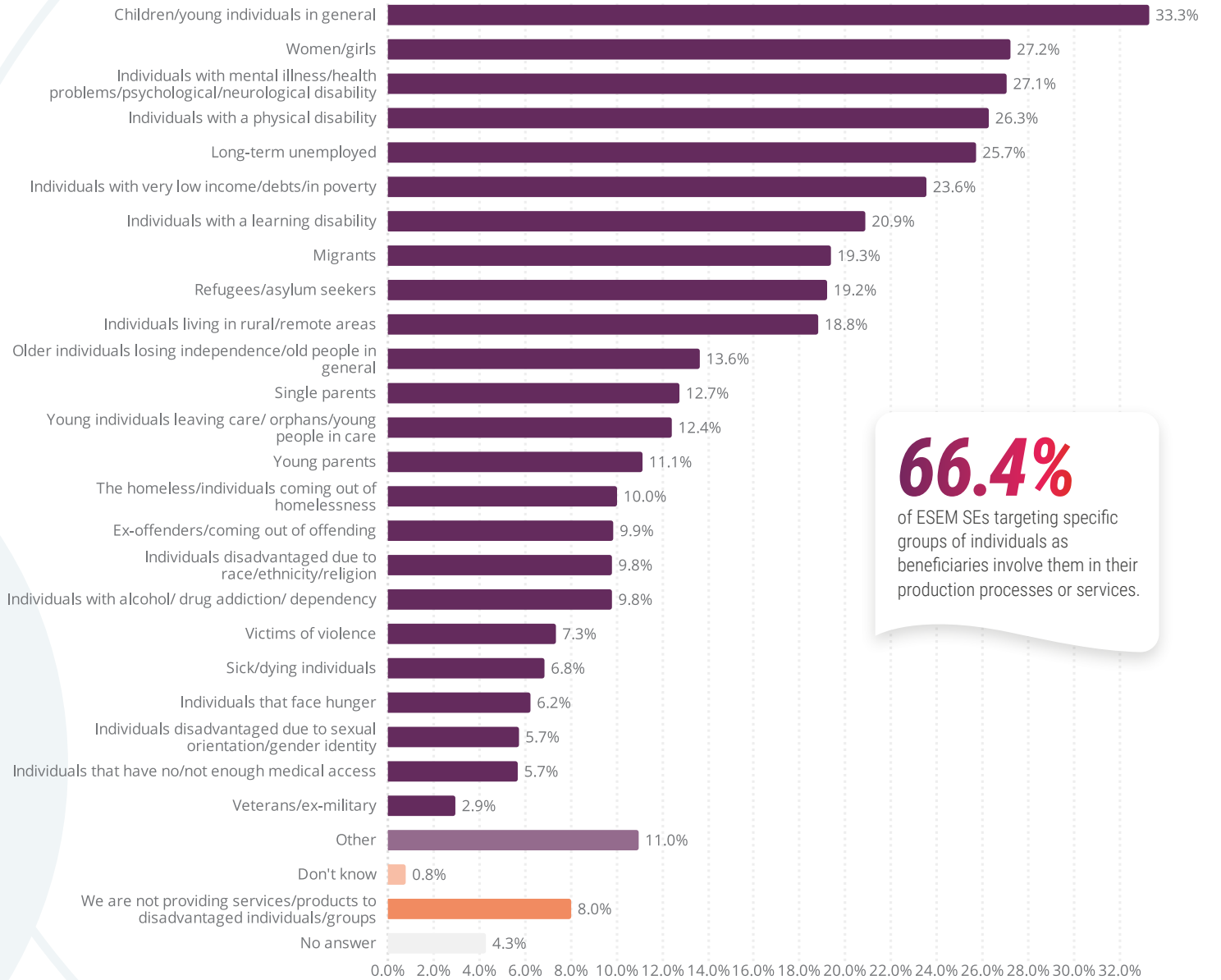
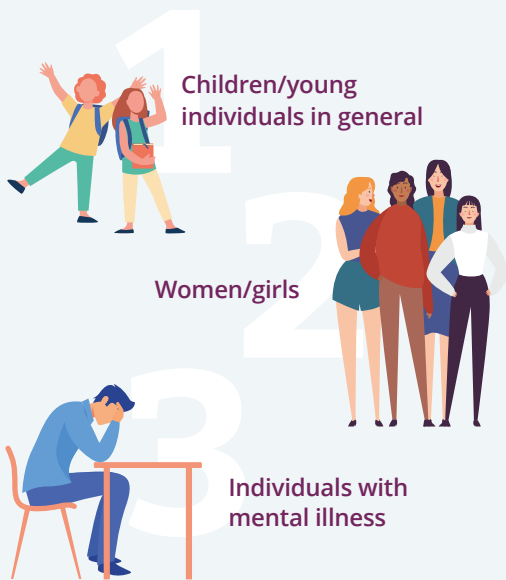
There is a great range of specific target groups who can be supported by addressing different social and environmental challenges from various perspectives and with various solutions.

> Who are the beneficiaries of your organisation? (multiple selections possible)



> For which specific target groups or individuals do you provide services or benefits?
(multiple selections possible)

Top 3 Target Groups



66.4%
of ESEM SEs targeting specific groups of individuals as beneficiaries involve them in their production processes or services.

The ways in which social enterprises interact with their beneficiaries is an additional dimension that shapes the business and/or impact model of each organisation. To donate products and services (through a 'buy one give one' model, for example) generally requires a different way of working than directly involving disadvantaged individuals in an enterprise's production processes/services (for example, by giving work to individuals with disabilities).

Of the 65.9% (n=1256) of ESEM SEs whose targeted beneficiaries are specific groups of individuals, 66.4% actually involve their beneficiaries somehow in their production processes/services. In 79.4% of the cases where ESEM SEs target specific groups, beneficiaries consume the products/services that the organisation offers.

However, benefiting specific target groups, society or the environment can be achieved in a variety of ways. SEs are not limited to creating impact only through what they produce or serve, and by how their beneficiaries are involved in the organisation. Influencing policy-making or improving legislation on behalf of their beneficiaries is also a sustainable and more systematic way to provide support.

To get an idea of what other types of impact-generating activities ESEM SEs generally engage in, participants were asked about their activities of the past 12 months. A total of 85.2% ESEM SEs engaged in various impact-generating activities, with at least 58.8% involved in more than one such activity. Most commonly, 51.2% offered customers socially - and environmentally-friendly products/services, 43.6% engaged in developing and diffusing knowledge about innovations and 36.1% engaged in influencing policy-making.

To what extent these different activities were engaged in differs across the national samples of participating ESEM SEs. Those based in Sweden, for instance, have the highest



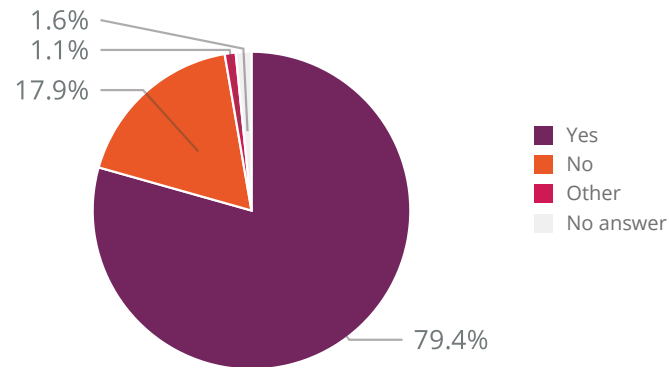
The ways in which social enterprises interact with their beneficiaries is an additional dimension that shapes the business and/or impact model of each organisation.

engagement rates both in offering customers socially - and environmentally-friendly products/services as well as for influencing policy-making. ESEM SEs based in Italy, alternatively, have the highest engagement rate in developing and diffusing knowledge about innovations, whereas ESEM SEs based in Denmark have the highest engagement rate for advocating sustainable and social procurement. In Austria, ESEM SEs have the highest propensity to work on establishing new standards in an industry/sector, while working on improving legislation is most common among ESEM SEs in Spain and ESEM SEs based in Germany are the most likely to seek to change (a) structural power distribution(s).

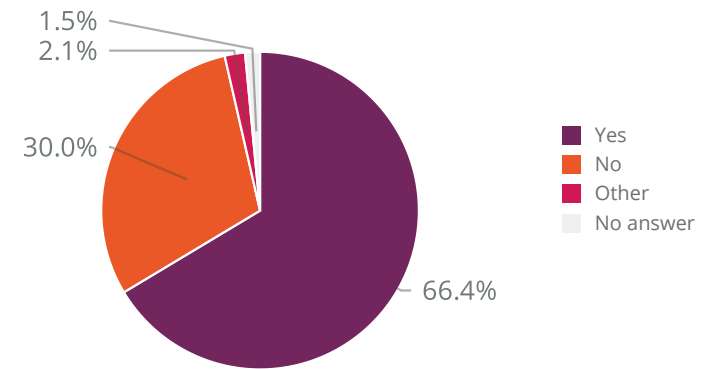
43.6% of ESEM SEs develop and diffuse knowledge about innovations.



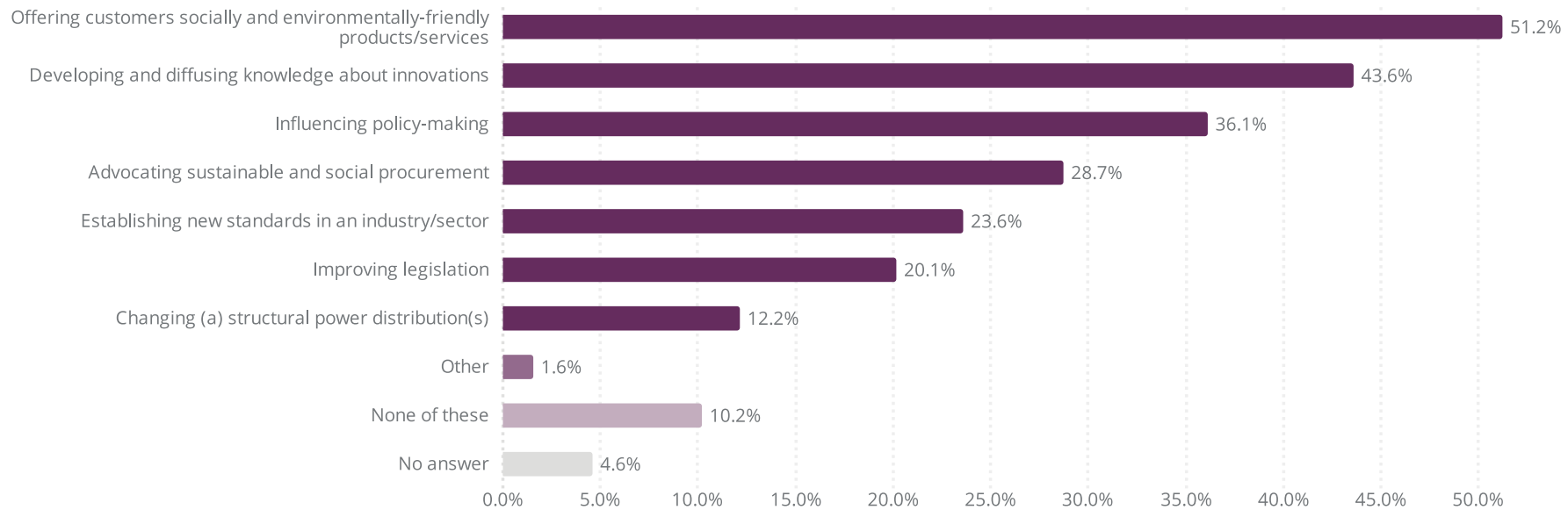
> Do your beneficiaries consume your product/services? (n=1256)



> Do you involve your beneficiaries in your production processes/services? (n=1256)



> Did your organisation engage in one of the following activities in the past 12 months? (multiple selections possible)



2.4 Innovation & Technology

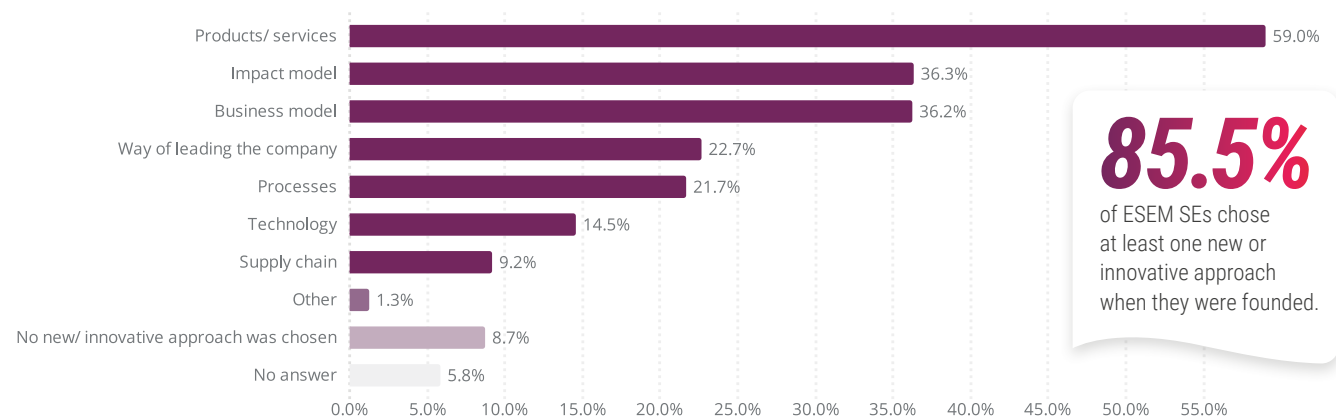
In the context of social enterprises innovation is a complex and important concept, as it does not only include technological aspects but also a social dimension.

As defined by the European Commission, social innovation means developing new ideas, services and models to better address social issues.³⁴ Since addressing social issues is the main aim of SEs, they often seek to generate, leverage and catalyse social innovation in order to create impact. One can observe, for example, innovative impact models or new products/services that benefit disadvantaged groups.

ESEM SEs were therefore asked whether their organisation chose a new/innovative approach at the time it was founded, which the overwhelming majority (85.5%) did. Furthermore, at least 58.0% of participating SEs employed multiple new/innovative approaches. Most commonly, 59.0% answered that they chose a new/innovative approach in their products/services, 36.3% in their impact model and 36.2% in their business model.

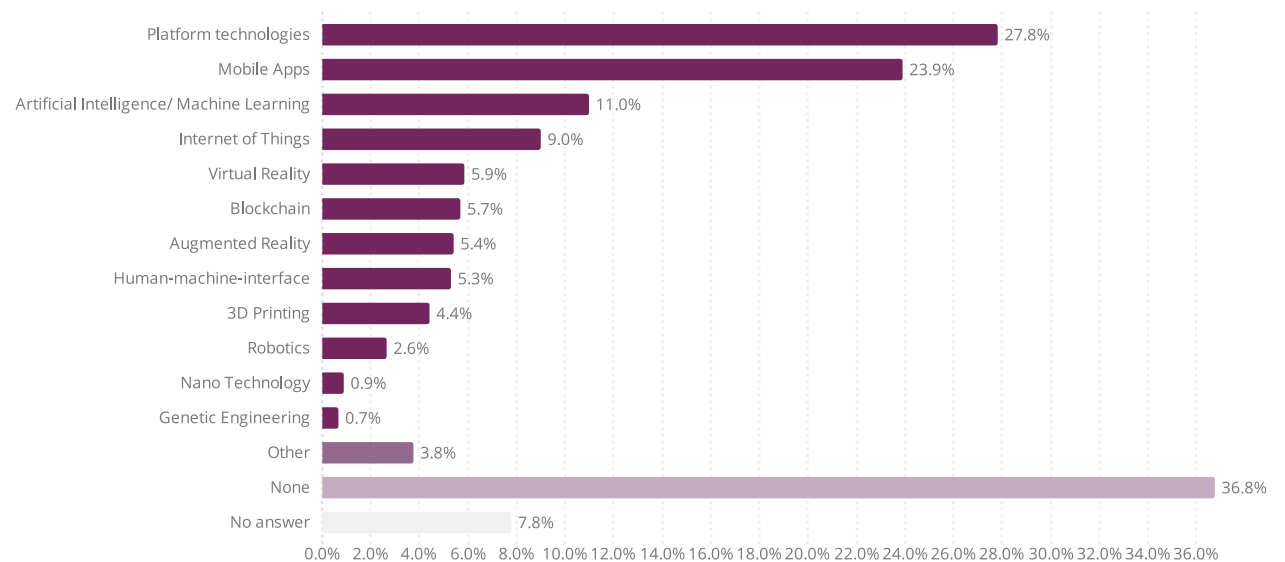
14.5% state that they chose an innovative approach regarding technology at the time their organisation was founded, and moreover, 55.4% perceive at least one innovative technology to be relevant to their business and/or impact model at present. Most commonly assessed as relevant are platform technologies (27.8% of ESEM SEs), mobile apps (23.9%) and artificial intelligence/machine learning (11.0%). Although it is important to highlight that innovation is not only technological but also social, ESEM SEs clearly demonstrate that they cannot be reduced or restricted to only one of those types of innovation.

> At the time your organisation was founded, did your organisation choose a new/innovative approach in the following areas? (multiple selections possible)



85.5%
of ESEM SEs chose at least one new or innovative approach when they were founded.

> What kind of technologies are relevant for your business model and/or your impact model? (multiple selections possible)



³⁴ "Social Innovation," Internal Market, Industry, Entrepreneurship and SMEs, European Commission, n.d., https://single-market-economy.ec.europa.eu/industry/strategy/innovation/social_en

Tech meets Social – the Hannover Ecosystem

Since 2018 the Hannover Region municipality runs a platform and partnership for Social Innovation and Social Entrepreneurship, the Social Innovation Center: www.denkdieweltneu.de

From the beginning the Social Innovation Center has cooperated with the two largest universities of Hannover, both having a strong base in technology and sciences. At least once a year lean start-up and design thinking workshops for social innovation take place at the universities. Participation is open to students, companies, social enterprises, social welfare providers, public administration and the general public. The generated ideas can be developed further in a four-month, early-stage incubator programme which takes place at Hafven (www.hafven.de), a co-work and innovation space close to university with a large community of more than 1000 members. Hafven offers maker spaces, digital collaboration tools and community based meet-ups, that can be used to prototype and test new ideas and business models. Through participation in the programme startups can qualify for a scholarship of the state of Lower-Saxony that covers living costs for eight months. In addition, the Hannover Region offers prototype funding to social enterprises.

By combining a tech-based innovation community (Hafven) with traditional social enterprises and ideas born in the welfare economy, the Social Innovation Center tries to develop interdisciplinary teams and start-ups. Entrepreneurs who work in the welfare sector usually have an idea of how to improve service delivery, for example booking short-term care, but lack the skill to develop a digital business model. In most cases, however, the social innovation emerges from students or researchers. The legal tech *Pflegewächter* (<https://pfliegewaechter.de>) was developed by law student Florian Specht, who helps patients to get easy and reliable access to long-time care insurance. Another social tech-start-up is HAIP Solutions, who design and manufacture integrated hyperspectral imaging solutions (HIS). HIS can be used in the fields of plant breeding, agriculture and forestry and contributes to making the world a more sustainable planet (www.haip-solutions.com). Both enterprises received EXIST funding for university-based startups (www.exist.de).



The image shows a group of people in a meeting or collaborative work environment. The scene is overlaid with a red-to-purple gradient. There are several decorative elements: a cluster of red dots in the top left, a series of white dotted arrows pointing right across the top, and a large, stylized orange outline of the number '3' on the right side. The text 'People & Governance' is prominently displayed in white on the left side.

People & Governance

Chapter 3

3.1 Staff

ESEM SEs are a diverse group. Similarly to enterprises in the broader economy most ESEM SEs fit in the category of small and medium enterprises (SMEs), in particular micro and small enterprises (95.4% of ESEM SEs). ESEM SEs in the SME category, however, employ a greater proportion of women in their staff when compared to SMEs as a whole (at an average rate of 61.2%, on average, as compared to 46.3%).³⁵ ESEM SEs also exhibit a more even gender balance across all levels, including management,³⁶ founders³⁷ and boards.³⁸

When discussing the staff that are employed by ESEM SEs, it is important to clarify who is included in this analysis. Staff refers to full-time and part-time paid employees. ESEM SEs also engage volunteers who are not considered staff. This distinction between paid and unpaid staff helps to add a deeper understanding of who it is that ESEM SEs employ and how much they rely on unpaid work. The number of staff employed by ESEM SEs is measured in full-time equivalents (FTE).³⁹ It should also be noted here, as stated in Chapter 1 – Social Entrepreneurship Across Europe, that the majority of ESEM SEs are in the middle stages of development, specifically the early implementation and growth stage (39.2% of ESEM SEs). The information about the number of staff (and volunteers) employed by ESEM SEs should therefore be read with this context of the development profile of ESEM SEs in mind.

> Percentage of Staff versus Volunteers at ESEM SEs

		Volunteers			
		0 FTE	1-9 FTE	10-49 FTE	50+ FTE
Staff	0 FTE	5.7%	8.0%	2.0%	0.8%
	1-9 FTE	22.1%	21.3%	5.3%	1.8%
	10-49 FTE	9.5%	5.7%	2.3%	1.5%
	50+ FTE	3.5%	2.5%	1.3%	2.0%

> Categorisation of Micro, Small, Medium and Large Enterprises

Category	Number of Staff Employed
Micro	<10
Small	<50
Medium-sized	<250
Large	≥250

95.4%
of ESEM SEs are SMEs.

³⁵ "Labor Force, Female (% of Total Labor Force) - European Union," The World Bank, last modified February 8, 2022, <https://data.worldbank.org/indicator/SL.TLF.TOTL.FE.ZS?locations=EU>

³⁶ "Women Remain Outnumbered in Management," Eurostat, last modified March 5, 2021, <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/edn-20210305-2>

³⁷ European Commission, Directorate-General for Enterprise and Industry, *Statistical Data on Women Entrepreneurs in Europe* (Luxembourg: Publications Office of the European Union, 2014), <https://data.europa.eu/doi/10.2769/34288>

³⁸ "Women and Men in Political Decision-making," Achieving Gender Balance in Decision-making, European Commission, n.d., https://ec.europa.eu/info/policies/justice-and-fundamental-rights/gender-equality/equality-between-women-and-men-decision-making/achieving-gender-balance-decision-making_en

³⁹ FTE is not a fixed number of hours worked per week but refers to an organisation's contract for full time work. For example, in France the standard working week is 35 hours whereas in Denmark this is 37 hours and 40 hours in Bulgaria. For example, in France the standard working week is 35 hours whereas in Denmark this is 37 hours and 40 hours in Bulgaria.

Current Staff

SMEs are often referred to as the backbone of the European economy, with 99.8% of enterprises in the non-financial business economy employing fewer than 250 people.⁴⁰ 98.9% of European SMEs employ fewer than 50 people, meaning they fall within the small or micro enterprise category.⁴¹

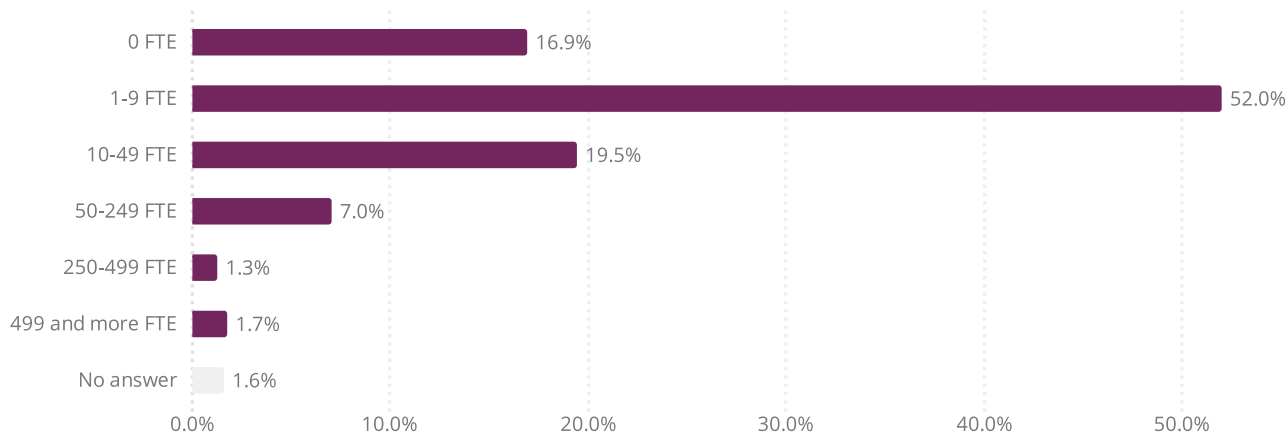
The same trend can be observed amongst ESEM SEs, with the majority being micro (68.0%) and small enterprises (19.5%), together comprising 88.4% of the sample as compared to 98.9% of all (non-financial) European SMEs. A higher proportion of ESEM SEs, as compared to the wider European SME average,⁴² fall within the medium-sized (7.0%) and large (3.0%) categories.⁴³ The breakdown of the proportions for the number of employees of ESEM SEs can be seen in the graphic to the right.

Considering the absolute number of staff members employed by ESEM SEs, the vast majority of enterprises (95.4%) fall into the category of SMEs. The enterprises that do not fall within

the SME category are located across ESEM countries, with a particular concentration of large ESEM respondents in Austria and Spain. The proportion of large SEs employing 250 or more staff in Spain is 13.8% and in Austria is 8.1%. In both these countries, 5.0% of ESEM SEs employ 499 or more staff (FTE). It is, however, worth noting that in the case of Austrian ESEM SEs many of these respondents reported that they are in the steady stage of their business development (41.5%).

While on average most ESEM SEs fall into the group of micro and small enterprises, some enterprises (16.9% of the sample) in fact do not employ any staff. Across ESEM countries, the number of Polish SEs employing no staff can be seen to be comparatively lower than the ESEM average, with only 5.2% employing 0 FTE staff. In Türkiye, however, a comparatively high rate of SEs employing 0 FTE is observed, with 34.9% indicating they employ no staff. This could relate to the fact that Türkiye has a high rate of ESEM SEs in the seed stage (17.2%), while Poland has a comparatively low rate (4.2%).

> How many people are employed (and paid) by your organisation?



> Distribution of the Number of Paid Employees at ESEM SEs

Number of Staff Employed (FTE) | ESEM SEs (%)

0 | 16.9

1-9 | 52.0

10-49 | 19.5

Fewer than 50 | 88.4

50-249 | 7.0

Fewer than 250 | 95.4

More than 250 | 3.0

⁴⁰ "Small and Medium-sized Enterprises: An Overview," Eurostat, last modified May 14, 2020, <https://ec.europa.eu/eurostat/web/products-eurostat-news/-/ddn-20200514-1>

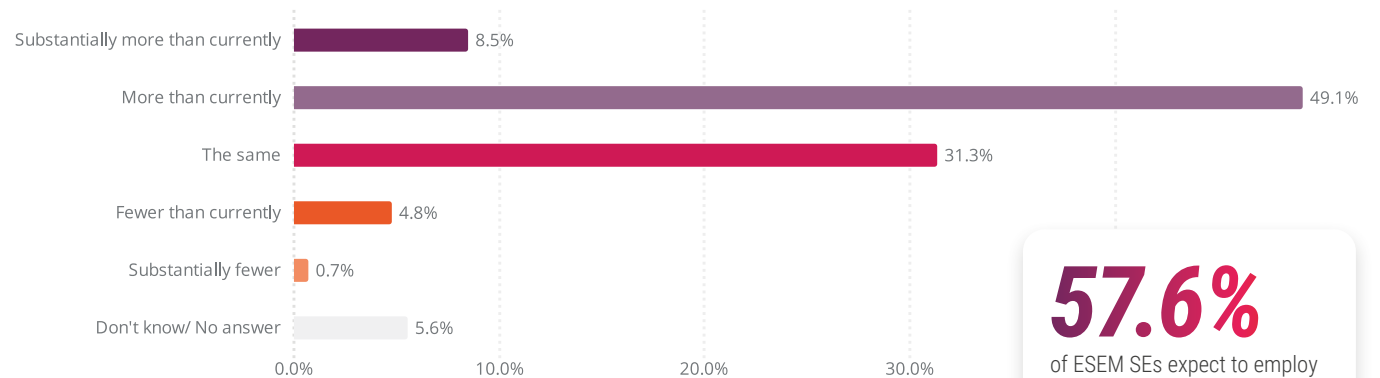
⁴¹ Eurostat, "Small and Medium-sized Enterprises."

⁴² Eurostat, "Small and Medium-sized Enterprises."

⁴³ It is important to note, however, that not all ESEM countries are EU Member States and are therefore not included in the average for EU SMEs. Furthermore, not all EU Member States are included in the ESEM either.



> Do you expect to employ more, the same, or fewer employees than currently in 12 months time?



57.6%

of ESEM SEs expect to employ more people in the next year.

Future Staff

At the overall European level, ESEM SEs are optimistic about the number of staff they are going to employ in future. Indeed, 57.6% of ESEM SEs expect to employ more people in the next 12 months. This is more than the proportion expecting to employ the same number of staff (31.3%). In contrast, only 5.5% of ESEM SEs expect to employ fewer staff. These statistics paint a picture of a group of businesses that are optimistic about the future and possess the potential to expand the number of persons employed in order to deliver the social or environmental mission of the organisation.

ESEM SEs in the Netherlands and Italy, at rates of 14.3% and 14.8% respectively, anticipate employing substantially more staff in the next 12 months. Conversely, in Poland and Croatia 13.5% and 11.7% respectively anticipate hiring significantly fewer staff.



At the overall European level, ESEM SEs are optimistic about the number of staff they are going to employ in future.

3.2 Volunteering

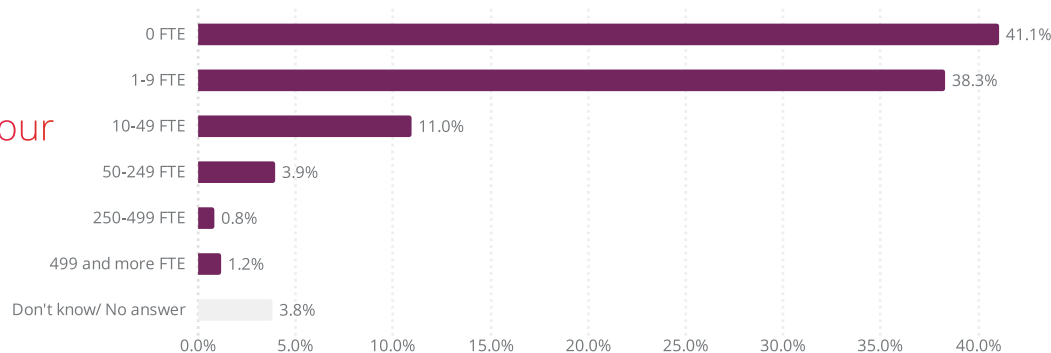
Volunteering and volunteers represent an important practice and group of workers for many ESEM SEs. The extent to which volunteers participate as part of the workforce in ESEM SEs varies across respondents as well as across countries.

Volunteers may be driven by altruistic impulses such as the desire to help others or to do something for beneficiary groups out of concern.⁴⁴ Volunteers can also engage in corporate volunteering programmes. While in these programmes they are acting as individuals, they may also be engaging in wider activities related to corporate social responsibility⁴⁵ (CSR) and can bring specific and vital skills to SEs who may not otherwise be able to afford to pay staff with such expertise. Corporate volunteers can be conceptualised as ‘employer-organised opportunities for employees to support a charitable cause

or otherwise make a positive impact with their contribution of time.⁴⁶ Older people who have left the formal labour market may also engage in volunteering activities, bringing significant experience and proven skills to SEs.⁴⁷ Citizens may also engage in voluntary activities as a way to gain experience in a certain field or position rather than being driven by a particular altruistic motive.⁴⁸

Across ESEM SEs, there are more enterprises that employ one or more volunteers than those that do not employ any. However, there is still a significant proportion of ESEM SEs that do in fact not employ any volunteers at all (41.1%). The proportion of volunteers in the workforce of SEs varies across ESEM countries and perhaps relates to the relative importance of unpaid work for social, environmental or personal motives as a component of SE business models across ESEM countries.

> How many people work as volunteers for your organisation?



⁴⁴ Wilhelm Haumann, *Motive des Bürgerschaftlichen Engagements* (Berlin: Bundeministerium für Familie, Senioren, Frauen und Jugend, 2014), <https://www.bmfsfj.de/resource/blob/94388/623395a6b3c03445ed1b1615927a3200/motive-des-buergerschaftlichen-engagements-data.pdf>

⁴⁵ “Corporate Social Responsibility with Serve the City,” Serve the City Amsterdam, n.d., <https://www.stcamsterdam.nl/bedrijven/>

⁴⁶ Esther Hofstede, “What is Corporate Volunteering?,” Samen voor Eindhoven, n.d., <https://www.samenvooreindhoven.nl/wp-content/uploads/2021/01/artikel-CORPORATE-VOLUNTEERING-by-Esther-Hofstede.pdf>

⁴⁷ Carol Jusenius Romero, “The Economics of Volunteerism: A Review,” in *Productive Roles in an Older Society*, ed. Committee on an Aging Society, Institute of Medicine and National Research Council (Washington, D.C.: National Academy Press, 1986), <https://www.ncbi.nlm.nih.gov/books/NBK216829/>

⁴⁸ Romero, “The Economics of Volunteerism.”

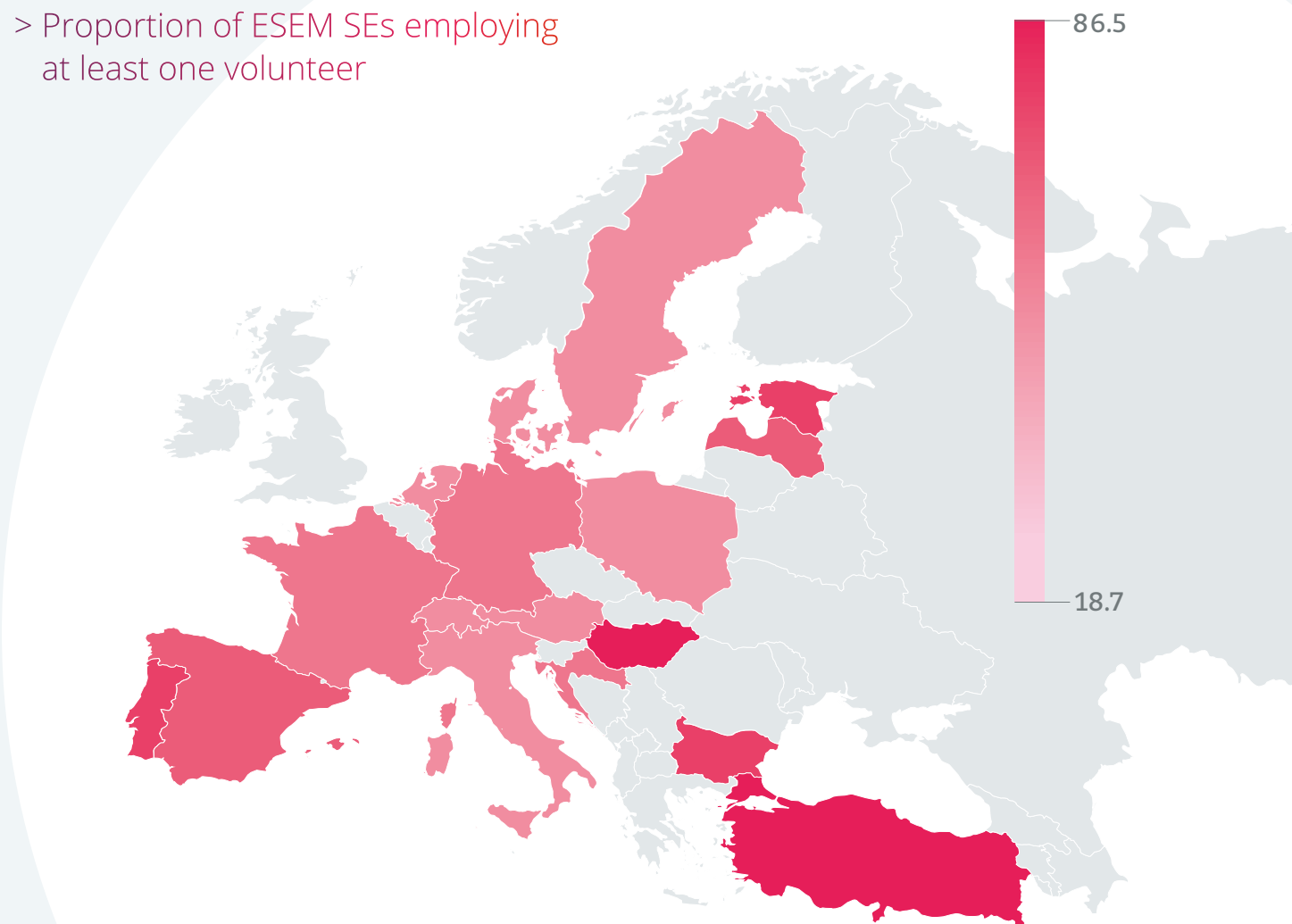


The number of ESEM SEs and the ESEM countries where there is a higher engagement of voluntary staff may be influenced by different aspects in each country's context, for example in the market orientation of enterprises, the legal statuses associated with SEs and the particular national or local SE traditions.

In countries with more established and larger social enterprises, volunteers may be relied upon less to supplement the workforce than in SEs which lack the financial resources to pay the number of staff that they need to function. The support from public authorities varies across ESEM countries, with volunteers perhaps being relied upon to fill staffing demands of otherwise unsustainable enterprises. Citizens' belief in the social, environmental or personal impact of their activities or through the mission of the SE is therefore a crucial component in facilitating the use of voluntary staff amongst some ESEM SEs.

On average, 41.1% of ESEM SEs employ no volunteers while 55.1% indicate that they do. 38.3% of the organisations that do have volunteers employ 1-9 volunteers. Overall, 79.4% of ESEM SEs employ less than 10 volunteers. While 41.1% of ESEM SEs do not employ volunteers, this is vastly different in some ESEM countries. For example, in Türkiye 79.0% of ESEM SEs employ volunteers. In Denmark and the Netherlands, conversely, there is a lesser rate of volunteer employment as compared to the ESEM European average, with only 35.8% and 30.3%, respectively, of ESEM SEs employing volunteers in these countries.

> Proportion of ESEM SEs employing at least one volunteer



3.3 Governance

Staff and Beneficiary Involvement in Decision-Making

The way that SEs are governed with the involvement of their beneficiaries as well as their inclusion of their beneficiaries amongst their employees are two characteristic elements of what makes a SE a 'social' enterprise. SEs are known for their participatory structures, both through the inclusion of beneficiaries in their production or delivery of goods and/or services and in the inclusion of staff and beneficiaries in the governance of the enterprise. The ways in which SEs include staff and beneficiaries throughout their organisational structures can vary greatly, influenced by local and national traditions, the development of social economy ecosystems and the underlying legal context.⁴⁹ Some of the structures and forms that staff involvement in decision-making can take are employee ownership, deliberative decision-making structures (like annual meetings), collective leadership and democratic decisions over the distribution of profits.⁵⁰

The involvement of staff in participatory decision-making and governance structures can have significant positive impacts on many areas of an enterprise's operation, including increasing productivity and reducing both staff turnover and the number of sick days taken by employees.⁵¹ The involvement of beneficiaries in decision-making can take place through formal and informal structures, such as by bringing them into elements such as the design and/or delivery of products/ services and through employing them as staff or volunteers.⁵²



Including staff and beneficiaries in decision-making also changes the power distribution within organisations. In more traditional business models, beneficiaries are often unable to influence what should be done to support them or address their needs.

The governance structures utilised by SEs in most cases vary compared to traditional shareholder value focused enterprises due to their participatory elements. Participatory governance, however, does not on its own denote a SE. Participatory governance is also not a necessary feature of SEs (some beneficiary or target groups cannot be included in governance structures); however, the desire to include beneficiaries and staff in decision-making is widespread among ESEM SEs.

An attention to the governance structures developed and utilised by SEs is important not only due to the fact they demonstrate how to include beneficiaries and staff in decision-making in an innovative way. Including staff and beneficiaries in decision-making also changes the power distribution within organisations. In more traditional business

models, beneficiaries are often unable to influence what should be done to support them or address their needs. Including staff within SE governance structures may also lead to staff being treated better. The benefits these approaches bring to the organisations are varied, not least among them ingraining the inclusion of multiple perspectives in decision-making, perhaps enabling organisations to make better decisions for their beneficiaries and therefore greater impact.

An attention to the innovative ways SEs are governed is also important as it highlights the impact other ecosystemic factors have on SEs. This includes supporting and limiting factors such as a specific legal status or form enterprises can operate under, the existence of support organisations and the level of political support for SEs in a country.

⁴⁹ Indeed, in many countries employment for individuals who experience challenges accessing the labour market (the target beneficiaries of many SEs) is considered as a paramount criteria for qualification as a SE. In Austria, for example, there is no official definition of SE nor any SE-specific legal form, but there are three different accreditation schemes for work integration social enterprises (WISEs).

In general, this emphasis on work integration (particularly for people with disabilities) is quite common throughout the CEE region (see Borzaga et al., *Social Enterprises and Their Ecosystems in Europe*).

⁵⁰ Louise Lambert et al., "Unpacking the Organisational Diversity Within the Collaborative Economy: The Contribution of an Analytical Framework from Social Enterprise Theory," *Ecological Economics* 164 (2019): 1-9, <https://doi.org/10.1016/j.ecolecon.2019.05.023>

⁵¹ Soonhee Kim, "Participative Management and Job Satisfaction: Lessons for Management Leadership," *Public Administration Review* 62, no.2 (2002): 231 - 241, <https://doi.org/10.1111/0033-3352.00173>

⁵² Amy Appleton, "Funder Priorities: Involving Beneficiaries is Integral to Success," Keda Consulting, April 2019, <https://www.kedaconsulting.co.uk/wp-content/uploads/2020/02/Involving-Beneficiaries-Guide-Revised.pdf>

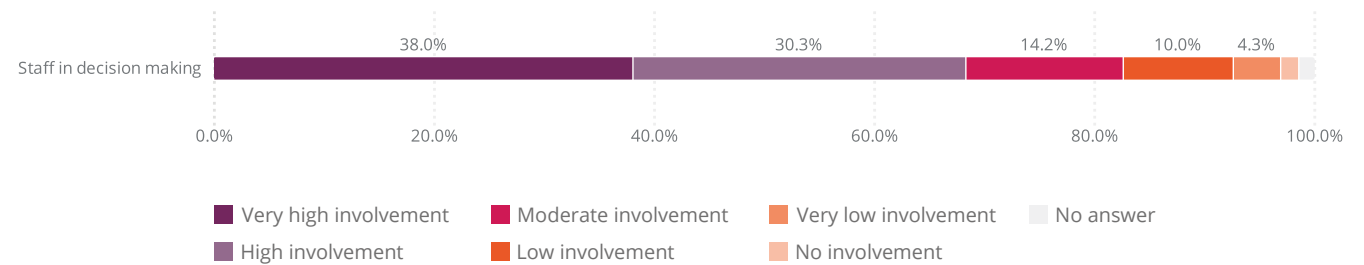
Staff Involvement

On average at the European level for ESEM countries, 68.3% have a high or very high level of staff involvement in decision-making. A small proportion (14.3%) have a low or very low level of staff involvement. Only 1.6% of ESEM SEs do not involve staff at all in decision-making. On the 0 to 100 scale, the average score given to demonstrate the extent of involvement is in fact 69.8.

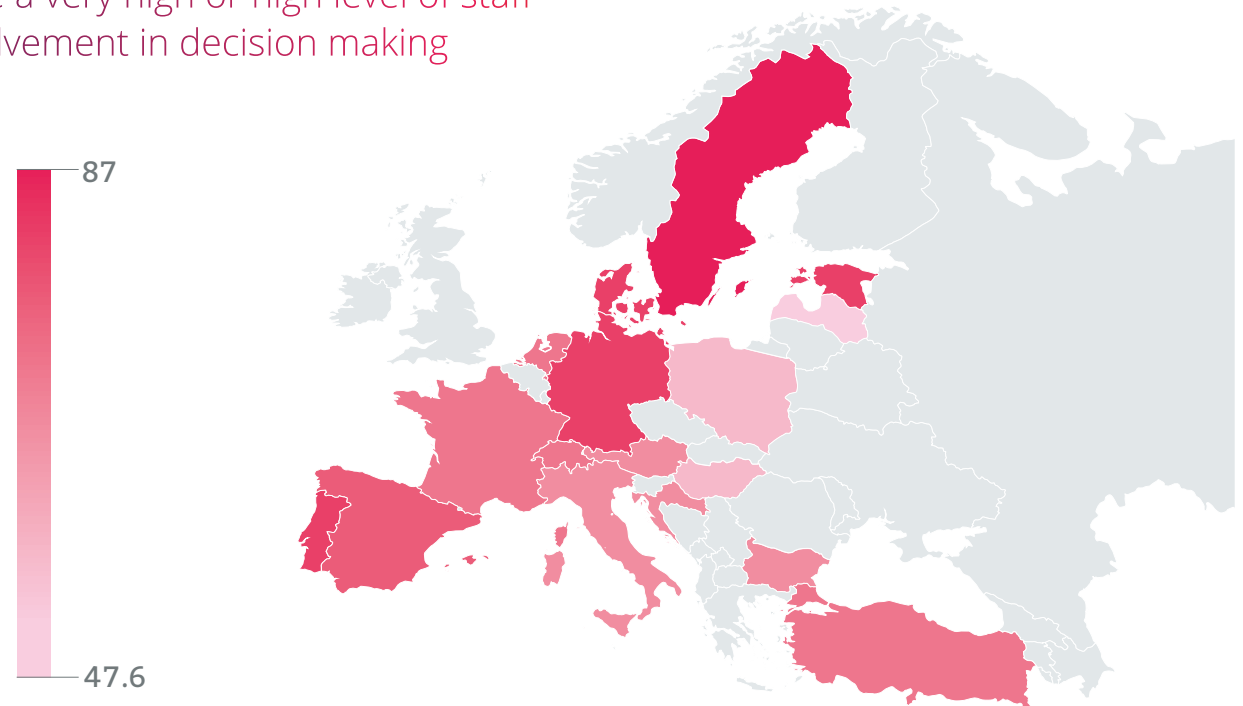
While at the European level there is a majority of ESEM SEs that have a high or very high level of staff involvement in decision-making, some countries stand out as having particularly high involvement. In Sweden 60.9% of ESEM SEs have a very high involvement of staff in decision-making and 87.0% of high or very high involvement. This is in contrast to Hungarian ESEM SEs where only 25.5% of respondents indicated a very high level of involvement of staff in decision-making (51.0% with high or very high involvement). The majority of Hungarian ESEM SEs therefore nonetheless have a high or very high level of staff involvement in decision-making.

When looking at the countries that have no involvement of staff in decision-making the situation looks rather different. The rates of no staff involvement are much lower than for very high involvement, which is in line with what would be expected among SEs. Amongst Italian ESEM SEs there is the highest average reported rate of non-participation of staff in decision-making (4.5%). When considering not only enterprises with no involvement of staff but also those with very low and low levels of involvement, the outlook again changes. ESEM SEs in Portugal (3.0%), Sweden (6.6%) and Denmark (9.3%) all have less than 10% of enterprises reporting no, low or very low levels of staff involvement in decision-making. ESEM SEs in Latvia (26.8%) and Hungary (25.5%), however, have the highest levels of no, low or very low staff involvement.⁵³ The tendency overall for ESEM SEs is on average to include staff in decision-making, supporting the traditional conceptualisation of social enterprises as having inclusive governance structures.

> To what extent does your organisation involve staff in decision-making?



> Proportion of ESEM SEs who have a very high or high level of staff involvement in decision making



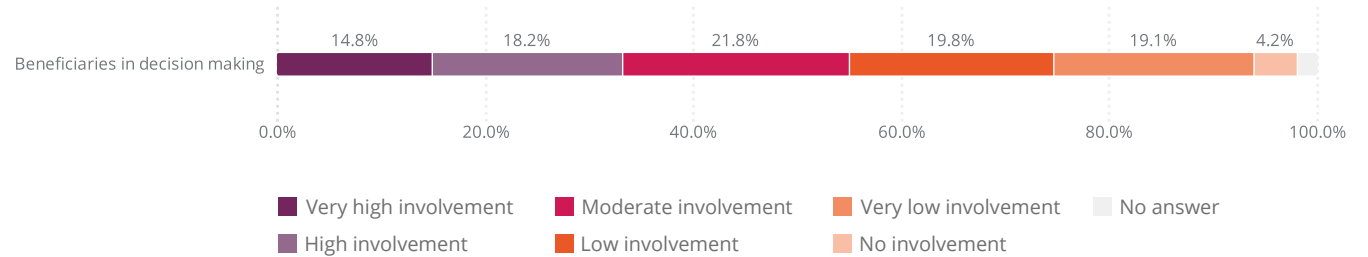
Beneficiaries' Involvement in Governance

At the overall average European ESEM level, 33.0% of ESEM SEs have a high or very high involvement of beneficiaries in decision-making. On the 0 to 100 scale, the average score given to demonstrate the extent of involvement amongst ESEM SEs was 47.9. Only 4.3% of ESEM SEs have no involvement of beneficiaries in decision-making. 43.1% of ESEM SEs, however, have no, low or very low involvement of beneficiaries, which can be considered a significant proportion. This average at the overall European level varies across ESEM countries.

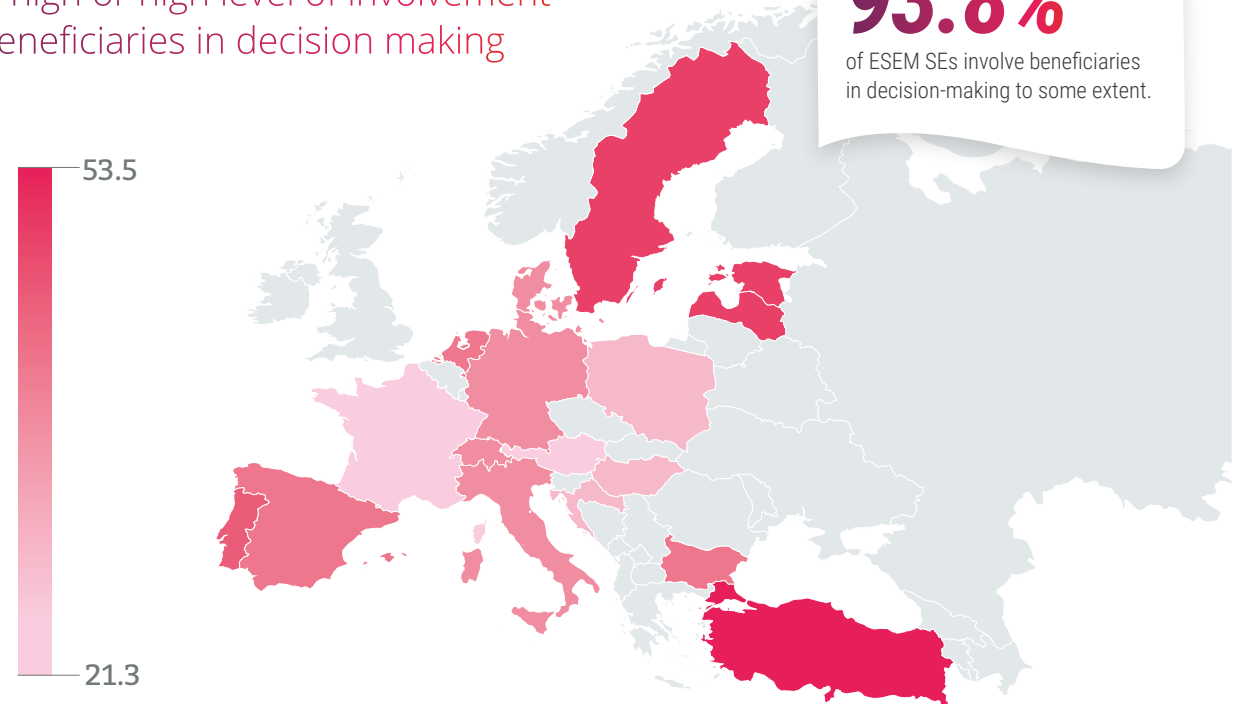
Turkish ESEM SEs have the greatest proportion of enterprises with a very high rate of involvement of their beneficiaries (31.2%). This increases to 53.5% when considering those with very high or high involvement of beneficiaries in decision-making. This is closely followed by Latvia (30.5%) and Sweden (30.4%), who also have rates of very high involvement above 30%. Poland (8.3%), Switzerland (7.8%) and Hungary (4.3%), however, have the lowest rates of very high involvement of beneficiaries, all with rates below 10%. When considering ESEM SEs with either very high or high involvement of beneficiaries in decision-making, Austrian ESEM SEs have the lowest rate at 21.3%, closely followed by Croatian ESEM SEs with a rate of 22.1% and French ESEM SEs at 23.0%.

When considering enterprises that have no involvement of beneficiaries in decision-making, Italy has the highest proportion of such enterprises (10.2%). In Portugal and Bulgaria, not a single ESEM SE reported to have no involvement of beneficiaries in decision-making (0.0%). Across all ESEM countries, 14 have rates of non-involvement of beneficiaries below 5.0%.

> To what extent does your organisation involve beneficiaries in decision-making?



> Proportion of ESEM SEs who have a very high or high level of involvement of beneficiaries in decision making



When considering the low involvement of beneficiaries in decision-making (including no, low and very low categories), Austria has the highest proportion of ESEM SEs with 54.3%. Portugal, Estonia and Türkiye conversely have the lowest proportion of enterprises with no, low and very low involvement (24.3%, 29.4% and 29.8% respectively). A great variance in the level of involvement across ESEM countries can therefore be observed.

Comparison

When considering both the very high involvement of staff and the very high involvement of beneficiaries, there is consistently a higher proportion of enterprises very highly involving staff above beneficiaries. The only exception where there is a very high involvement of beneficiaries in a greater proportion of SEs is in Latvia. This discrepancy may be due, at least in part, to the fact the legal form devised for SEs in Latvia (taken by 75.6% of the national sample) explicitly requires the involvement of beneficiaries or their representatives in the governance of a SE.

Similarly, when considering ESEM SEs that have no, low or very low levels of involvement of staff and beneficiaries in decision-making, there is consistently a higher proportion of enterprises involving beneficiaries at no, a low or very low level when compared to the involvement of staff. There is no exception to this pattern across ESEM countries.

> Proportion of ESEM SEs per Country With a Very High Level of Involvement of Beneficiaries and Staff in Decision-Making

Country	Proportion of Enterprises with a Very High Involvement of Beneficiaries in Decision-Making (%)	Country	Proportion of Enterprises with a Very High Involvement of Staff in Decision-Making (%)
Türkiye	31.2	Sweden	60.9
Latvia	30.5	Türkiye	48.8
Sweden	30.4	Estonia	47.1
Estonia	23.5	Denmark	46.5
Portugal	18.2	Germany	42.6
ESEM Average	14.8	Portugal	42.4
Italy	13.6	Bulgaria	41.9
Spain	12.5	Switzerland	39.8
Germany	12.3	ESEM Average	38.0
Denmark	11.6	Croatia	35.1
Croatia	10.4	Italy	34.1
The Netherlands	10.4	The Netherlands	33.8
Austria	9.7	Spain	32.5
Bulgaria	9.7	France	30.8
Poland	8.3	Austria	29.5
Switzerland	7.8	Latvia	29.3
France	5.1	Poland	28.1
Hungary	4.3	Hungary	25.5

Diversity, Equity and Inclusion

Who it is that works in, founds and runs SEs all have an impact on the governance structure and the way that different voices and communities are included in and served by SEs. Many aspects and characteristics of citizens, communities and organisations can be considered in relation to these three areas of diversity, equity and inclusion. Gender, disability and ethnic diversity are all key areas where data can shine insight into the employment practices and trends within the European SE ecosystem.

In the entire European⁵⁴ labour market, 46.3% of the workforce is women.⁵⁵ However, on average women only make up 30% of board members of the largest companies in the EU and less than 10% of publicly listed companies have boards chaired by women CEOs.⁵⁶ Across the EU,⁵⁷ only 31% of women are founders⁵⁸ and only 30% hold management positions.⁵⁹ While this is data for the wider European labour market, which covers a different group of countries than ESEM 2021-2022 and is collected in a different way than the ESEM survey, these statistics can be consulted to provide a broad understanding of the state of gender inclusion and equity in the European labour force. Considering the respondents of the ESEM 2021-2022 survey, on average, ESEM SEs indicated that women comprise an average 50.4% of their boards, 55.8% of their management teams, 52.1% of their founding teams and 61.2% of their entire workforce. It is perhaps also interesting to note that 21.7% of ESEM SEs have female-only founding teams (25.8% for management teams, 12.9% for workforce, 14.7% for boards).

It can be observed that at all levels and positions of employment, in ESEM SEs women are on average in a majority. It can also be

> Position of Women on Average for ESEM SEs in Italy, Hungary and All ESEM Countries

Position of Women	Average Italian ESEM SEs (%)	Average Hungarian ESEM SEs (%)	Average All ESEM SEs (%)
General Workforce	45.3	66.8	61.2
Management Team	36.8	72.1	55.8
Board Members	34.7	62.5	50.4
Founders/Founding Team	38.3	66.9	52.1

observed that in ESEM SEs, women are represented in greater proportions than in the wider economy. This divergence can be seen in the inclusion of women in the workforce, relating perhaps to the fact that women are more included in business areas traditionally associated with the social economy. Indeed, across the EU 30% of women work in education, health and social work,⁶⁰ which are areas where social economy, enterprise and entrepreneurship have established roots. Among ESEM SEs, it can be observed that 'human health and social work' (23.3%) and 'education' (22.2%) account for a large proportion of the business sectors in which they are active. This could perhaps also help to explain why women are more equally represented given that they also represent a greater proportion of the workforce in these sectors. This of course does not negate that many SEs are highly gender-aware and inclusive with active policies in place to ensure equity amongst staff in their business models.

Considering some specific countries, however, highlights that while on average across ESEM countries women are in a majority at all levels, including boards, management and founders, this is not the case in every national context. Across all four dimensions, Italy scores below the European average for inclusion of women. The general workforce in Italian ESEM SEs is only 45.3% women, on average. In other levels there are also less women represented in Italian ESEM SEs as compared to the European ESEM average. Namely, on average in management teams there are only 36.8% women, 34.7% in boards and 38.3% in founding teams. While the situation in Italian ESEM SEs differs from the overall European ESEM SE average, in comparison with the EU average for all enterprises, Italian ESEM SEs still contain a higher proportion of women in their management teams, boards and founders. This is in contrast to Hungary, which reports a higher than average inclusion of women across different levels within ESEM SEs.

⁵⁴ Data for EU27 2021.

⁵⁵ World Bank, "Labor Force, Female."

⁵⁶ European Commission, "Women and Men in Political Decision-making."

⁵⁷ In EU28 countries.

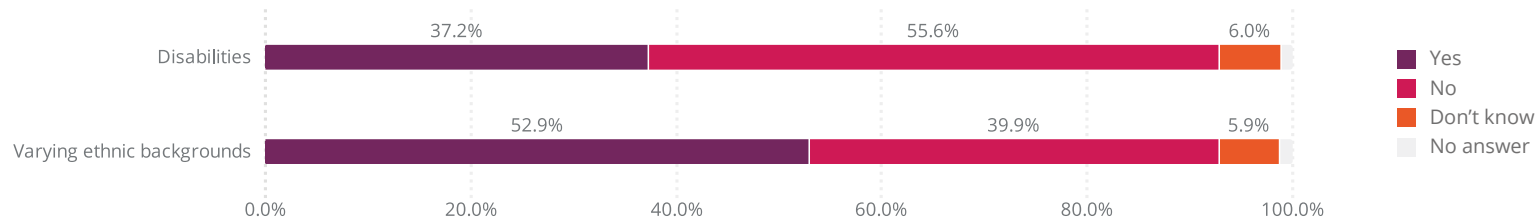
⁵⁸ European Commission, *Statistical Data on Women Entrepreneurs*.

⁵⁹ Eurostat, "Women Remain Outnumbered in Management."

⁶⁰ "Labour Market Participation," Women's Situation in the Labour Market, European Commission, n.d.,

https://ec.europa.eu/info/policies/justice-and-fundamental-rights/gender-equality/women-labour-market-work-life-balance/womens-situation-labour-market_en#gender-pay-gap

> Do you employ staff with:



On average at the European level, 37.2% of ESEM SEs employ staff with disabilities. Data was not collected on whether these are physical or psychological disabilities and relied on the reporting of the individual completing the ESEM survey to be aware of the disabilities of those employed. It is therefore possible to interpret this 37.2% as an underestimate of the true rate of employment of those with disabilities (mental and physical).

Some countries, however, reported significantly different rates of employment of staff with disabilities. These differences in reporting of employment of persons with disabilities could be investigated further.

In Bulgaria and Poland the rate of ESEM SEs that are employing individuals with disabilities is much higher than the overall European ESEM average of SEs that employ staff with disabilities. Conversely, in Italy and Türkiye the rate of ESEM SEs that employ staff with disabilities is far lower. These large differences perhaps illuminate and are impacted by differing SE traditions and business models in different countries. For example, in some countries work integration⁶¹ or inclusive enterprises⁶² may be more common or may have been

surveyed disproportionately, thus impacting on the proportion of ESEM enterprises employing persons with disabilities.

When ESEM SEs were asked whether they employ individuals with varying ethnic backgrounds, 52.9% indicated that they do. It is important here to note that an understanding of what counts as a varying ethnic background may differ across the 21 European countries covered in ESEM 2021-2022. It is therefore difficult to understand what level of diversity in terms of religious or spiritual beliefs, skin colour, civic status or legal situation lies within this reporting on ethnic diversity. The extent to which ethnic diversity includes or excludes individuals of first or second generation migration is also unknown. While these concerns with what the data means are noted, the data indicates that the majority of ESEM SEs consider themselves to employ staff with varying ethnic backgrounds. It is also important to recognise that diversity in employment among ESEM SEs may be either purposive or merely circumstantial. However, considering also the data on gender balance as well as employee and beneficiary involvement in decision-making, ESEM SEs can generally be seen to value inclusivity.

> Proportion of ESEM SEs that Employ Staff with Disabilities in Certain ESEM Countries

Country	% of ESEM SEs Employing Staff with Disabilities
Bulgaria	71
Poland	65.6
Italy	18.2
Türkiye	16.7

37.2%
of ESEM SEs employ staff with disabilities.

⁶¹“What are WISEs?,” WISEs Data, European Network of Social Integration Enterprises, n.d., <https://www.ensie.org/wises-data/what-are-wises>

⁶²“Working in an Inclusive Enterprise,” European Confederation of Inclusive Enterprises, n.d., <https://www.eucie.org/inclusive-enterprises-europa/testimonials-working-in-an-inclusive-enterprise/>

The background of the slide is a photograph of a business meeting. Several people are seated around a table, looking at documents and laptops. The image is overlaid with a semi-transparent red color. There are several orange-outlined geometric shapes, including triangles and rectangles, scattered across the scene. In the bottom left corner, there is a white curved area containing a decorative pattern of small dots and the text 'Chapter 4'.

Access to Markets & Social Procurement

Chapter 4

4.1 The Importance, Impact & Future of Social Procurement

When governments, corporations and consumers buy goods and services from (other) businesses, they create economic value. When they buy from social enterprises, there is an additional benefit, as this procurement also generates social and environmental value. This is social procurement.

The Importance & Impact of Social Procurement

Social procurement has been expanding steadily over the past years. Many opportunities remain untapped, though, and significant potential exists to foster a steep increase in social procurement in the coming years. Global public procurement spending today is an estimated US\$13 trillion annually,⁶³ of which €2 trillion a year comes from EU Member States (13.3% of GDP).⁶⁴ These amounts do not yet include private sector procurement spending. With SAP indicating that ‘for every dollar, pound, or euro that companies invest in traditional CSR program[me]s, we spend 400 on the indirect goods and services we use to run our businesses,’⁶⁵ and Unesco estimating that Fortune 500 companies spend US\$19.9 billion on CSR annually,⁶⁶ this could bring Fortune 500 indirect spending alone already to a possible US\$7.96 trillion, and global procurement expenditure to at least an estimated US\$20 trillion per annum.

If even a small percentage of this expenditure would be redirected (more proactively) towards social procurement in future, the impact would be immense. And why not buy products and services that also have a positive social and environmental impact?

This would help social enterprises to consolidate, grow and expand their business, thereby enabling these social innovators to tackle even more social and environmental challenges, and at a more rapid rate, than today. Furthermore, increased demand for socially-responsible procurement would also attract new entrepreneurs to adopt a socially entrepreneurial business model and help to shift global entrepreneurship further towards a virtuous cycle of increased positive social and environmental impact. Thirdly, it would help today's governments and private sector businesses to transition and create more social and environmental impact in the present moment through their regular business activities, as well as to engage in mutual learning with social innovators.

Such changes are crucial in today's world, where an increasing number of crises are unfolding and deepening. Meanwhile, financial and regulatory systems are unfortunately still not fully capable of accounting effectively and efficiently for societal and environmental costs and values, and a seamless integration of these elements into financial investment, policy and legislative decision-making is still lacking. While existing systems and

models are being transitioned to resolve these deficiencies, doubling down on investments into and procurement from those businesses that have been able to tackle these issues and that are capable of doing good by doing business is crucial. The world being able to truly adopt social procurement in the next few years will therefore be one of the most decisive system change leverages to successfully transition out of the multiple crises that we currently face.

The Future of Social Procurement

Over the past decades, several international and local social enterprise support organisations (SESOs)⁶⁷ have worked together with the private sector, national and regional governments and social enterprises to increase understanding and adoption of social procurement, with decisively positive results. The next steps are to continue increasing the visibility of potential opportunities to purchase from social enterprises as well as putting in place and strengthening current mechanisms, ecosystems and support organisations (drawing on those who possess the right knowledge, experience and understanding of local markets). Such development will allow proper matching of the supply and demand for social procurement, which is expected to be sharply rising, not only today but also in future.

⁶³ Joseph Fagan et al., *A Global Procurement Partnership for Sustainable Development: An International Stocktaking of Developments in Public Procurement* (Washington, D.C.: World Bank Group, 2022), <http://documents.worldbank.org/curated/en/173331642410951798/Synthesis-Report>; Open Contracting Partnership and Spend Network, *How Governments Spend: Opening Up the Value of Global Public Procurement* (2020), www.open-contracting.org/global-procurement-spend

⁶⁴ “Public Procurement,” Trade, European Commission, n.d., https://policy.trade.ec.europa.eu/help-exporters-and-importers/accessing-markets/public-procurement_en

⁶⁵ Adaire Fox-Martin, “Social Procurement: Finding a Better Way to Grow,” SAP, last modified October 5, 2020, <https://news.sap.com/2020/10/social-procurement-better-way-grow>

⁶⁶ Pratik Dattani, Adam Still and Vikas Pota, *Creating a Baseline for Corporate CSR Spend on Global Education Initiatives* (Varkey Foundation and UNESCO, 2015), <https://www.varkeyfoundation.org/media/3042/bbe-epg-report%C6%92.pdf>

⁶⁷ A small sample of organisations active in this field across Europe includes: Social Enterprise World Forum (SEWF), Social Enterprise UK, Euclid Network, Social Enterprise NL, Yunus Social Business, SEND Germany, Social Entrepreneurship Association Latvia (SEAL), Social Enterprise Republic Ireland, Irish Social Enterprise Network, Turkish Social Enterprise Network and Social Enterprise Network Switzerland.

4.2 ESEM Social Enterprises' Own Procurement & Supply Chains

ESEM SEs should be expected to behave as role models for social procurement themselves.

In this regard, it can indeed be seen that they identify environmental and social responsibility to be very important when they procure. On average, the rankings given by ESEM SEs for the importance of these criteria are a value of 74.9% out of 100% for social responsibility, 75.6% out of 100% for environmental responsibility and 77.1% out of 100 for costs.

The average importance of social responsibility ranges from 67.8% in Bulgaria, Italy and Poland to 83.1% out of 100% in Switzerland, while the average importance of environmental responsibility ranges from 65.7% in Bulgaria to 81.0% out of 100% in Switzerland. In nine ESEM countries, environmental responsibility was, on average, assigned slightly greater importance than social responsibility, while in seven other countries social responsibility ranked slightly higher, on average.

Though costs are and remain an important criterion in procurement decisions, social and environmental responsibility are given nearly equivalent weight. In this regard, it can be seen that ESEM SEs not only create positive impact through the products/services they produce or the beneficiaries they employ, but that they also seek to embed their commitment to social and environmental concerns in their fundamental operations and everyday processes such as procurement. In doing so, they raise the bar for ethical considerations in business models and set an example for all enterprises to emulate.

Average Importance:



The world being able to truly adopt social procurement in the next few years will therefore be one of the most decisive system change leverages to successfully transition out of the multiple crises that we currently face.

4.3 ESEM Social Enterprises' Engagement in Selling to the Private Sector

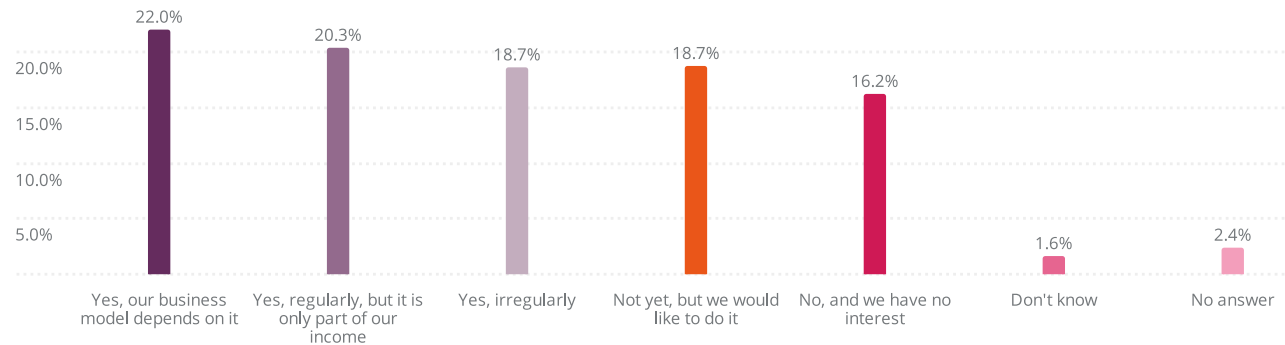
Capacity and Interest Among ESEM SEs for Sales to Conventional Firms

Almost two out of every three ESEM SEs (61.0%, or 1164 enterprises out of 1907) are currently selling products and services to conventional firms (including both SMEs and corporates). An additional 18.7% (n=357) would like to do this in future. This brings the total current activity and potential interest for future B2B sales to conventional firms to 79.7% of all ESEM SEs (1521 enterprises).

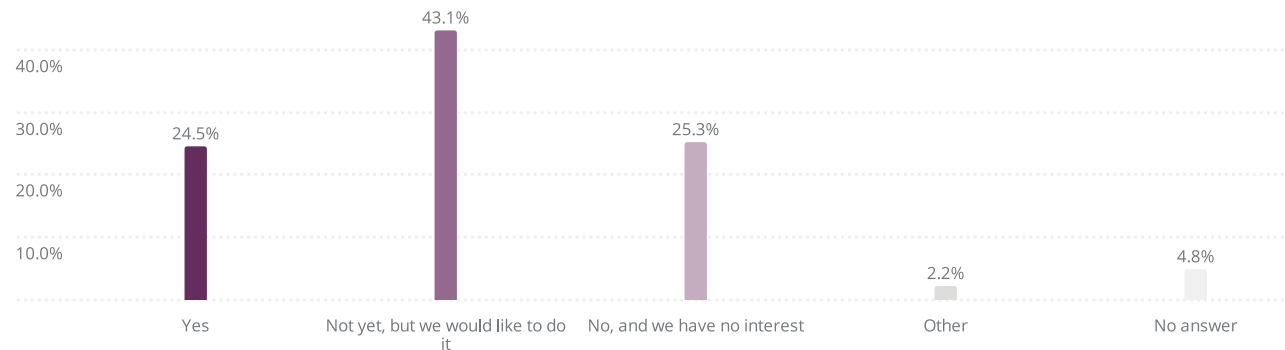


61.0% of ESEM SEs currently sell products/services to conventional firms.

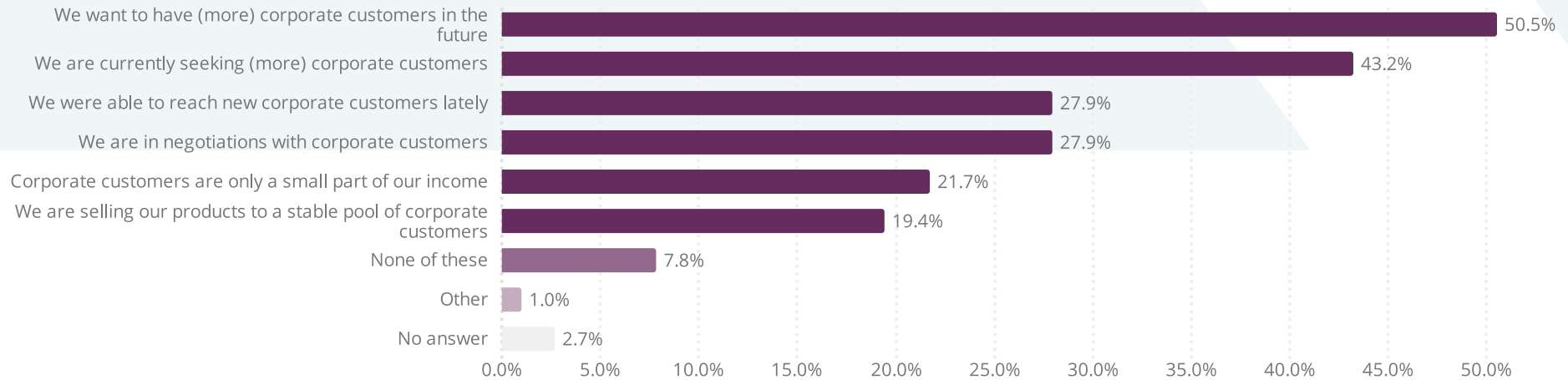
> Do you sell products or services to conventional firms (SME, corporates)?



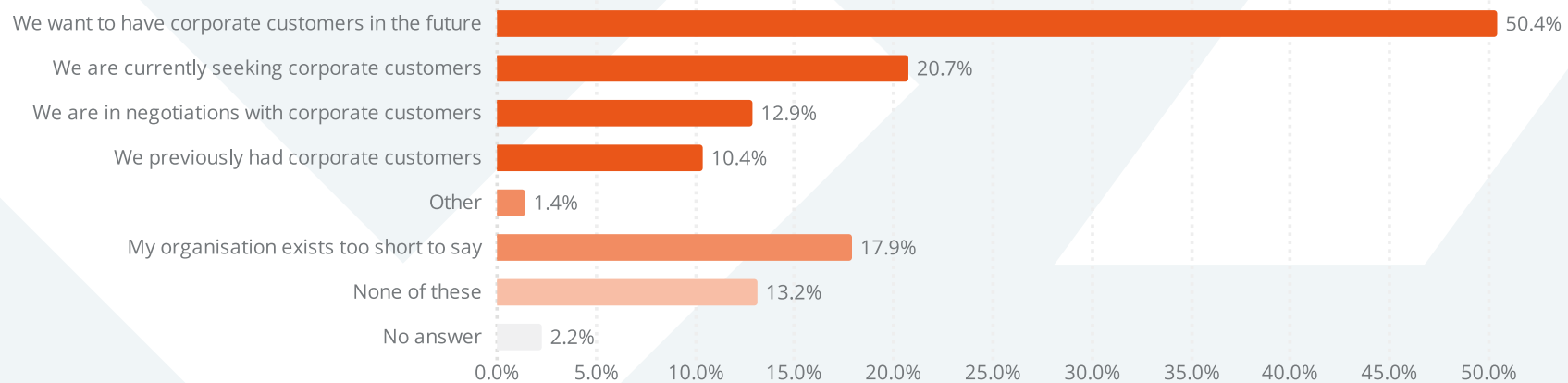
> If yes, do you sell products or services to multinational corporations? (n=1164)



> If yes, are any of the following true regarding corporate business partners or contracts with corporate customers? (n=1164)



> If no, are any of the following true regarding corporate business partners or contracts with corporate customers? (n=357)



Capacity and Interest Among ESEM SEs for Sales to Multinational Corporations

Of the 61.0% of ESEM SEs who sell their products or services to conventional firms, 24.5% (n=285 SEs) already sell to multinational corporations (MNCs), while another 43.1% (n=502) would like to do this in future. This brings the total current activity and potential interest in selling to MNCs to 67.6% of the ESEM SEs who already sell to conventional firms (787 out of the study's total 1907 enterprises).

Furthermore, not only do many of the ESEM SEs who are not yet selling to conventional firms wish to do so, but of the 1164 ESEM SEs who already engage in B2B sales 50.5% (n=588) also exhibit a desire to acquire more corporate customers in future. Currently, 43.2% (n=503) are actually (actively) seeking additional corporate customers, while 27.9% (n=325) are currently engaged in negotiations with potential corporate customers.

Then, of the 18.7% of ESEM SEs that do not yet sell to conventional firms/mainstream enterprises but would like to do so in future (n=357), 50.4% (n=180) want to have corporates among their B2B customers, 20.7% (n=74) are currently (actively) seeking corporate clients and 12.9% (n=46) are already engaged in negotiations, demonstrating a strong desire for growth as well as a sense of proactivity and initiative.

On the other hand, demonstrating the diversity of the SEs that participate in the ESEM with their differing objectives and business models, 16.2% of ESEM SEs indicated that they do not sell products or services to conventional firms nor do they have any interest in doing so. In addition, 25.3% of ESEM SEs indicated that they do not have any interest in selling products to MNCs. While B2B sales are not desired or necessary for some SEs to create impact, the majority (79.7%) of ESEM SEs do indicate that such sales represent a valuable means of amplifying their impact while also potentially growing their businesses.

Cross-Country & Cross-Trading Sources Comparison

At the aggregate European level, B2B trading counts as a main income source for 35.4% of ESEM SEs and B2G trading for 29.3%. Sales to other SEs represent a further source of primary income for 13.0% of ESEM SEs, while sales to third sector organisations and foundations are prioritised for respectively 14.8% and 7.9% of the sample.

The extent to which ESEM SEs engage in these various forms of social procurement varies significantly across countries, however. B2B sales range in importance as a main income source from 19.6% of ESEM SEs in Estonia to 59.7% in The Netherlands; they are also quite highly prioritised in Denmark (53.5%) and Hungary (48.9%). Across nine of the 21 participating countries in the ESEM, B2B sales are the most common form of social procurement activity, while B2G sales rank as the most common in seven other countries.

As a primary source of income, B2G sales range in importance from 12.9% of ESEM SEs in Bulgaria to 65.2% in Sweden; they are also ranked highly in Denmark (55.8%), The Netherlands (48.1%) and Estonia (47.1%). As main income sources, sales to other SEs, third sector organisations and foundations reach as high, respectively, as 22.1% (The Netherlands), 30.3% (Portugal) and 14.6% (Latvia). While 58.4% of ESEM SEs overall are engaged as suppliers in at least one form of social procurement, across countries this proportion ranges from 44.7% in Türkiye to 80.5% in The Netherlands.

Looking specifically at B2B sales, further national variations with regards to the participation of ESEM SEs in social procurement become apparent. The proportion of ESEM SE national samples currently selling ⁶⁸ to conventional firms (including SMEs and corporates) ranges from 39.4% in Portugal to 79.2% in The Netherlands, followed closely by Poland (78.1%), Italy (76.1%) and Denmark (74.4%). The further proportions of the ESEM SEs in national samples that do not yet make such sales but would like to do so in future range from 8.6% in

Switzerland to 31.7% in Latvia, though relatively high rates are also seen in Portugal (30.3%) and Türkiye (28.4%).

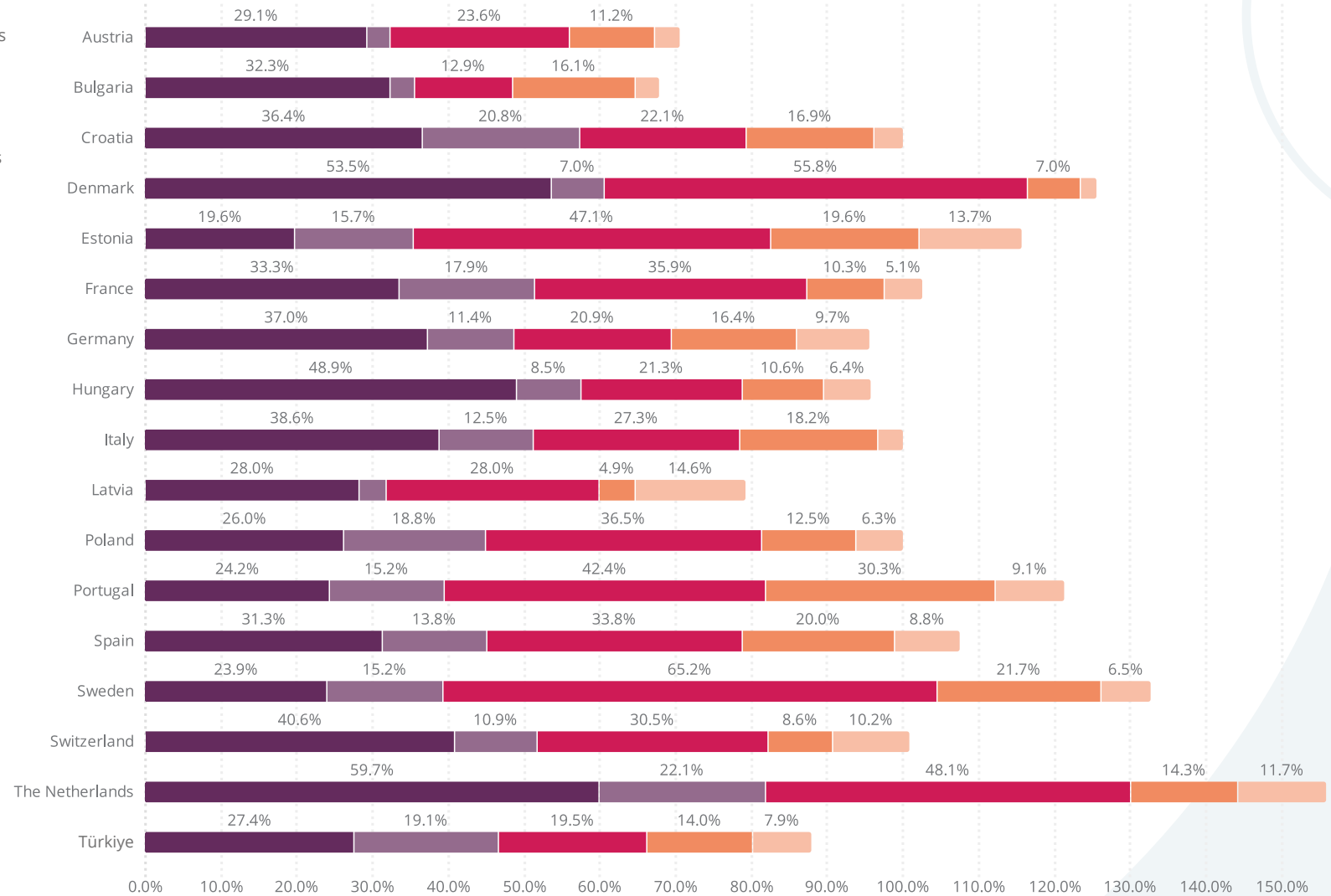
Of those ESEM SEs already making B2B sales, the proportion currently counting MNCs within their customer base ranges from 5.3% in Poland to 40.9% in France. Relatively low rates are also seen in Latvia (11.6%), Croatia (11.8%) and Estonia (13.5%), while relatively high rates are additionally the case in Portugal (38.5%) and Spain (34.8%). A significant number would like to make such sales in future, ranging as high as 66.4% of the ESEM SEs in Türkiye already making sales to conventional firms, and only in France falling below 20.0% of this sub-sample (at 9.1%). As for the proportion of these ESEM SEs that would like to make additional sales to corporate customers, this ranges from 26.7% in Poland to 78.1% in Denmark. Among the ESEM SEs not yet selling to conventional firms, but who would like to do so in future, the proportion of the national sub-samples that hope to obtain corporates as customers reaches as high as 81.8% in Switzerland.

Taken together, this data demonstrates a diversity of attitudes towards social procurement opportunities and indicates a need for further research into the reasons for these cross-country differences. It is likely the case that these varying perspectives are influenced by discrepancies in the availability and accessibility of customers seeking social enterprise suppliers and vice versa, lacking or limited matchmaking, facilitation services and (non-)financial support services being available in national SE ecosystems, as well as variations in the perceived attractiveness of social procurement as a sales opportunity (which potentially differs depending on the type of customer in question, whether it be a SME, MNC, government, or third sector organisation). Further investigating these questions will be necessary to further clarify the key barriers that impede SEs across Europe from engaging (further) in social procurement, given the high interest of (ESEM) SEs in such activity and the crucial value of social procurement as a mechanism for change in facilitating the much needed transition to a more socially-inclusive and green society and economy.

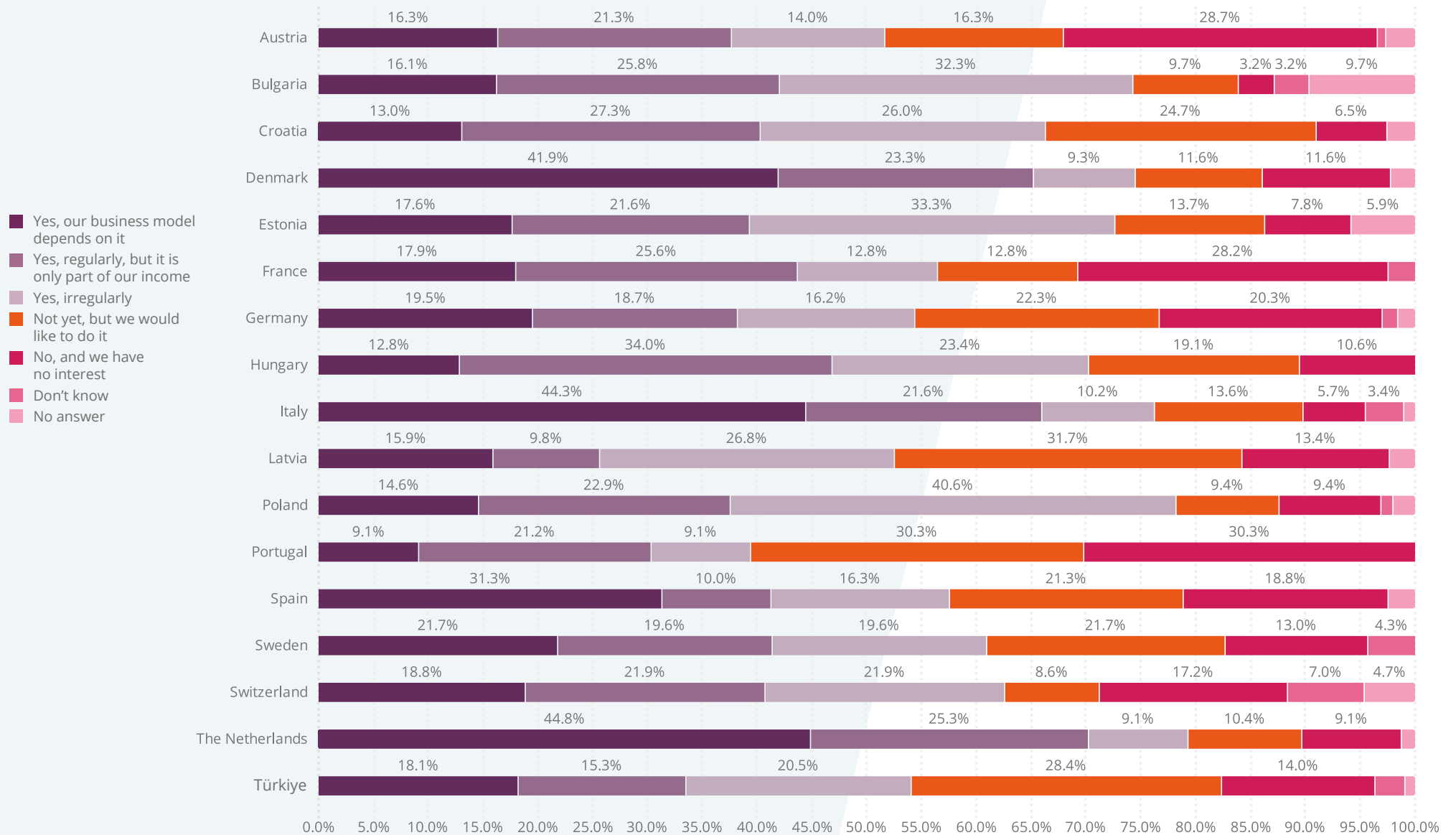
> Which types of social procurement are a main source of income for your organisation?

(multiple selections possible)

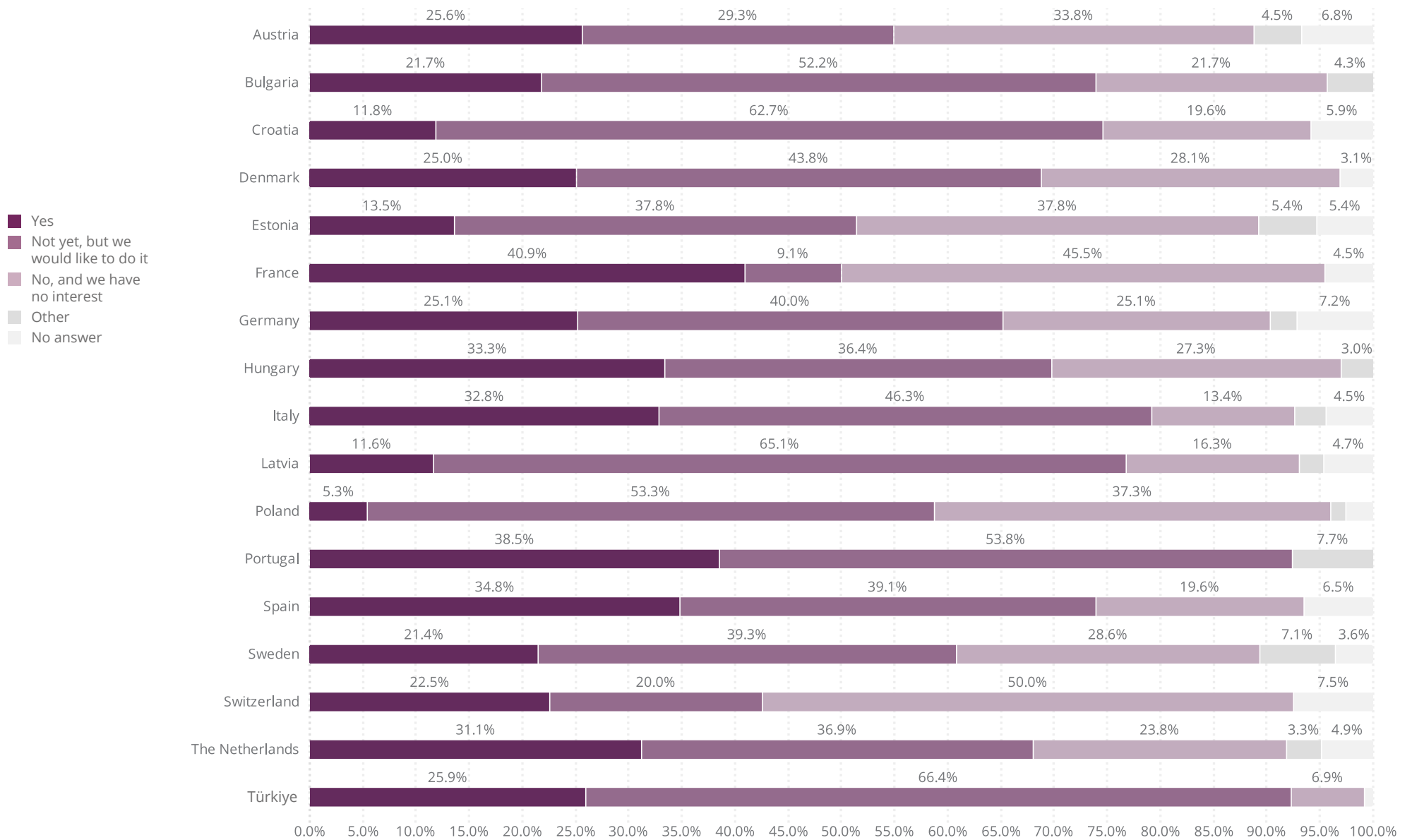
- Trading with profit-oriented companies (i.e. B2B)
- Trading with other social enterprises
- Trading with the public sector (i.e. ministries, municipalities - B2G)
- Trading with third sector organisations (e.g. charities, welfare organisations)
- Trading with foundations



> Do you sell products or services to conventional firms (SME, corporates)?



> If yes, do you sell products or services to multinational corporations?





Next Steps

To realise the potential of social procurement opportunities (both public and private), an investment in capacity-building for the sector is also required. Many ESEM SEs wish to sell their products to conventional firms (SMEs and MNCs) and public sector customers in future. To enable this wish to come true, an investment in skills development as well as support infrastructure for SEs, conventional firms and the public sector is necessary. As noted in Chapter 3, today the majority of ESEM SEs are still micro and small enterprises (in line with the median age of ESEM SEs being seven years), hence for some, selling their products at the scale wished for by some larger governmental and private sector organisations is likely to require time and investments by the public and private sector into these SEs and the SESOs supporting SEs at the local level. Evidence from Social Enterprise UK's long-term experience in social procurement demonstrates that such time and investment do pay off. In its six-year-old 'Buy Social Corporate Challenge,' £91 million out of £255 million spent by corporates with social enterprises in the past six years was achieved in the past 12 months. In addition, multiple social enterprises today have concluded contracts valued over £1 million,⁶⁹ and this number is expected to increase going forward. The interest of ESEM SEs in seeing and making more of procurement opportunities highlights the potential of procurement spending to channel financial support and market opportunities into enterprises that are contributing to the achievement of the UN SDGs and making the twin digital and green transition a reality.

Partnerships for procurement between SEs and conventional firms or corporations present a large opportunity for the transformation of the sector, providing stable sources of income through contracts and access to new markets. Partnerships and procurement from businesses in B2B relations are only one element of social procurement, though. Business to government (B2G) social procurement also presents valuable opportunities for SEs, particularly with public policies increasingly being adapted to favour social procurement and thus providing an important normative contribution towards including social as well as environmental impact in procurement decisions throughout Europe. In 2014, the European Commission published initial public procurement directives – making the use of social clauses as well as environmental and social criteria possible. More recent policy developments at the European level, such as the Corporate Social Responsibility Reporting Directive,⁷⁰ as well as the European Commission's guide to Socially Sustainable Public Procurement and Action Plan for the Social Economy,⁷¹ provide additional guidance and insight on the important role of procurement in facilitating the transition to a more socially-inclusive and green society and economy. It is expected that the European Commission will continue to support this transition towards more socially-responsible public and private procurement in the next few years, in line with the Action Plan for the Social Economy⁷² and the Transition Pathway for a More Resilient, Sustainable and Digital Proximity and Social Economy Industrial Ecosystem.⁷³

⁶⁹ Andy Daly, *Buy Social Corporate Challenge: Year 6 Report* (Social Enterprise UK, 2022), <https://www.socialenterprise.org.uk/app/uploads/2022/09/SEUK-Buy-Social-Report-September-2022.pdf>

⁷⁰ European Commission, "Proposal for a Directive of the European Parliament and of the Council amending Directive 2013/34/EU, Directive 2004/109/EC, Directive 2006/43/EC and Regulation (EU) No 537/2014, as Regards Corporate Sustainability Reporting" (communication from the European Commission, Brussels, April 2021), <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52021PC0189>

⁷¹ European Commission, *An Action Plan for the Social Economy*.

⁷² European Commission, *An Action Plan for the Social Economy*.

⁷³ European Commission, "Co-creation of a Transition Pathway."

Mediorite is a creative agency, based in the UK, with a mission to produce films that look good and do good. The award-winning social enterprise was set up to help tackle youth unemployment, and every contract creates paid work and industry experience for young people who face barriers to the labour market.

Mediorite's clients include global professional services firms Linklaters and PwC as well as UK construction firms such as Wates Group.

Working with corporate clients is helping Mediorite to expand into more complex areas of film: filming with drones, use of green screen studios and cloning people who appear on screen. As a result, the Mediorite showreel now has much more variety, setting them apart from many other agencies in bidding for new work.

The Buy Social Corporate Challenge, led by Social Enterprise UK, has helped to provide opportunities for Mediorite, as outlined by Founder and Director Lucy Ferguson:

'The Buy Social Corporate Challenge programme has been transformational for Mediorite. We were previously reliant for our income on low-value, one-off jobs with smaller clients but our corporate partnerships mean a much smoother income flow, which means we are able to support more and more young people from diverse backgrounds to gain experience and work in the creative industry.'





The background of the slide is a dark red gradient with a grid pattern. Overlaid on this are several faint, semi-transparent financial charts, including line graphs with circular markers and bar charts. Scattered throughout the background are various numerical values in a light red font, such as '08.11', '94.21', '73.73', '17.37', '03.33', '20', '12.4', '71.91', '11.11', '88.77', '07.35', '27.69', and '77.82'.

Markets, Profits & Financing

Chapter 5

5.1 Sources of Income

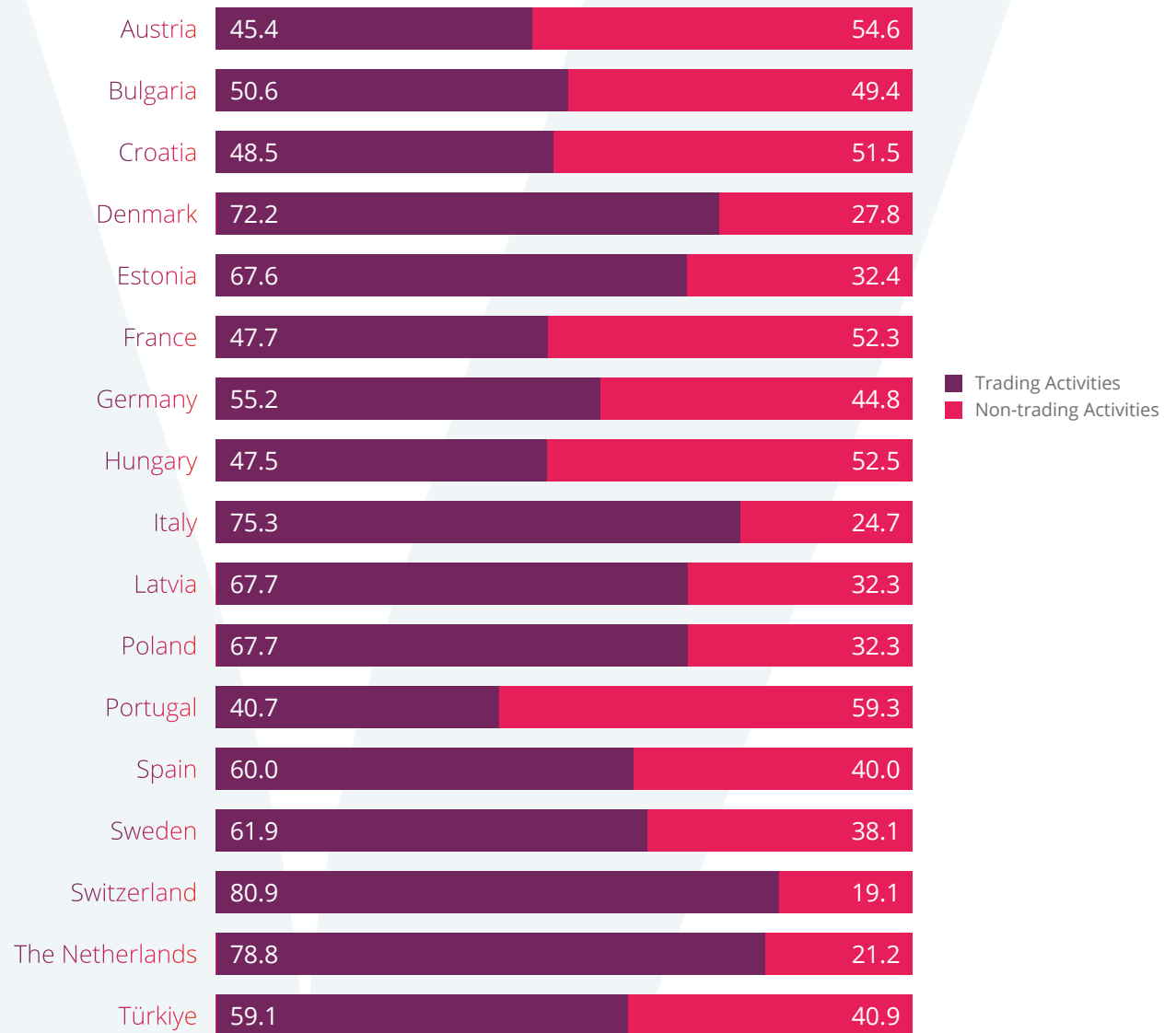
Trading vs. Non-Trading Activities

As flexible, innovative, purpose-driven organisations, SEs seek and leverage a wide array of different income types, deriving from both trading (the sale of goods and services) and non-trading sources (such as grants and donations). On average ESEM SEs generate 60.4% of their income from trading activities, with 39.6% deriving from non-trading activities. Some countries diverge from this division, though, with Switzerland representing the greatest reliance on trading activities, at 80.9% on average, followed closely by the Netherlands (78.8%). Conversely, Portugal relies the most heavily on non-trading activities (59.3% on average) which is followed by Austria (54.6%) and Hungary (52.4%).



On average ESEM SEs generate 60.4% of their income from trading activities, with 39.6% deriving from non-trading activities.

> Average Country Income from Trading vs. Non-Trading Activities



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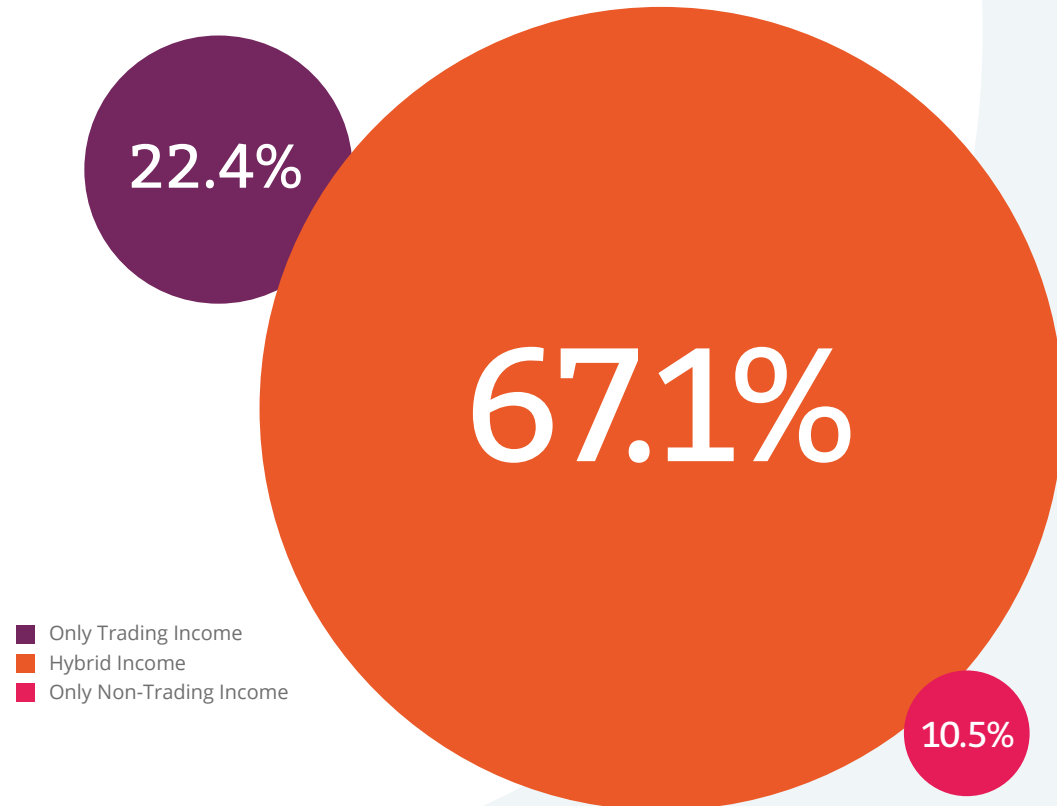
www.smartkolektiv.org/filantropija

Trading, Non-Trading & Hybrid Income

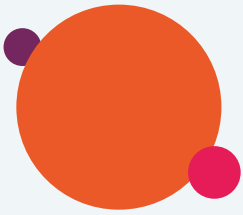
ESEM Average

Looking further at the distribution of income between these two activity categories, at the European level 67.1% of ESEM SEs have hybrid income, deriving from both trading and non-trading activities.

The frequency of hybridity in income ranges from 51.1% of SEs in Italy to 85.4% in Poland – a majority across all countries in the sample. However, 22.4% of ESEM SEs obtain income exclusively from trading activities, while for 10.5% their income derives solely from non-trading activities. Different conceptions of what constitutes a SE prevail across countries, including the relative importance of market (trading) activity and whether or not it is necessary to qualify as an SE. Such differences of opinion are reflected, inter alia, in varying levels of reliance on trading versus non-trading income among ESEM SEs in various countries. In Switzerland, for instance, at least 44.5% of ESEM SEs rely exclusively on trading income, while in Portugal 21.2% rely exclusively on non-trading income.



Austria



12.8% | 69.4% | 17.8%

Bulgaria



19.4% | 77.4% | 3.2%

Croatia



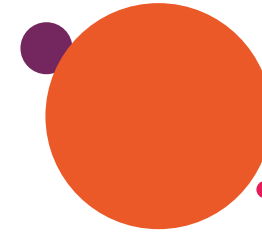
10.4% | 84.4% | 5.2%

Denmark



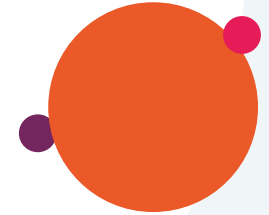
39.5% | 58.1% | 2.3%

Estonia



17.6% | 76.5% | 5.9%

France



12.8% | 74.4% | 12.8%

Germany



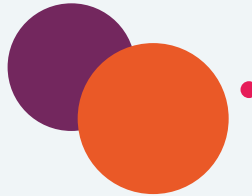
23.1% | 63.0% | 13.9%

Hungary



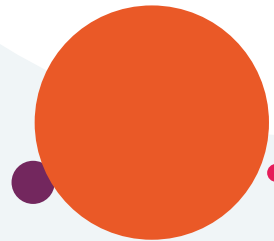
14.9% | 74.5% | 10.6%

Italy



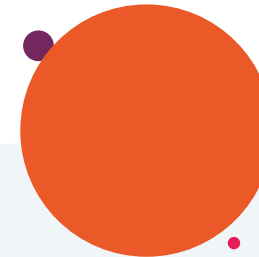
43.2% | 51.1% | 5.7%

Latvia



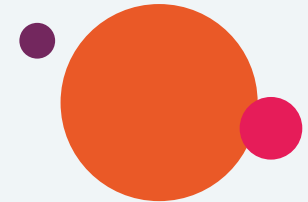
14.6% | 79.3% | 6.1%

Poland



10.4% | 85.4% | 4.2%

Portugal



12.1% | 66.7% | 21.2%

Spain



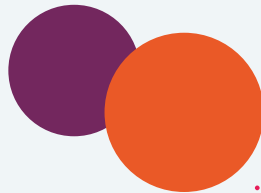
21.3% | 65.0% | 13.8%

Sweden



21.7% | 67.4% | 10.9%

Switzerland



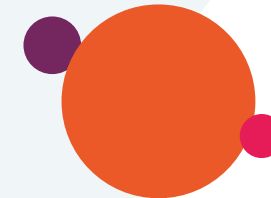
44.5% | 53.9% | 1.6%

The Netherlands



32.5% | 63.6% | 3.9%

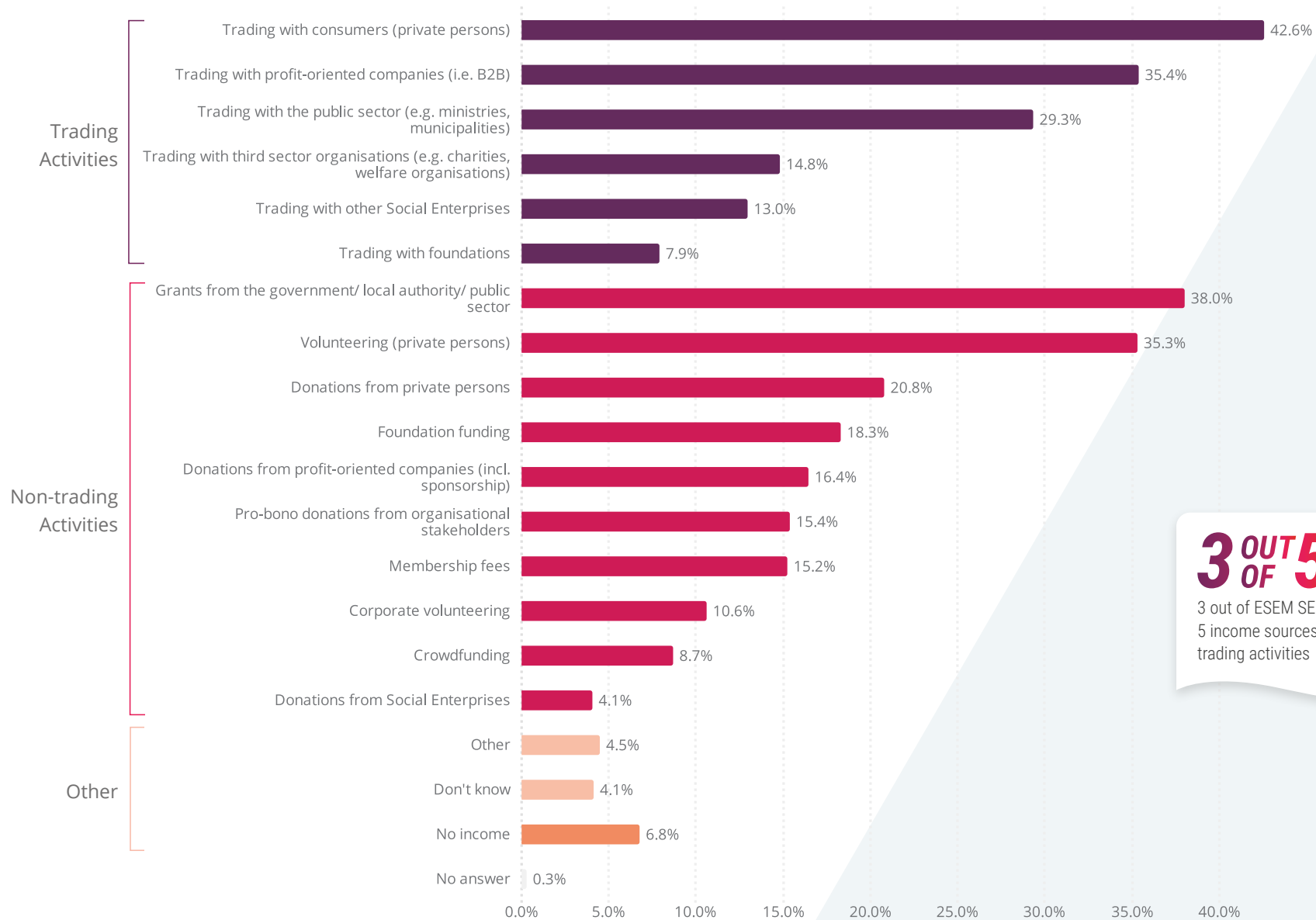
Türkiye



19.5% | 65.6% | 14.9%

■ Only Trading Income ■ Hybrid Income ■ Only Non-Trading Income

> What are your main sources of income? (multiple selections possible)



3 OUT OF 5
 3 out of ESEM SEs' top 5 income sources are trading activities

Main Sources of Income

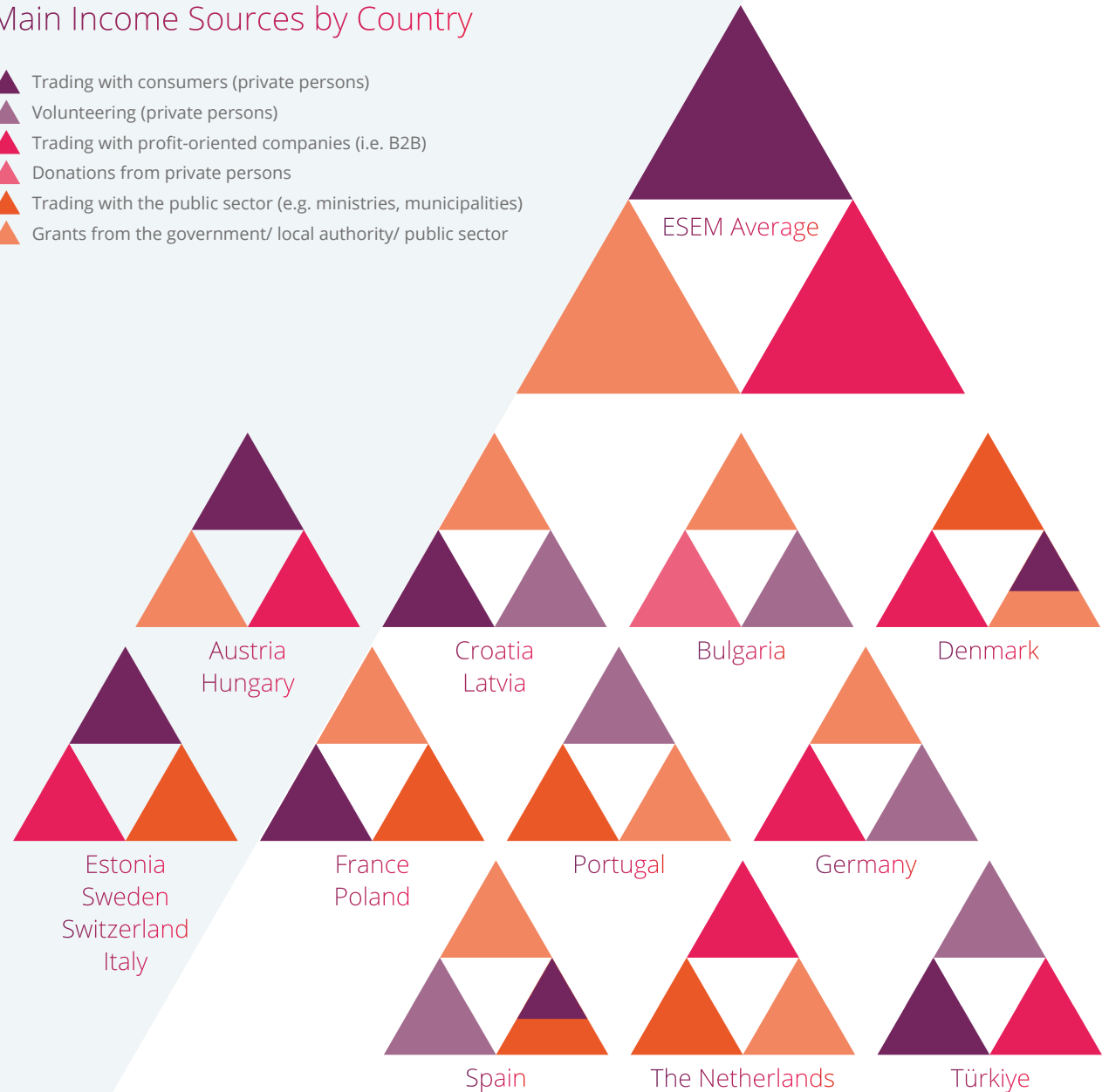
Within the broader categories of trading and non-trading, there is significant diversity in the sources of income sought by ESEM SEs. At the European level, the most common are: 1) trading with consumers (private persons), sought by 42.6% of SEs; 2) grants from the government/local authority/public sector (38.0%); 3) trading with profit-oriented companies (i.e. B2B), at 35.4%; and 4) volunteering (private persons), reaching 35.3%. The least commonly sought are donations from SEs (4.1% of respondents), trading with foundations (7.9%) and crowdfunding (8.7%).

Across countries there are significant ranges and outliers for each income source, such as the 65.2% of Swedish SEs engaging in public sector trading or B2B trading for 59.7% of SEs in the Netherlands. Donations are particularly important in Portugal, received by 33.3% of SEs from organisational stakeholders, from profit-oriented companies by 39.4% of SEs, and by 18.0% of SEs from other SEs; similarly, in Bulgaria and Hungary 48.4% and 46.8% of SEs, respectively, receive donations from private persons. In Türkiye and Italy membership fees are particularly important (25.0% and 24.7%, respectively, as compared to the European average of 15.2%). Foundation funding in Portugal is more than twice the European average (39.4% as compared to 18.3%), as well as in France (33.3%). In France public sector grants are also quite important (61.5% of national respondents). As for crowdfunding, it has not been sought by any ESEM SEs in Estonia or Denmark, while in Germany and France it is nearly double the European average (15.6% and 15.4%, respectively).

This divergence across countries with regard to the relative significance of these different income sources not only further demonstrates the flexibility of the SE model and all of its country-specific adaptations, but also points to the varying availability and accessibility of different types of income across countries.

> Main Income Sources by Country

- ▲ Trading with consumers (private persons)
- ▲ Volunteering (private persons)
- ▲ Trading with profit-oriented companies (i.e. B2B)
- ▲ Donations from private persons
- ▲ Trading with the public sector (e.g. ministries, municipalities)
- ▲ Grants from the government/ local authority/ public sector





5.2 Revenues & Profits

Levels of Revenue

The most common level of revenue (from both trading and non-trading sources) achieved by ESEM SEs ranged between €0 and €50,000 (32.1% of the sample) over a 12 month period. While revenues were on the lower end of the tested range, with 58.4% of the sample making less than €250,000, this is rather to be expected from a sample of which 95.4% of the SEs are classified as SMEs (based on their number of FTE employees), and where 23.4% are only in the seed or startup phase. However, notably, there are also a number of ESEM SEs making significant revenues – 14.3% exceeded €1 million and 4.9% even exceeded €5 million.

Generally speaking, lower levels of revenue were seen across CEE countries (as in Bulgaria, where a 51.6% of the sample brought in €50,000 or less), whereas higher levels were more common in Western European countries such as Spain and Austria (where 15.0% and 10.5% of the country samples exceeded €5 million, respectively). This can be explained, at least in part, by other aspects of the data where Spain and Austria constitute outliers. Spain has the highest percentage of large SEs, with 25.1% employing more than 50 FTE workers (of which 13.8% employ more than 249 FTE and 5.0% employ more than 499 FTE). In Austria, 41.5% of the sample falls within the final development phase – the steady stage – implying these SEs have had time to build their businesses and grow their revenue to higher levels.

The broad trends in revenue remain constant at the European level even when one excludes non-trading income, with 44.9% of SEs achieving revenues of between €0 and €50,000, 65.9% making less than €250,000, and only 9.8% exceeding

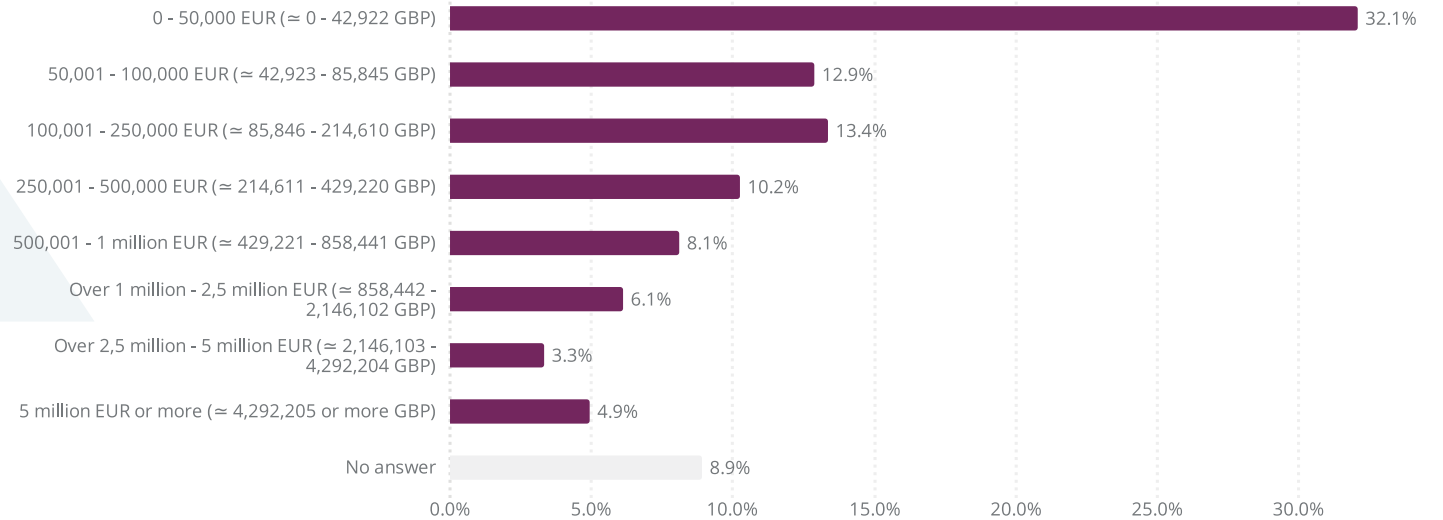


Notably, there are also a number of ESEM SEs making significant revenues – 14.3% exceeded €1 million and 4.9% even exceeded €5 million.

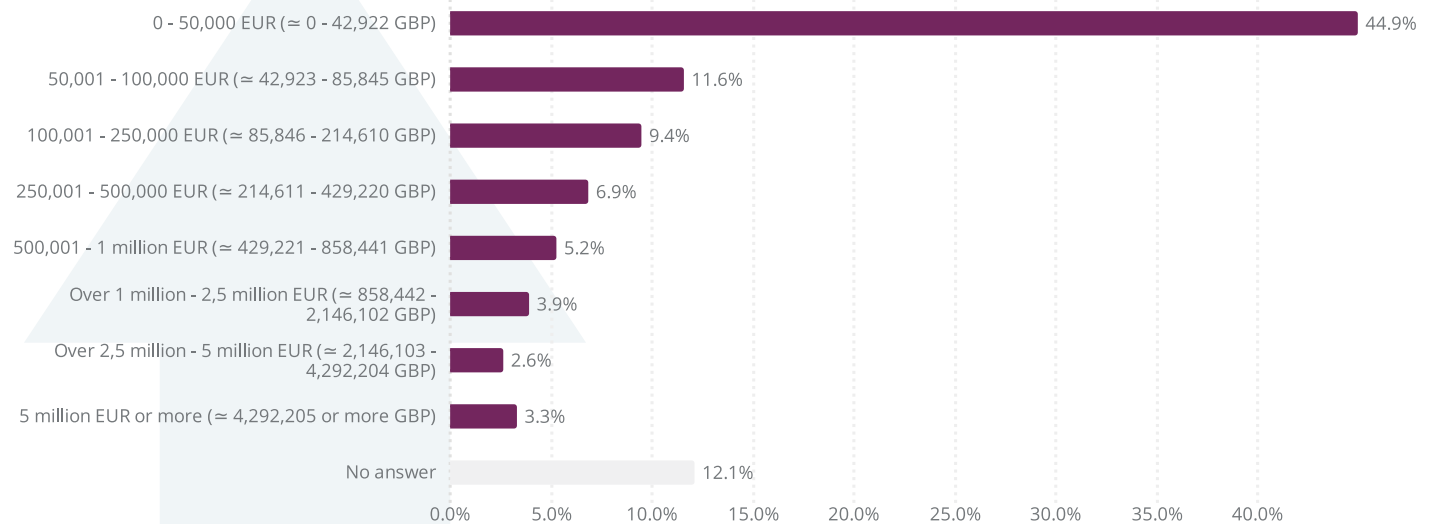
€1 million. Similarly, the concentration of lower revenues in Eastern Europe also prevails and is further amplified, with all respondents answering from Hungary making €500,000 or less.

Levels of historical revenue were closely correlated with development stage. Essentially, the higher the level of revenue (both including and excluding that from non-trading activities), the greater the number of SEs in that revenue category that were in the late implementation or steady stage, while the lower the level of revenue, the greater the number of SEs in that revenue category that were in the seed or start-up stage. Interestingly, the dispersal of SEs in the early implementation stage was fairly consistent across revenue levels, though slightly skewed towards lower levels of revenue.

> What are your total revenues of the last 12 months? Including trading income (sold products, services) and non-trading income (donations, grants)



> What are your revenues of the last 12 months, due to sold products and services? Excluding non-trading income (donations, grants, etc.)



Changes in Revenue

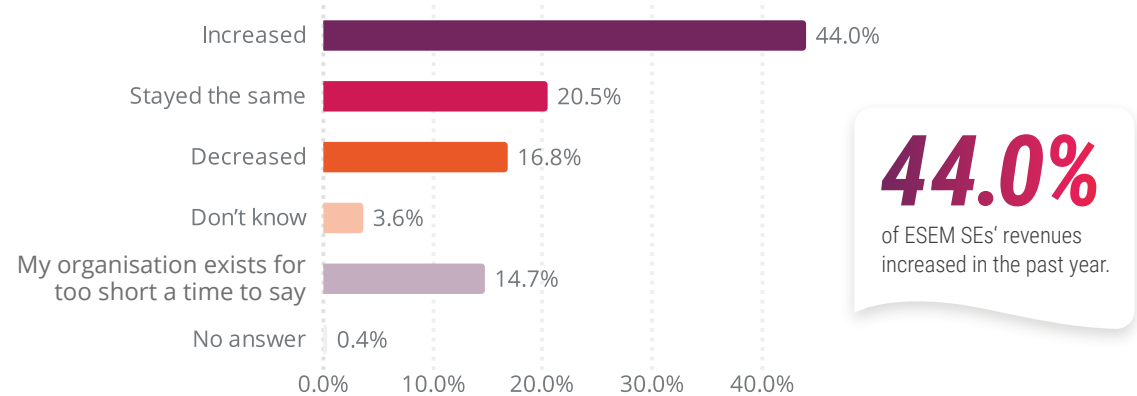
At the European level, changes in revenues for ESEM SEs had largely been positive or neutral in the past 12 months compared to the previous 12 months. For 44.0% of the sample revenues had increased, while remaining constant for 20.5% and decreasing for only 16.8%, demonstrating that despite the lingering challenges of the pandemic and subsequent economic disruptions, ESEM SEs have performed quite well.⁷⁴ Increased or constant revenues were more common in the (early and late) implementation and steady stages, while decreased revenue was also most common in the steady stage and least common for start-ups. The countries with the greatest concentration of revenue growth were Denmark (55.8% of SEs), Spain (56.3%), and the Netherlands (54.6%), while decreased revenue was most prevalent in Poland (32.3%), Sweden (30.4%), and Hungary (27.7%).



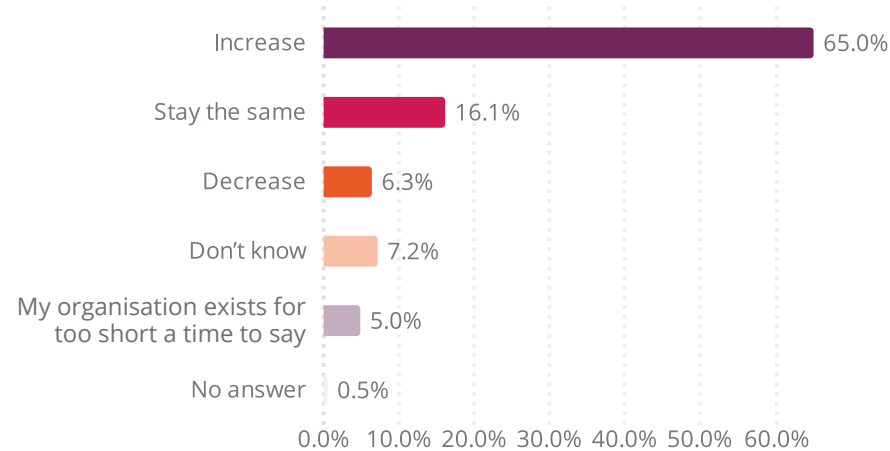
Despite the lingering challenges of the pandemic and subsequent economic disruptions, ESEM SEs have performed quite well.

Not only did ESEM SEs perform relatively well over this historical period, but they also had generally positive expectations for the year to come. A total of 65.0% expected their revenues to increase, while only 6.3% predicted a decrease. Across all development phases, with the exception of the steady stage, the majority of respondents expected increases.

> Compared with the previous 12 months, have your revenues in the past 12 months increased, decreased, or stayed roughly the same?



> Thinking about the next 12 months, do you think your revenues will increase, decrease or stay the same?



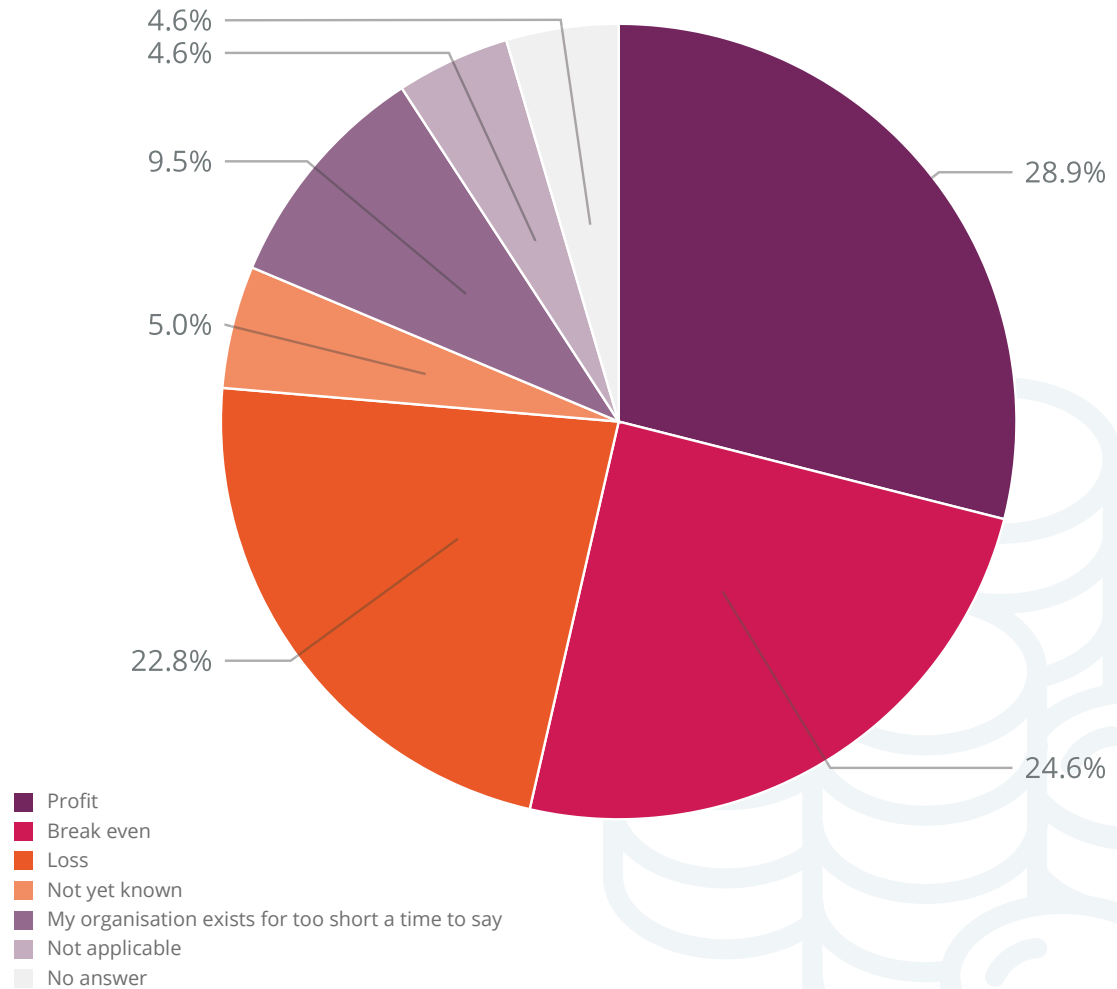
⁷⁴ It is important to note, however, that this sample is not necessarily representative of the broader financial performance of SEs across Europe, as SEs who ceased to operate during this period were not able to participate in the survey. Their exclusion may therefore mean that the actual changes in revenue for European SEs over this period were less positive than is reported here.

Profits

Looking beyond revenues, on average 28.9% of ESEM SEs made a profit over the past year, while 24.6% broke even and 22.8% made a loss. These numbers are comparable with the 2020-2021 ESEM, though promisingly, a (slightly) smaller percentage of the present sample made a loss (down from 27%). Profitability or break even was most common in the late implementation, steady, and early implementation stages of growth. While slightly more prevalent in the startup stage and slightly less prevalent in the late implementation stage, the percentage of SEs making a loss held relatively steady across stages.

While there was a correlation between profitability and growth stage, a myriad of other factors also played a role, including context-specific variables as indicated by the variation in profitability across countries. Profitability was most likely in Spain (42.9% of SEs) and least common in Germany (22.3%), while it was most common to make a loss in Poland (32.2% of SEs) and least common in Portugal (6.1%). There did not appear to be any regional patterns in terms of profitability distribution. While in almost all countries a fairly significant percentage of the SEs made a loss, in no countries was this the majority, and in 14 out of 21 countries the majority were either making a profit or breaking even. Though these numbers hint at both the profitability potential of SEs and the significant challenges that they face, it is also important to note that profitability, in and of itself, is not the ultimate goal of an SE, but is rather pursued in order to enable reinvestment for the continuation and enhancement of the SE's social mission.

> Regarding the last year, did you make a profit, a loss or did you break even?





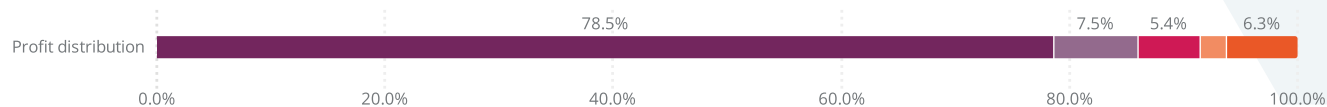
Distribution of Profits

The study also investigated the particular distribution of SE profits, and of the respondents reporting on this (n=1299, or 68.1% of the total study sample),⁷⁵ a full 86.0% indicate that these are used 'mainly' or 'mostly to exclusively' for the social or environmental purpose of the organisation. Indeed, only 7.7% of reporting respondents use profits 'mainly' or 'mostly to exclusively' for the purpose of private shareholders, strongly affirming the commitment of ESEM SEs to creating positive impact rather than narrowly pursuing individual benefit.

However, variation between countries also suggests a diversity of opinion on the extent to which redistribution of profits relates to classification as an SE. Distribution 'mainly' or 'mostly to exclusively' for organisational purposes is highest in Denmark (100% of respondents reporting on distribution of profits), followed closely by Sweden (96.6%, all of which are

answers of 'mostly to exclusively') and Spain, while it is lowest in Türkiye (65.3%). Generally, though, distribution ('mainly' or 'mostly to exclusively') for private purposes is quite low across all countries, only reaching as high as 20.0% of reporting SEs in Poland and 15.0% in Bulgaria. Indeed, in 12 of the 21 participating countries, 0.0% of the respondents reporting on this matter indicate that they distribute profits mainly for private purposes. In fact, 0.0% of the Danish respondents indicate that profits will be used, to any extent ('partly,' 'mainly,' or 'mostly to exclusively'), for private purposes, despite the RSV law allowing SEs to allocate up to 35% of profits to owners or investors.⁷⁶ This would seem to suggest that (at least among the ESEM SEs in Denmark) redistribution for social impact is an important intrinsic decision rather than an extrinsic imposition on SEs, though it is also influenced, as reported by country experts, by the limited frequency of SEs possessing investors.

> Please indicate the approximate distribution of profits of your organisation:



- Mostly to exclusively for the purpose of the organisation
- Mainly for the purpose of the organisation
- Partly for private purpose, partly for the purpose of the organisation
- Mainly for private purpose
- Mostly to exclusively for private purpose

86.9%

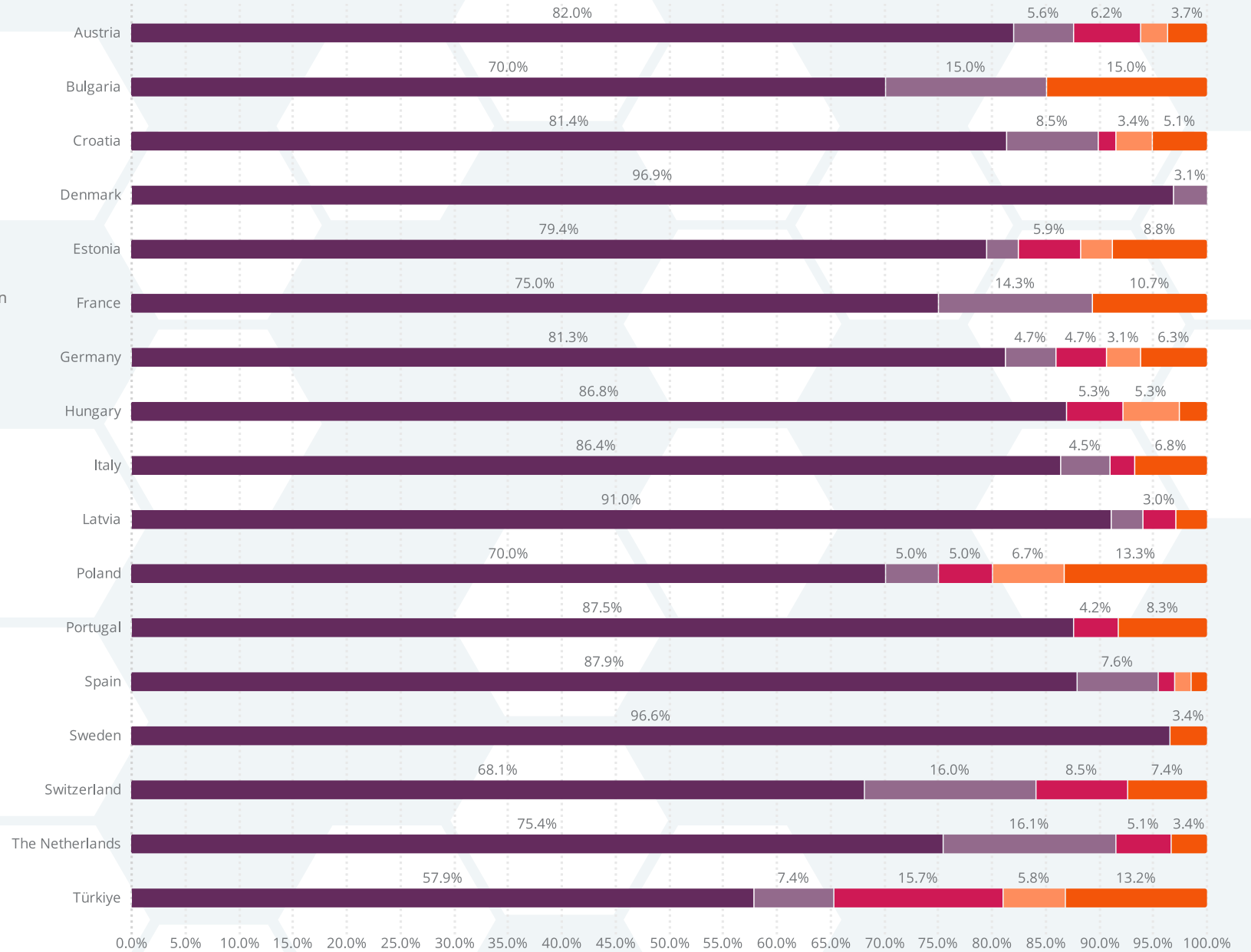
of reporting ESEM SEs distribute profits 'mainly' or 'mostly to exclusively' for the purpose of the organisation.

⁷⁵ For these analyses, including Graph 5.2.5 and Table 5.2, n=1299 because blank responses have been excluded, such that only SEs reporting (in the survey) on their distribution of profits are considered. It is assumed that at least some of those SEs not reporting on profit distribution do so because they do not make any profits.

⁷⁶ OECD, *Designing Legal Frameworks for Social Enterprises*.

> Distribution of Profits Across Countries

- Mostly to exclusively for the purpose of the organization
- Mainly for the purpose of the organization
- Partly for private purpose, partly for the purpose of the organization
- Mainly for private purpose
- Mostly to exclusively for private purpose



5.3 Financial Planning

Particularly in this era of Covid-19 and economic uncertainty, long-term financial planning has been challenging for SEs.

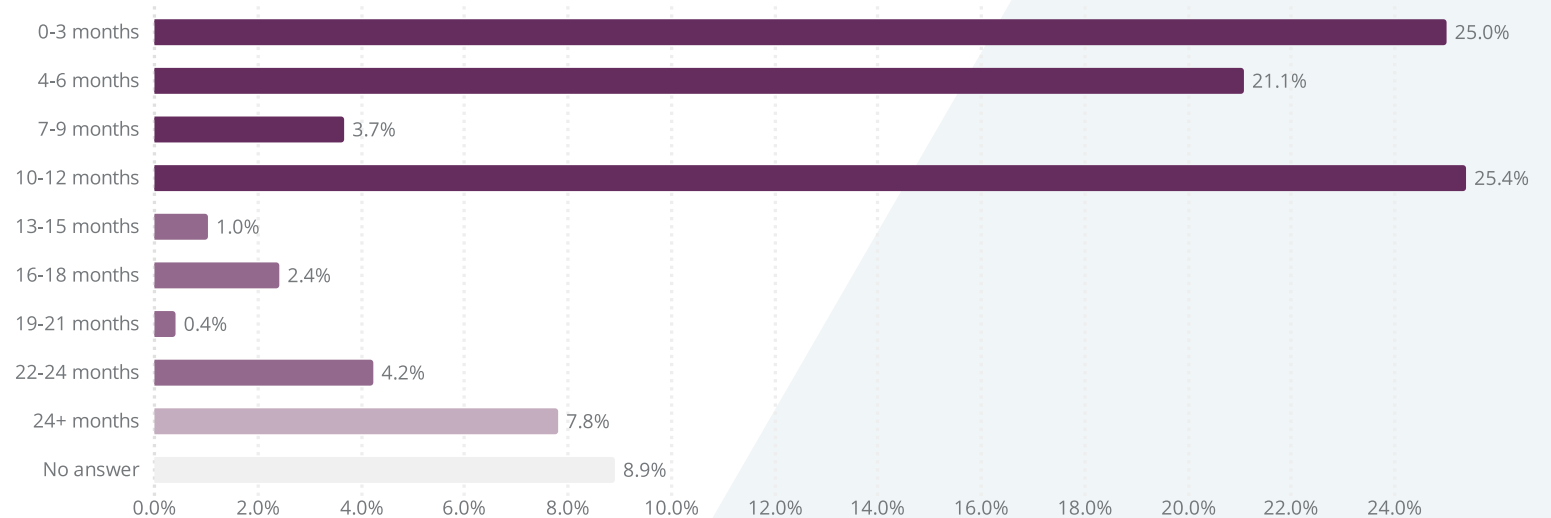
As in the 2020-2021 study, the EU averages for length of financial planning among ESEM SEs indicate a general sense of insecurity. The most common timespan for which SEs have safe financial planning is 10-12 months (25.4% of respondents), followed closely by periods of 0-3 months (25.0%) and 4-6 months (21.1%). A full 46.1% of SEs have planning stability for 6 months or less, an alarming 75.2% for a year or less, and only 7.8% of respondents have safe planning for more than 2 years.

While there is some correlation with development stage, it is concentrated at either end of the planning horizons considered. Seed stage SEs are most likely to have safe financing for 0-3 months (35.4%, as compared to only 14.5% in the late development stage), while steady stage SEs are most likely to have horizons exceeding 24 months (11.8% as compared to 4.7% of seed stage SEs). Otherwise, this relationship was rather limited, with the majority of SEs in each stage having safe financial planning for 12 months or less, ranging from 68.9% (of late implementation stage SEs) to 79.7% (of early implementation stage SEs). This would seem to suggest that other and broader contextual factors are perhaps

more to blame for this general insecurity than the length of the SEs' existence.

One such factor is national context, as indicated by country outliers. In Poland, 86.5% of respondents have safe planning for a year or less, while in Spain none (0.0%) of the SEs indicate stability for more than two years. Conversely though, in Denmark 20.9% of respondents have safe planning for 2 years or more, pointing once again to the need to investigate and learn from positive outliers and to exchange best practices across countries.

> For how long does your organisation have safe financial planning?



> % of ESEM SEs with Various Financial Planning Horizons

■ Highest
■ Lowest

Country	0 - 3 months	0 - 12 months	24+ months
ESEM Average	25.0%	75.2%	7.8%
Austria	13.2%	71.7%	8.9%
Bulgaria	25.8%	83.9%	3.2%
Croatia	42.9%	80.5%	3.9%
Denmark	23.3%	53.5%	20.9%
Estonia	41.2%	84.3%	9.8%
France	12.8%	71.8%	7.7%
Germany	29.2%	78.0%	5.6%
Hungary	34.0%	83.0%	8.5%
Italy	15.9%	68.2%	6.8%
Latvia	30.5%	82.9%	8.5%
Poland	43.8%	86.5%	2.1%
Portugal	24.2%	78.8%	6.1%
Spain	7.5%	73.8%	0.0%
Sweden	47.8%	78.3%	10.9%
Switzerland	27.3%	80.5%	4.7%
The Netherlands	16.2%	64.3%	15.6%
Türkiye	22.3%	68.4%	12.6%



A full 46.1% of ESEM SEs have planning stability for 6 months or less, an alarming 75.2% for a year or less, and only 7.8% of respondents have safe planning for more than 2 years.



5.4 Financing & Investments

Financial Needs

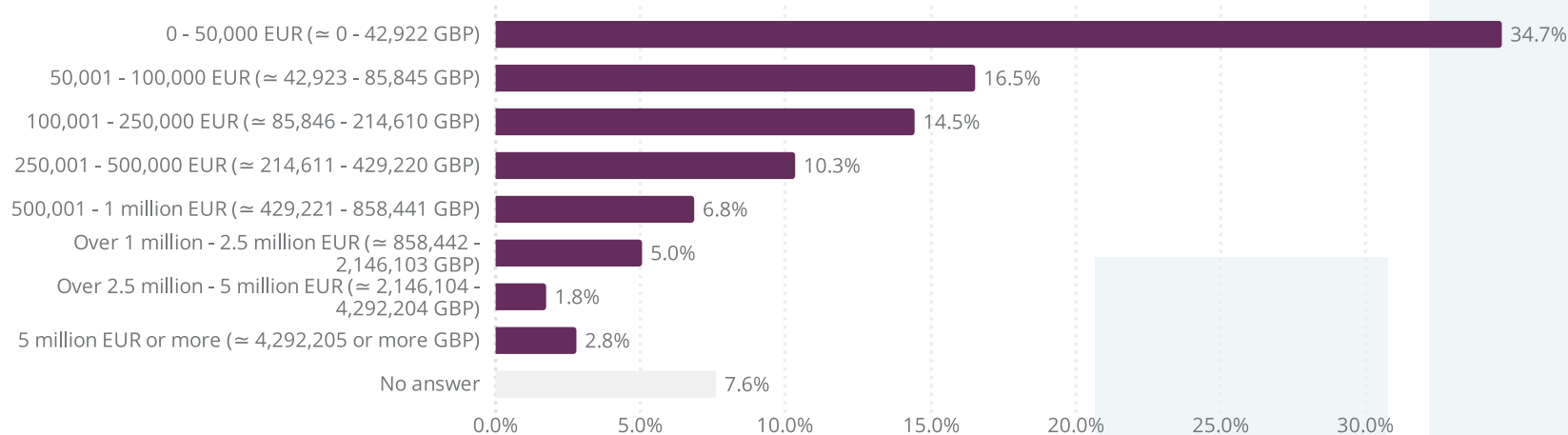
For their daily operations and delivery of impact, as well as for their planned growth over the short and long term, SEs require funds. The level of financial needs varied among the 92.9% of ESEM SEs who indicated that they had sought financing in the past year (n=1771). The most common range was from 0 to 50,000 EUR (34.7% of ESEM SEs who sought financing), and for the majority (65.7%) financial needs were 250,000 EUR or less. Only 9.5% of these ESEM SEs had needs exceeding 1 million

EUR. Across all development stages, the most common range was 0 to 50,000 EUR, though the highest concentration at this level was among seed and startup stage SEs. Conversely, of those participants seeking financing whose needs exceeded 5 million EUR, a majority (51.0%) were steady stage SEs. Financial needs were also correlated with the number of staff employed – higher amounts were associated with greater numbers of staff.

92.9%

of ESEM SEs indicated that they had sought financing in the past year.

> What have been your financial needs in the last 12 months?



Sources of Financing

In their endeavours to address these needs ESEM SEs sought financing from a diverse array of sources, mirroring their flexibility and diversification in sources of income. Over the 12 months preceding the study, the most commonly sought financing at the European level was public financing (44.2% of respondents), followed closely by self-financing in the form of cash flow (41.1%) and SEs' own savings (39.4%). While demonstrating the importance of public sector support for SEs, this data also indicates the self-reliance and market orientation of SEs. The least commonly sought types of financing were IPOs and stock exchanges (0.5% of the sample), venture debt (2.2%) and mortgages (2.9%), which is unsurprising given that most ESEM SEs are SMEs not (yet) at the stage of growth where public trading on a stock exchange is a viable financing option (nor might this necessarily be an objective of such impact-oriented entities). It is also worth noting that a full 7.1% of respondents across the European sample did not request any financing over the past 12 months.

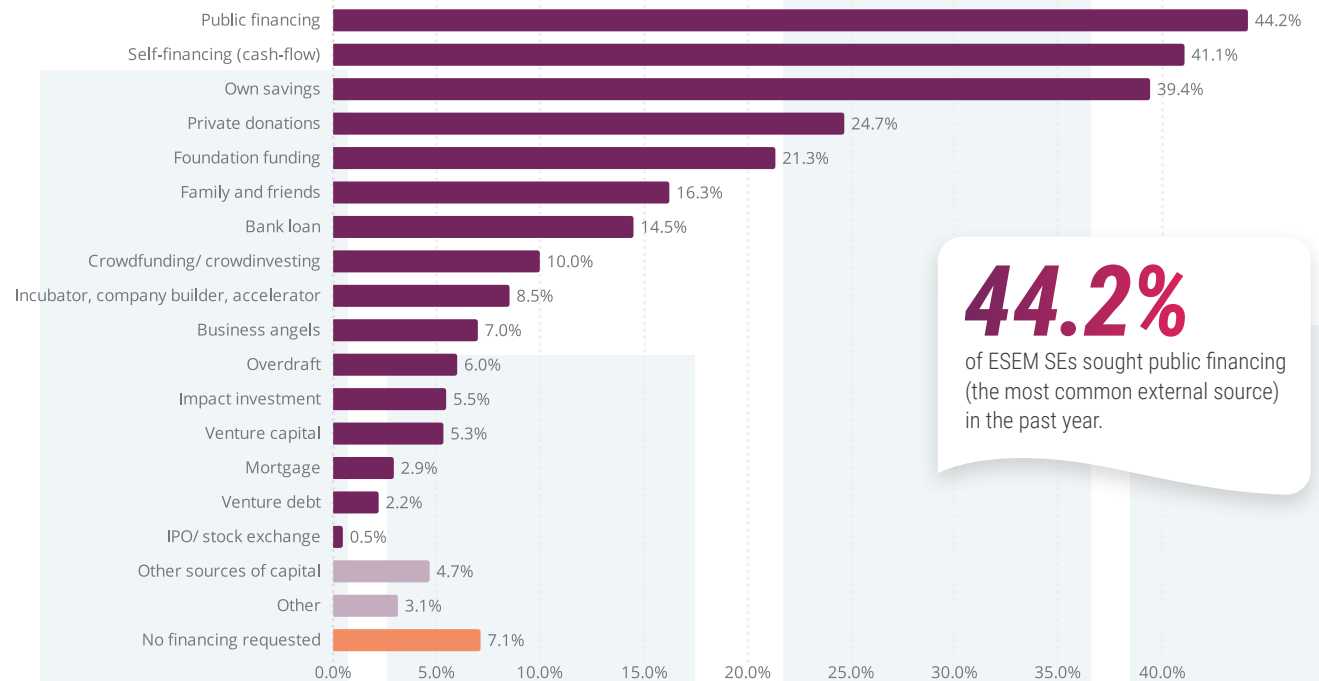
There were several correlations between the types of financing sought and the stage of SE development. The more advanced the stage, the more likely SEs were to request public financing; additionally, bank loans and private donations were more common in the implementation and steady stages. These trends can likely be explained, at least in part, by the requirements around credibility and operational history that are required to access such types of financing. For likely similar reasons, the use of less formal and more easily accessible sources such as own savings and financing from friends and family were much more common in the earlier seed and start-up phases, as was incubator/company builder/accelerator funding, which is targeted towards these earlier stage SEs. Also important during the crucial start-up stage were venture capital and business angels. Sources such as impact investment and crowdfunding were most common in the early implementation phase, once the SEs' proof of concept had been tested and had indicated growth potential.



There were several correlations between the types of financing sought and the stage of SE development.

> What types of financing did you request in the last 12 months?

(multiple selections possible)



44.2%

of ESEM SEs sought public financing (the most common external source) in the past year.

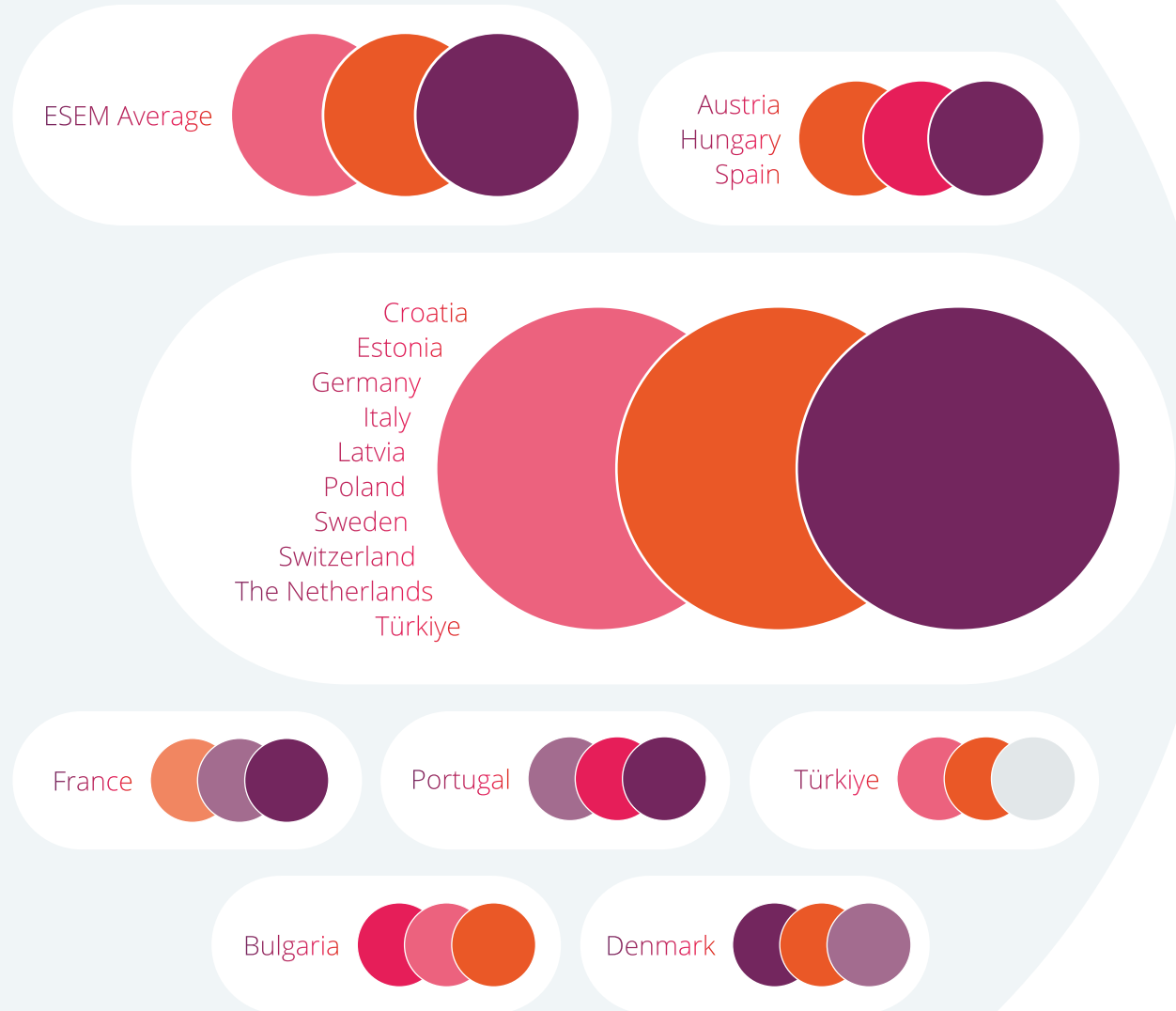


Certain sources of financing may be perceived by SEs as too inaccessible or as having too low a potential success rate, thus precluding any applications.

For each of the types of financing queried, there were various country outliers. Public financing and foundation funding were much less common in Türkiye (sought by only 4.5% and 2.4% of national respondents, respectively), as was the use of own savings and self-financing in France (6.2% and 7.8%, respectively, of the national sample). In a number of countries, sources such as venture debt, venture capital, impact investment, and crowdfunding/crowdfunding were not sought by any of the respondents (0.0%). Such discrepancies point not only to the flexibility of SEs with regard to funding models, but also to the relative (un)availability and (in)accessibility of various financing sources across countries. Indeed, certain sources of financing (such as EU funding, discussed in section 5.5) may be perceived by SEs as too inaccessible or as having too low a potential success rate, thus precluding any applications. This data on financing sources sought should therefore not be taken as fully representative of the types of financing that SEs would like to seek.

> Top Financing Sources Sought by Country

- Public financing
- Self-financing (cash-flow)
- Private donations
- Own savings
- Foundation funding
- Bank loan
- Family and Friends



Outcomes of Financing Applications

Overall, though, ESEM SEs were generally quite successful in accessing the financing that they sought, with relatively few respondents being denied funding across all sources surveyed. Across the entire sample of ESEM SEs that sought financing (n=1771), the most successful source was public financing, with 38.3% of these finance-seeking SEs obtaining some amount⁷⁷ of such funding.

Considering the outcomes for each particular source of financing,⁷⁸ and not including internal sources such as self-financing and own savings, among the highest rates of success were mortgages (obtained by 83.9% of the ESEM SEs seeking this particular financing), private donations (82.6%) and foundation funding (81.8%). High success rates were also seen for financing from family and friends (80.6%), as well as crowdfunding and public financing (both at 80.5%). While IPOs and stock exchanges were also highly successful, at a rate of 88.9%, since they were pursued by very few ESEM SEs (n=9) this cannot be taken as broadly representative of SEs' experience in seeking such financing. Looking at the financing sources where ESEM SEs achieved the highest rates of success in obtaining the full amount of funding sought, mortgages were first (66.1% of the SEs who sought this funding), followed by bank loans (54.5%) and 'other' financing sources (48.3%).

Of all the sources surveyed, the least successful was venture capital, with only 60.8% of the SEs seeking this source succeeding in their attempts to access some amount of such funding. Other types of financing with relatively low success rates were: venture debt (61.9%); business angels (63.9%); and incubators, company builders and accelerators (68.5%). The highest rates of unsuccessful attempts were seen for venture capital (with 17.6% of the SEs who applied for it being denied) and business angels (16.5%).



During the 12 months prior to the study, on average ESEM SEs submitted requests for 69.8% of their financial needs, and managed to secure 60.7% of those needs.

During the 12 months prior to the study, on average ESEM SEs submitted requests for 69.8% of their financial needs, and managed to secure 60.7% of those needs. Of the financing secured, 17.2% on average originated outside ESEM SEs' country of origin. While the limited gap between financing requested and secured is a positive indicator, that on average 39.3% of SE funding needs were unmet is highly problematic, and points to the need to support SEs in making and obtaining additional financing requests.

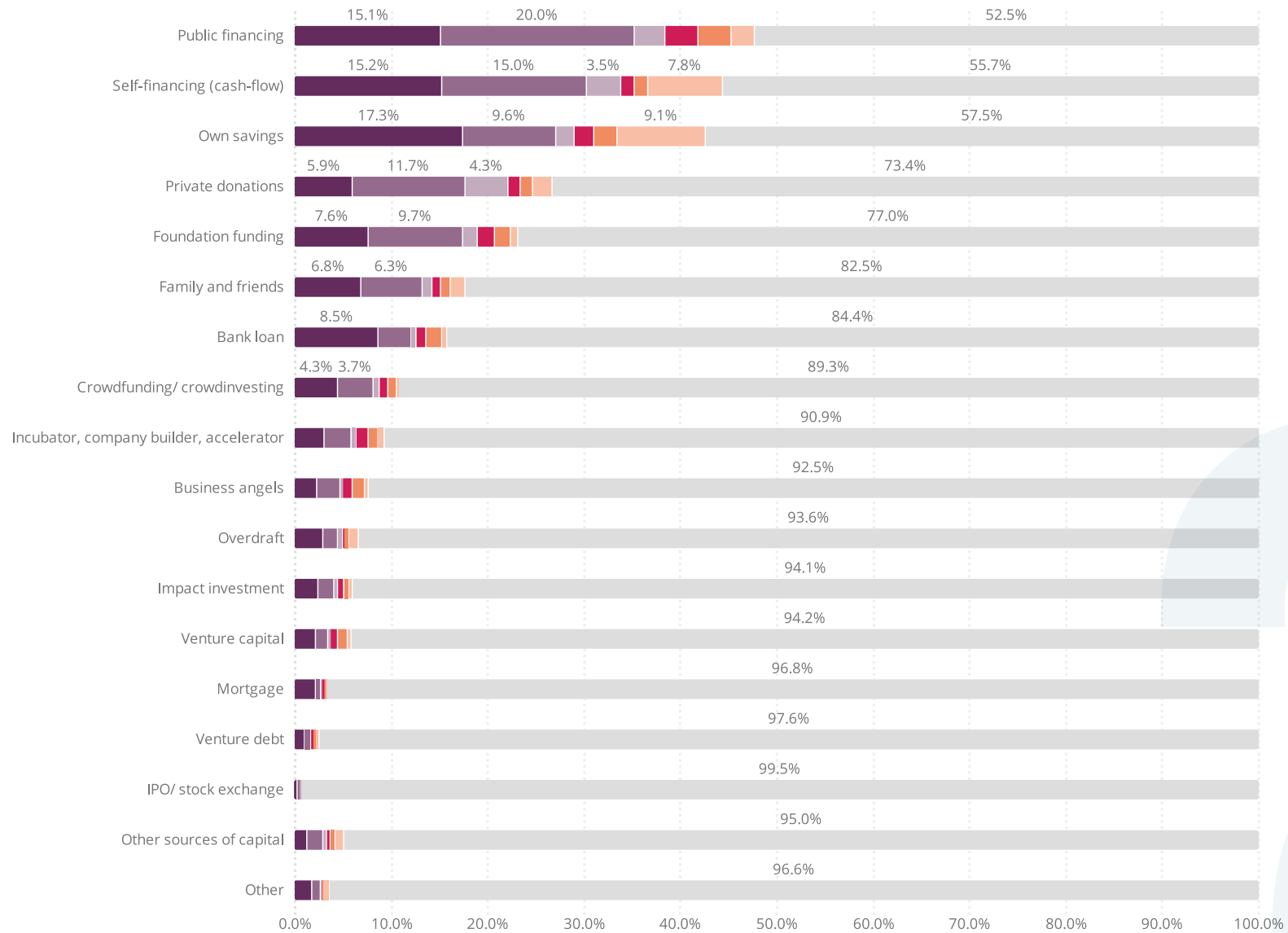


⁷⁷ Including those who received full, partial, or as yet undetermined amounts of financing.

⁷⁸ As a proportion of those who sought a particular source of financing. The rates of confirmed success and failure might in reality differ slightly, as some respondents who indicated requesting certain financing sources did not answer the subsequent question about the success of these requests.

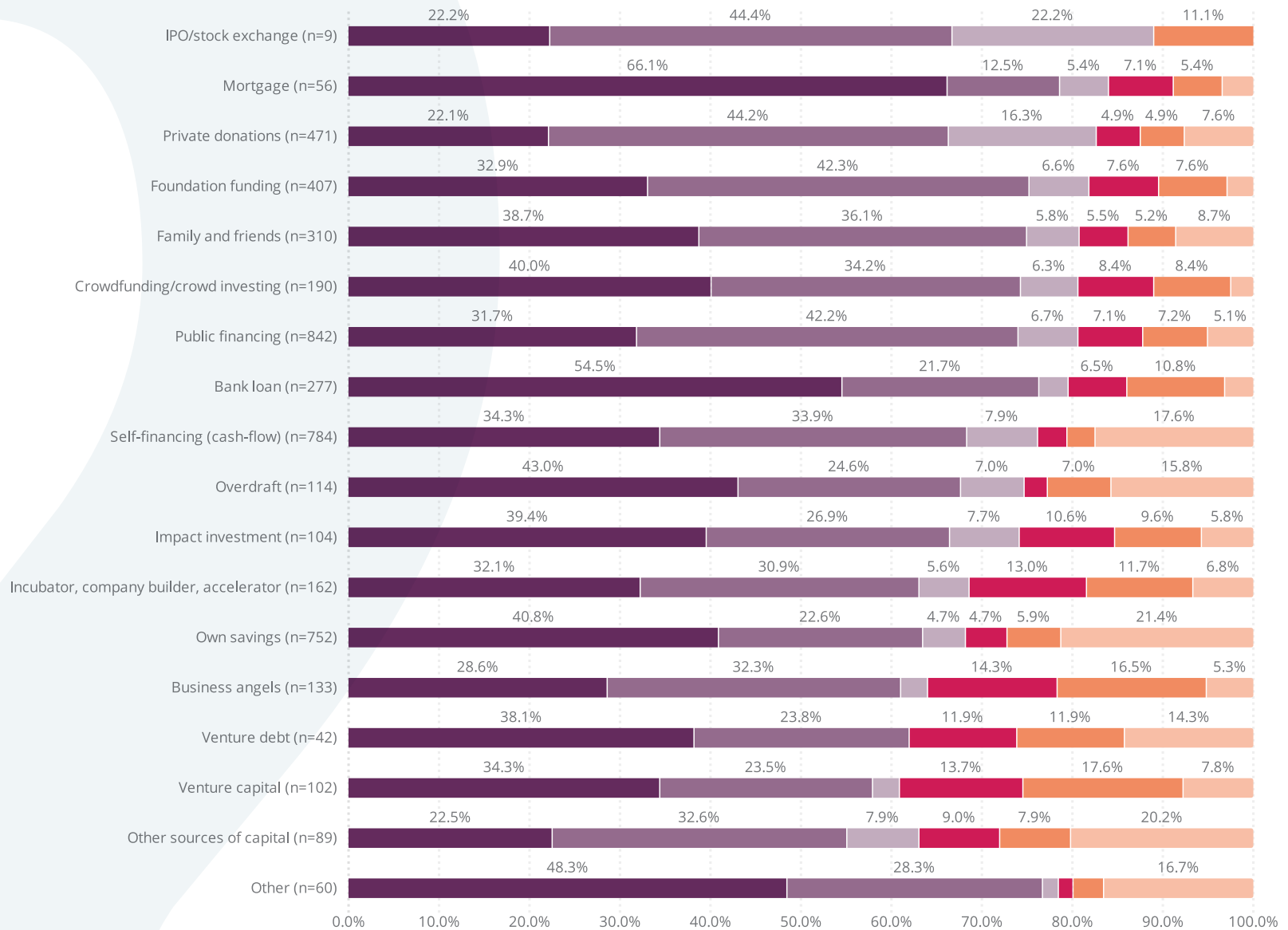
> If you applied for financing was it successful? (n=1771)

- Yes, we got the full amount of requested financing
- Yes, we got part of requested financing
- Yes, but we do not know yet how much we will get
- We do not know yet
- No, we did not get the financing
- No answer
- We did not apply for this type of financing



> If you applied for a particular type of financing, was it successful?

■ Yes, we got the full amount of requested financing
 ■ We do not know yet
■ Yes, we got part of requested financing
 ■ No, we did not get the financing
■ Yes, but we do not know yet how much we will get
 ■ No answer





That on average 39.3% of SE funding needs were unmet is highly problematic, and points to the need to support SEs in making and obtaining additional financing requests.

5.5 EU Funding

Importance of EU Funding

While not dominant, EU funding still represents an important source of financing for ESEM SEs. 34.1% of the European sample had previously applied, while an additional 6.5% was not sure about their SEs' history with such funding applications. Once again this funding was correlated with development stage, with the likelihood of having applied rising in the later stages as compared to the seed and start-up phases. The highest application rates, as a proportion of the SEs in each stage, were seen in the late implementation (41.7%), steady (38.9%) and early implementation (34.1%) stages.

EU funding applications were also more common in certain countries as opposed to others, ranging from 81.8% of the Croatian sample to 9.4% of the Swiss SEs. High application rates were also seen in Portugal (69.7%) and Bulgaria (58.1%), while the Netherlands (14.3%) and Denmark (16.3%) also indicate a limited propensity to apply.

Types of EU Funding Sought

Among the 34.1% of ESEM SEs that had previously applied for EU funding (n=652) the most frequently sought instruments were ESF (43.6% of applicants) and Erasmus+ (29.9%) – particularly among later stage SEs – as well Horizon 2020 (15.2%). All other funds surveyed had quite low application rates; it is also worth noting that no seed stage SEs applied for AMIF, LIFE, COSME, or Europe for Citizens. The popularity of funds also varied by nation, and for every funding option there was at least one country from which none of the respondents in the sample had applied.

Historical Reasons For Not Applying

Among the 59.4% of ESEM SEs that have never applied for EU funding (n=1132),⁷⁹ various reasons were given as explanations for not applying.

The most common rationales were:

45.6% too complex and time-consuming to apply.

38.5% were not aware of the opportunity.

24.4% the success rate for gaining funding was too small.

There were some small correlations with development stage, with the likelihood of 'lack of awareness' as a reason not to apply decreasing over time (dropping from 47.3% in seed stage to 29.7% in steady stage) while 'no funding available related to my mission' became slightly common in later phases. This data points to the need for EU funding opportunities to be made more accessible for SEs, particularly those in earlier stages of development, and to the importance of SESOs in supporting SEs with such applications. Another key implication is that a further need exists for the introduction of new EU funding instruments that are more aligned to the purposes and needs of SEs (or, alternatively, the adaptation of existing opportunities).

Various reasons were also more common in certain countries than others. In Sweden, applications were perceived as particularly complex and time-consuming (by 70.0% of the non-applicant sample) and the co-financing rate was seen as



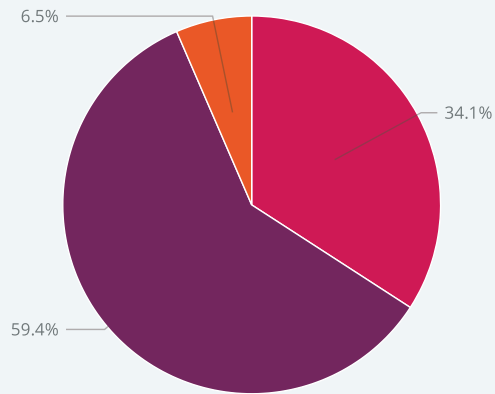
This data points to the need for EU funding opportunities to be made more accessible for SEs, particularly those in earlier stages of development, and to the importance of social enterprise support organisations (SESOs) in supporting SEs with such applications.

too high (33.3%). Excessive financial capacity obligations were perceived as particularly problematic among the ESEM SEs in Poland (32.5%), for whom it was also common that there was no funding available related to their mission (22.5%). In Austria, too high obligations for operational capacity were perceived as particularly significant (28.9%), while nearly half (46.2%) of the non-applications from Croatia reported that there was no programme available that fit their needs and 57.6% of the Dutch SEs that did not apply responded that they were not aware of the opportunities. Such differences across countries may derive from many sources, but broadly indicate that different country contexts and the differing opportunities and constraints for accessing various types of funding perhaps necessitate country-specific approaches to making EU funding (as well as other types of financing) more accessible.

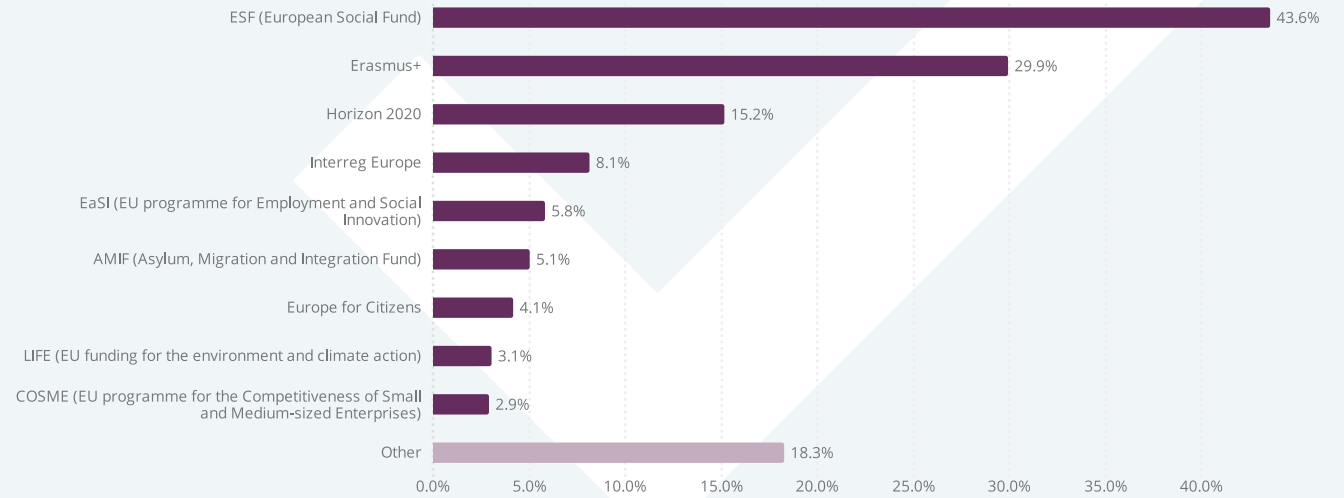
⁷⁹ Participants who answered 'don't know' to the question about whether or not they had previously applied for EU funding are excluded from this analysis, as it is not clear whether they are unsure if their SEs have applied or if they are instead unsure about which funds their SEs have applied for. This analysis rather focuses on those participants identified as never having applied (n=1132).

> Did you ever apply for EU funding?

■ Yes
■ No
■ Don't know

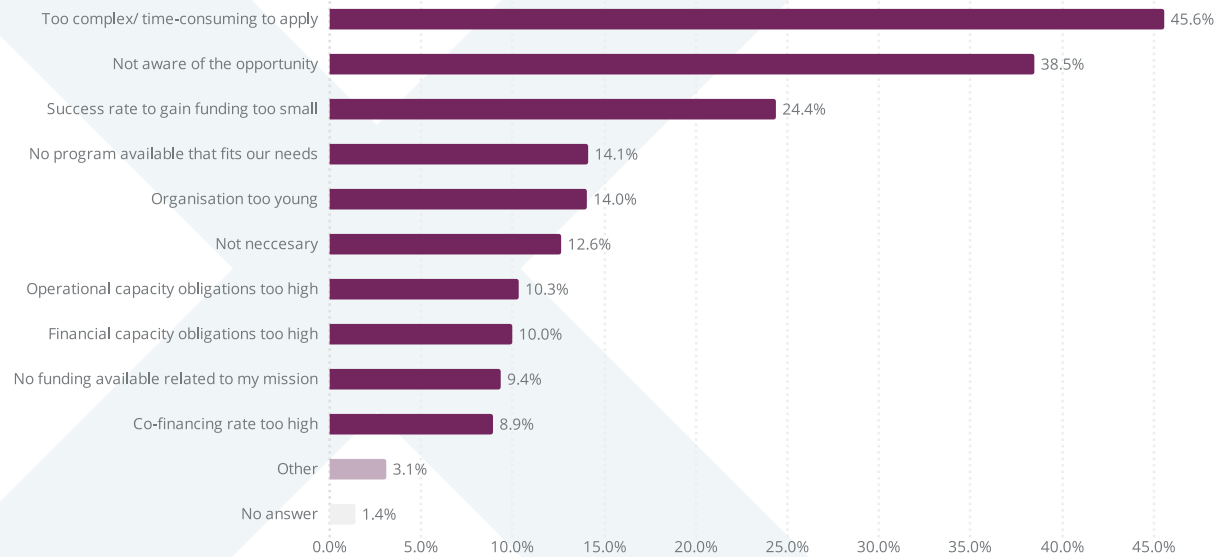


> If yes, for which EU funding did you apply? (n=652)

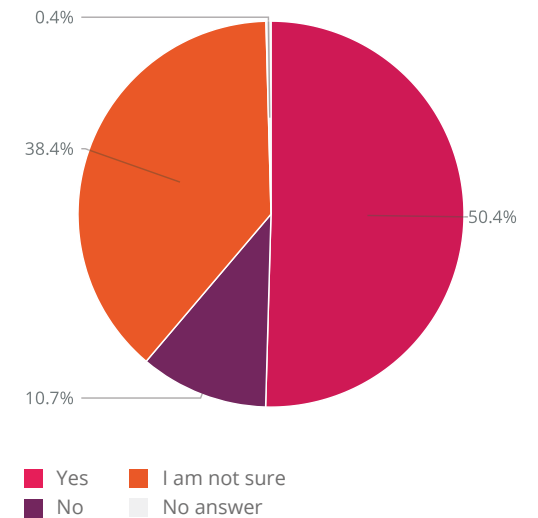


> If no, what were the reasons you did not apply for EU funding?

(n=1132)



> Do you expect to apply for EU funding in future?



Likelihood of Future Applications

A slight majority of the European sample indicated that they would apply for future EU funding rounds (50.4% of all ESEM SEs). Of the SEs that had previously applied for funding, the number was 78.8%, while among those who had never applied 35.1% planned to do so in future. A significant percentage of SEs were unsure about this possibility (38.4% of the full study sample), though this was less likely among the subset of previous applicants (16.9%) than the subset of SEs that had never applied (49.5%). Following a similar trend, only 4.3% of previous applicants planned not to apply again as compared to 14.8% of non-applicants.

Interestingly, the propensity to respond in the affirmative decreased with development stage (declining from 61.4% of all ESEM SEs in the seed stage to 38.9% of those in the steady stage) while the likelihood of responding 'no' increased (rising from 3.9% in the seed stage to 21.2% in the steady stage). However, these trends are largely driven by the subset of non-applicants, as there are no discernible correlations among the subset of previous applicants. Among the non-applicants, 56.0% of the seed stage SEs plan to apply in future as compared to 20.0% of steady stage SEs; similarly, only 2.2% of these seed stage SEs plan not to apply in future as compared to 32.3% of the steady stage SEs. This significant interest among early stage SEs to apply for EU funding is important to note for both policymakers and SESOs, such that appropriate funding instruments and services to support SE applications can be designed and implemented.

National averages of 'yes' responses ranged from 14.8% and 25.6%, respectively, of all ESEM SEs in Switzerland⁸⁰ and Denmark to a significant 85.7% in Croatia. Most decisive about not applying in future were Switzerland (37.5%) and Denmark (32.6%), both countries where ESEM SEs have a high proportion of their income deriving from trading activities

(respectively 80.9% and 72.2%, on average). Considering only the subset of previous applicants, the proportion of national SEs planning to apply again for EU funding ranged from 54.5% in The Netherlands to 94.4% in Bulgaria. As for the SEs that have not yet applied, plans for future applications varied from a minimum of 9.3% and 13.3% in Switzerland and Sweden, respectively, to a maximum of 73.7% in Türkiye. Generally speaking, higher rates of planned applications were seen among CEE countries as compared to those in Western Europe, across both the subsets of previous applicants and non-applicants.



50.4% of ESEM SEs plan to apply for EU funding in future.

Such variations in propensity to apply for future EU funding opportunities suggests that their accessibility and perceived value within the array of available financing sources differs across countries. In addition, EU funding appears to be perceived as particularly important to earlier stage SEs who are less well-established and may have fewer financing sources available to them. Furthermore, the data evidences a strong desire among SEs that have not yet applied for EU funding to do so in the future, reinforcing the previously identified need to make such funding opportunities more relevant and accessible.

⁸⁰ It is also important to note that Switzerland, as a non-EU Member State, faces different rules and reduced access to EU funding opportunities, which likely influences their limited propensity to apply in future.



Reasons For and Against Future Applications

As for reasons not to apply in the future, most common at the European level was the complexity and time-consuming nature of applications. Of the SEs who indicated that they would not apply in future or were not sure about such applications (n=937), this was perceived as problematic by 50.4%. Indeed, the three most prevalent hindrances were all related to the time burden imposed by seeking, applying or managing EU funding.

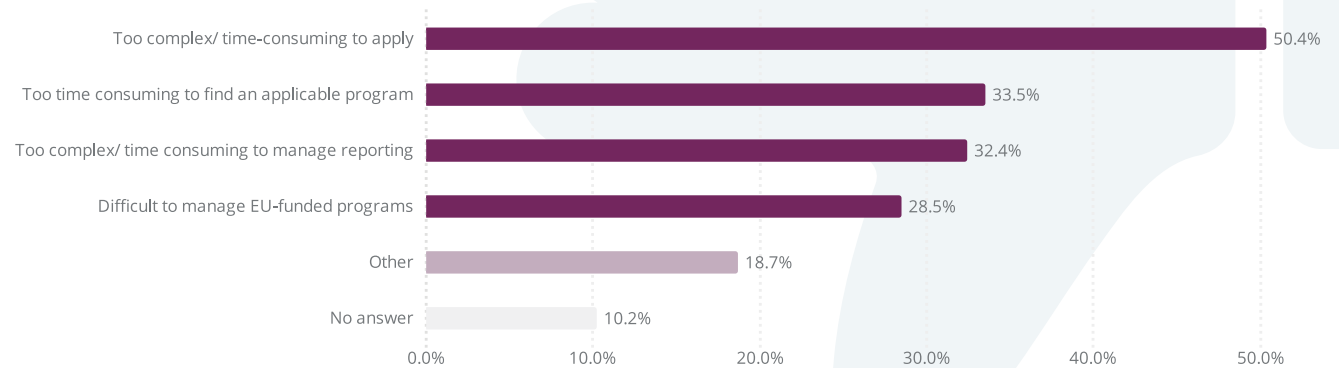


Although EU funding is seen as an important income stream providing access to an international network, ESEM SEs that will not apply in future are dissuaded by the complex and time-consuming applications.

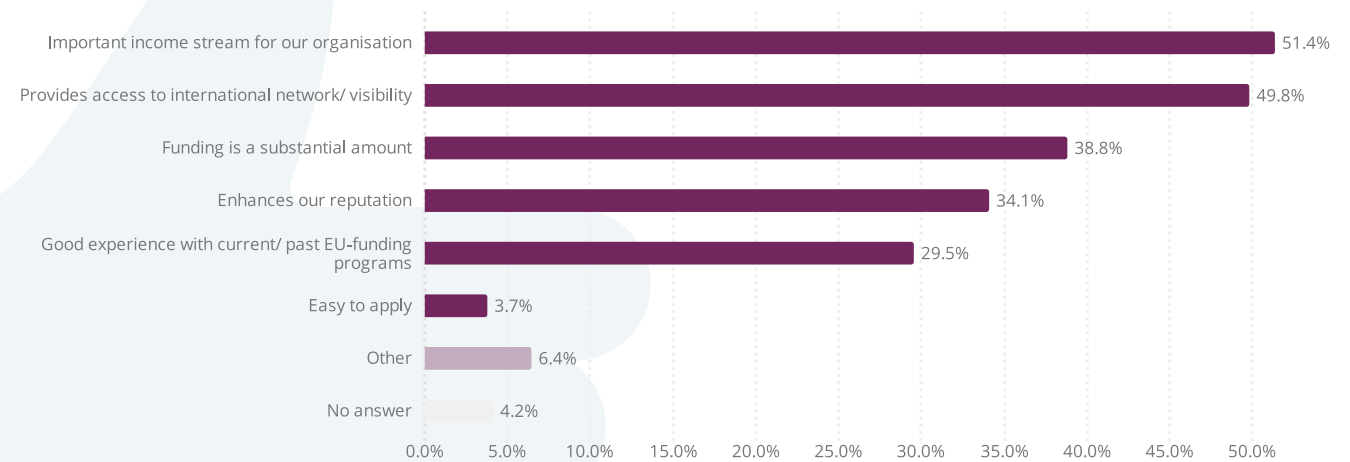
Among those SEs planning to apply for future EU funding (n=962), the most common reasons given were that EU funding provided an important income stream (51.4%) and visibility/ access to an international network (49.8%). However, only 3.7% of these respondents indicated ease of application as a motivator.

Taken together, this data points once again to the need to make such valuable funding sources more easily accessible for SEs, particularly given that a significant majority (95.4%) are SMEs, who may often possess limited time and resources to devote to complex and lengthy applications.

> If no, what are/ would be the reasons to not apply (again)? (n=937)



> If yes, what are reasons to apply (again)? (n=962)



A woman in a white blazer is presenting to a group of people in a meeting room. A banner for 'euclid. NETWORK' is visible in the background. The room has large windows and a potted plant. The image is overlaid with a red-to-orange gradient and decorative white dotted patterns.

Barriers & Enablers

Chapter 6



6.1 Barriers

To facilitate and amplify the sustainable growth of social enterprises and their impact across Europe, it is first necessary to understand the barriers that impede their operations and further development. For this reason, the ESEM asks participating SEs to identify, from a diverse selection, all relevant barriers experienced by their enterprises. In addition, respondents are asked to indicate how significantly these respective barriers impede their organisation.

Types of Barriers

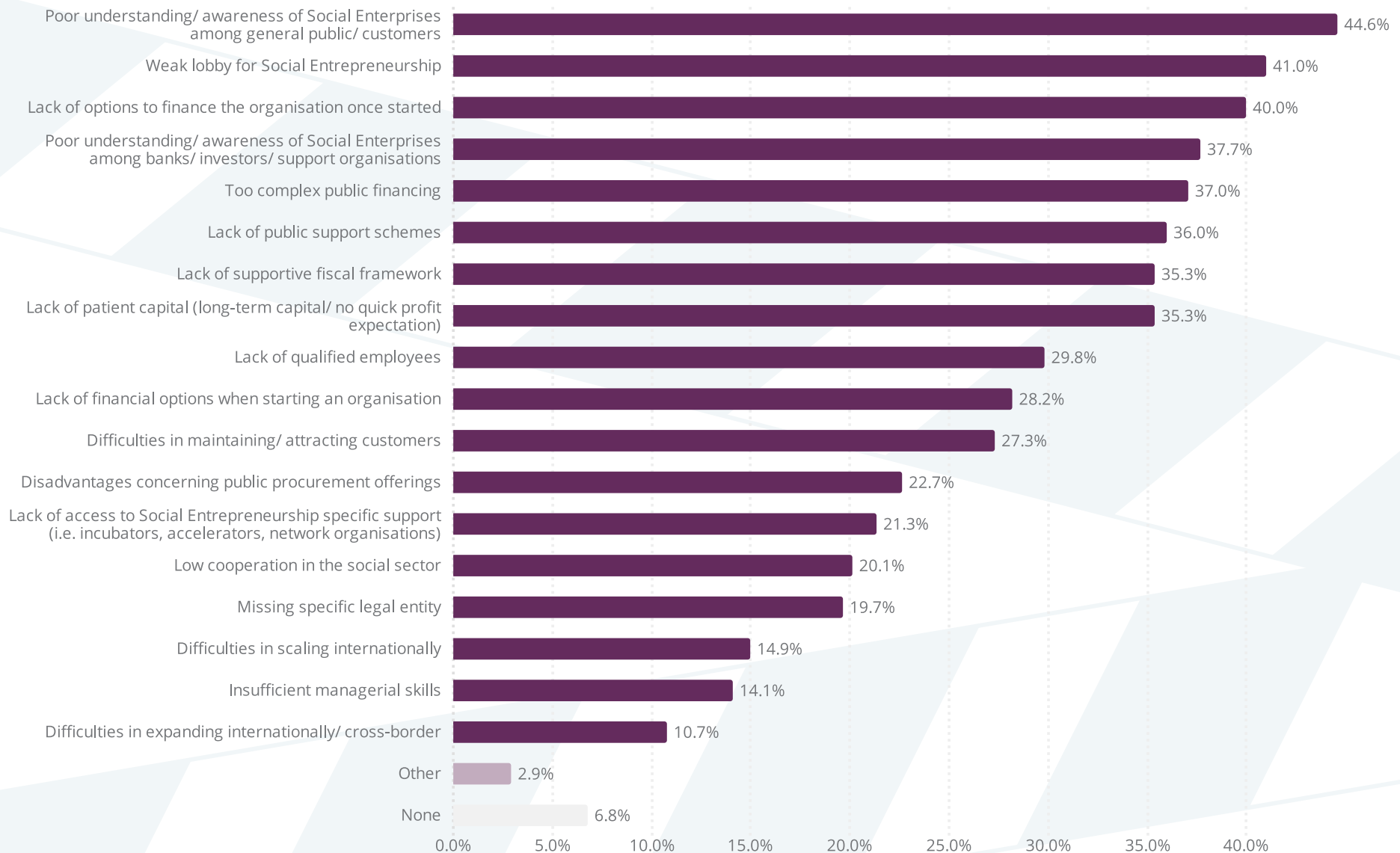
The most common barriers experienced by ESEM SEs are: 1) a poor understanding and awareness of SEs among the general public and consumers (44.6% of ESEM SEs - nearly half of the total sample); 2) a weak lobby for social entrepreneurship (41.0%); 3) a lack of options to finance the organisation once started (40.0%); 4) a poor understanding and awareness of SEs among banks, investors, and support organisations (37.7%); and 5) too complex public financing (37.0%).

These barriers highlight the continued importance of SE support organisations and networks for improving access to funding for SEs and ensuring that more aligned funding options become available to enable SEs' survival and growth. In addition, the need among SEs for support organisations and networks to advocate, lobby and provide further visibility to their enterprises remains pertinent, alongside a concurrent need to increase and make more visible to SEs the existing sources of support.

Top 5 most common barriers:

- 1 A poor understanding and awareness of SEs among the general public and consumers.
- 2 A weak lobby for social entrepreneurship.
- 3 A lack of options to finance the organisation once started.
- 4 A poor understanding and awareness of SEs among banks, investors, and support organisations.
- 5 Too complex public financing.

> What barriers do you face with your organisation? (multiple selections possible)



> Most Common Barriers by Country

Country	Most Common Barriers by Country		
ESEM Average	Poor understanding/awareness of Social Enterprises among general public/customers (44.6%)	Weak lobby for Social Entrepreneurship (41.0%)	Lack of options to finance the organisation once started (40.0%)
Austria	Too complex public financing (55.4%)	Weak lobby for Social Entrepreneurship (43.0%)	Lack of options to finance the organisation once started (39.5%)
Bulgaria	Lack of patient capital (long-term capital/no quick profit expectation) (48.4%)	Lack of public support schemes (45.2%)	Weak lobby for Social Entrepreneurship / Poor understanding/awareness of Social Enterprises among banks/investors/support organisations (41.9%)
Croatia	Poor understanding/awareness of Social Enterprises among banks/investors/support organisations (61.0%)	Poor understanding/awareness of Social Enterprises among general public/customers (53.2%)	Lack of supportive fiscal framework (48.1%)
Denmark	Poor understanding/awareness of Social Enterprises among general public/customers (62.8%)	Lack of options to finance the organisation once started (39.5%)	Disadvantages concerning public procurement offerings (39.5%)
Estonia	Lack of patient capital (long-term capital/no quick profit expectation) (45.1%)	Lack of qualified employees (41.2%)	Poor understanding/awareness of Social Enterprises among general public/customers (39.2%)
France	Too complex public financing (51.3%)	Lack of options to finance the organisation once started (43.6%)	Poor understanding/awareness of Social Enterprises among general public/customers (33.3%)
Germany	Too complex public financing (44.8%)	Poor understanding/awareness of Social Enterprises among general public/customers (43.7%)	Weak lobby for Social Entrepreneurship (43.5%)
Hungary	Lack of options to finance the organisation once started (57.4%)	Poor understanding/awareness of Social Enterprises among general public/customers (57.4%)	Lack of public support schemes (53.2%)
Italy	Too complex public financing (44.3%)	Lack of supportive fiscal framework (40.9%)	Lack of options to finance the organisation once started (36.4%)

Country	Most Common Barriers by Country		
Latvia	Lack of options to finance the organisation once started (52.4%)	Lack of qualified employees (52.4%)	Poor understanding/awareness of Social Enterprises among general public/customers (50.0%)
Poland	Poor understanding/awareness of Social Enterprises among general public/customers (55.2%)	Poor understanding/awareness of Social Enterprises among banks/investors/support organisations (51.0%)	Lack of supportive fiscal framework (50.0%)
Portugal	Too complex public financing (54.5%)	Weak lobby for Social Entrepreneurship / Lack of options to finance the organisation once started (51.5%)	Poor understanding/awareness of Social Enterprises among general public/customers (51.5%)
Spain	Poor understanding/awareness of Social Enterprises among general public/customers (51.3%)	Weak lobby for Social Entrepreneurship (50.0%)	Too complex public financing (47.5%)
Sweden	Lack of patient capital (long-term capital/no quick profit expectation) (63.0%)	Poor understanding/awareness of Social Enterprises among general public/customers (60.9%)	Lack of options to finance the organisation once started (56.5%)
Switzerland	Weak lobby for Social Entrepreneurship (42.2%)	Lack of patient capital (long-term capital/no quick profit expectation) (31.3%)	Poor understanding/awareness of Social Enterprises among banks/investors/ support organisations (31.3%)
The Netherlands	Poor understanding/awareness of Social Enterprises among general public/customers (40.9%)	Poor understanding/awareness of Social Enterprises among banks/investors/support organisations (37.7%)	Difficulties in maintaining/attracting customers (30.5%)
Türkiye	Poor understanding/awareness of Social Enterprises among general public/customers (60.5%)	Lack of supportive fiscal framework (51.2%)	Lack of options to finance the organisation once started / Weak lobby for Social Entrepreneurship (50.2%)

Comparison of Barrier Prevalence Across Countries

While there are many commonalities across countries in terms of the most prevalent barriers (as illustrated in the preceding table), there are also various outliers for each.

While a weak lobby for social entrepreneurship is widely seen as a common barrier, it can be seen to be only one among many. In Italy, just 12.5% of ESEM SEs reflect on the weak lobby for social entrepreneurship as a barrier. This is in stark comparison to Sweden (54.3%), Portugal (51.5%) and Türkiye (50.2%), where the majority of ESEM SEs in each country indicate that the weak lobby for social entrepreneurship is a barrier for them.

The extent to which a lack of access to social entrepreneurship-specific support is identified as a barrier also differs significantly across countries, ranging from 2.6% of ESEM SEs in France to 44.7% in Hungary. This barrier is also much less prevalent for ESEM SEs in Italy (9.1% of the national sample), Estonia (9.8%), the Netherlands (13.0%), Denmark (14.0%) and Germany (16.7%), while it is also more common in Sweden (41.3%) and Türkiye (36.7%). Interestingly, a large proportion of Swedish ESEM SEs indicate that both barriers (weak lobby and lack of access to social entrepreneurship-specific support) impede their organisations.

ESEM SEs in both Croatia and Türkiye experience low cooperation in the social sector to a greater extent than in other countries, with this barrier respectively affecting 32.5% and 34.9% of the national samples. Conversely, this issue poses less of a barrier for ESEM SEs in Bulgaria (9.7%), Finland (10.3%) and Latvia (11.0%). Difficulties with international expansion are particularly common among ESEM SEs in Türkiye (26.5% of the national sample) and Latvia (20.7%), in both cases close to

double the European average of 10.7%. Conversely, this barrier is roughly half as common for ESEM SEs in Austria, Bulgaria, Estonia, France, Sweden and the Netherlands, and not identified as problematic among any respondents from the Danish sample.

Denmark and Estonia are also positive outliers with regard to the challenge of accessing financing options when starting an organisation, both well below the 28.2% European average at 9.3% and 9.8% of ESEM SEs, respectively, within the national samples. In Türkiye, however, this number is much higher, reaching 48.8%. A lack of patient capital is particularly problematic for ESEM SEs in Sweden (63.0%, as compared to the European average of 35.3%), while a lack of public support schemes is more common for ESEM SEs in Hungary (53.2% versus the 36.0% average). While complexity of public financing is identified as a barrier by 55.4% of ESEM SEs in Austria and 54.5% in Portugal, only 16.3% of ESEM SEs in Denmark perceive it as problematic.

With regard to the lack of a supportive fiscal framework imposing a challenge, Latvia, Estonia and France are positive outliers (with 17.1%, 17.6% and 17.9% of ESEM SEs in each country identifying this as a barrier) relative to the European average of 35.3%, while this barrier appears more problematic for ESEM SEs in Croatia (48.1%), Poland (50.0%), and Türkiye (51.2%).

As for the lack of SE-specific legal entities, this is identified as most challenging by SEs in Croatia (40.3% of the national sample) and Portugal (33.3%), while it is perceived as significantly less hindering for ESEM SEs in Estonia (2.0%), Bulgaria (3.2%) and Denmark (4.7%). While disadvantages concerning public procurement offerings are impeding 22.7% of ESEM SEs across the European sample, this is much less common in Italy (6.8%) and more prevalent in Sweden (37.0%).



Financial support is by far the most common (aggregated) barrier, experienced by a full 76.7% of ESEM SEs.

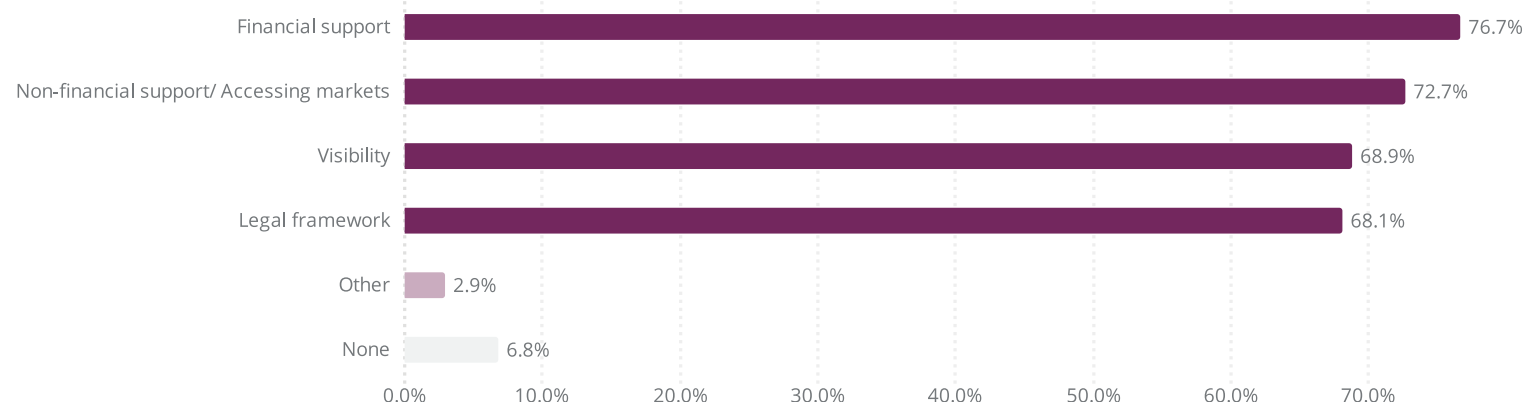
Poor understanding or awareness of social enterprises among banks, investors, and support organisations is perceived as a particularly prevalent barrier by ESEM SEs in Poland (51.0%), Hungary (51.1%), Sweden (52.2%) and Croatia (61.0%). This is contrasted by a more limited occurrence in France (25.6%), Latvia (24.4%), Estonia (23.5%) and Austria (25.6%). As for the lack of understanding and awareness among the general public and customers, Austria and France are again positive outliers (31.0% and 33.3% of their national samples) along with Switzerland (26.6%) and Hungary (29.5%). Conversely, this issue is identified as a barrier by a greater than average proportion of ESEM SEs in Türkiye (60.5%), Sweden (60.9%) and Denmark (62.8%).

Key Barrier Categories

These diverse barriers can be aggregated into broader thematic categories: 1) financial support; 2) non-financial support/accessing markets; 3) legal framework; and 4) visibility.⁸¹ Just as in the previous year's study, financial support is by far the most common barrier, experienced by a full 76.7% of this study's sample. Also highly significant are the challenges around non-financial support/accessing markets (72.7%), visibility (68.9%) and legal frameworks (68.1%).

⁸¹ The category of (1) Financial support includes the barriers: 'Lack of financial options when starting an organisation,' 'Lack of options to finance the organisation once started,' 'Too complex public financing' and 'Lack of patient capital (long-term capital/ no quick profit expectation).' The category of (2) Non-financial support/ accessing markets includes the barriers: 'Lack of qualified employees,' 'Insufficient managerial skills,' 'Lack of access to Social Entrepreneurship specific support,' 'Difficulties in maintaining/ attracting customers,' 'Difficulties in scaling internationally' and 'Low cooperation in the social sector.' The category of (3) Legal framework includes the barriers: 'Lack of supportive fiscal framework,' 'Disadvantages concerning public procurement offerings,' 'Lack of public support schemes,' 'Missing specific legal entity' and 'Difficulties in expanding internationally/ cross-border.' The category of (4) Visibility includes the barriers: 'Poor understanding/awareness of Social Enterprises among general public/customers,' 'Poor understanding/awareness of Social Enterprises among banks/investors/support organisations' and 'Weak lobby for Social Entrepreneurship.'

> What barriers do you face with your organisation?



Extent to Which Barriers Hinder ESEM SEs

When considering the extent to which these barriers hinder ESEM SEs, the severity of financial challenges as an impediment to SEs becomes even more clear. While the lack of options to finance the organisation once started was stated as the third most common barrier facing ESEM SEs (40.0% of the sample), out of all the barriers it had the largest proportion of ESEM SEs labelling it as 'much' or 'very much' impeding their organisation (32.3% out of the (n=1778) ESEM experiencing barriers, or 75.5% of the (n=762) ESEM SEs experiencing this particular barrier). Similarly, a lack of patient capital and a lack of financial options to start an organisation 'much' or 'very much' hinders SEs' operations among 27.4% and 21.6% of those experiencing barriers; for those facing these particular challenges, those rates reach 72.4% and 71.5%, respectively. The lack of patient capital is the barrier with the second highest proportion of ESEM SEs considering it to cause a very high level of hindrance to their operations, thus the two barriers with the highest proportion of ESEM SEs considering them to cause a very high level of hindrance both relate to issues of financing. This all serves to highlight the degree to which ESEM SEs consider limited financial support and opportunities to access finance as a significant hindrance.

In addition, 29.9% and 26.5%, respectively, of ESEM SEs facing barriers judged the poor understanding of SE among the public/customers and the weak lobby for SE to both 'much' or 'very much' hinder their organisations. While these numbers are less than the extent to which the lack of options to finance the organisation once started 'much' or 'very much' hinders their organisation, they demonstrate that there are various barriers, not only access and availability of finance, that present significant hindrances to ESEM SEs. Considered as a percentage of those ESEM SEs experiencing these particular barriers, though, the extent to which poor understanding among the public/customers and a weak lobby 'much' or 'very much' hinder reach rates of 62.5% and 60.4%. Among the ESEM SEs facing the issue, poor understanding/awareness of SE among banks/investors/support organisations is an even more serious visibility issue, 'much' or 'very much' hindering 64.1% of those SEs and likely reinforcing the financing issues that they experience.

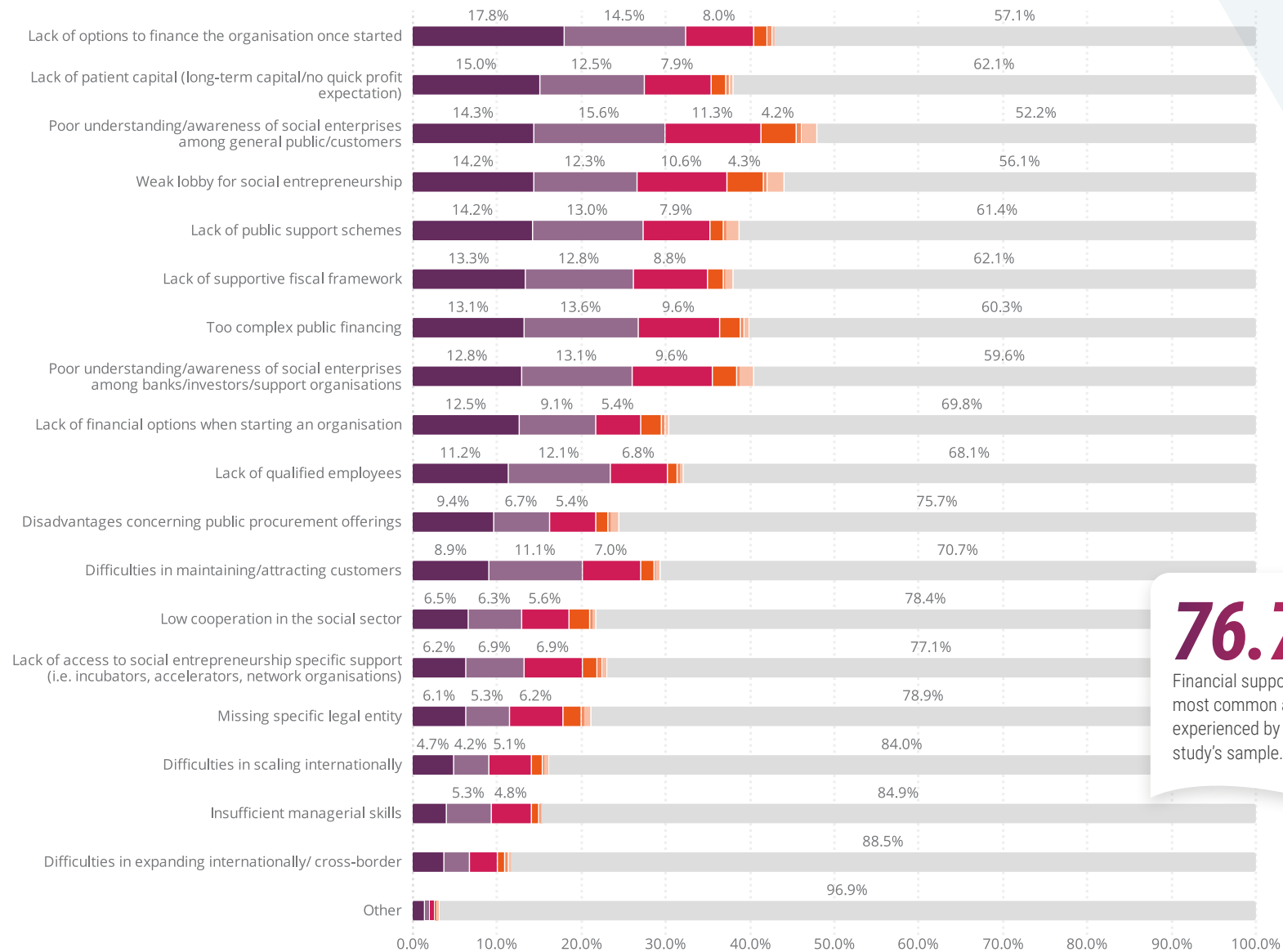
Disadvantages regarding public procurement and a lack of public support schemes are also quite severe, 'much' or 'very much' hindering 66.7% and 70.4% of the SEs that experience them, respectively. So too is the lack of a supportive fiscal

framework, which 'much' or 'very much' hinders 68.8% of the ESEM SEs that it affects. Taken together, this data not only points to the crucial need to address the financial barriers impeding SEs, but also for governments (at various levels) to make public (social) procurement opportunities and support schemes more readily accessible to SEs.

Addressing this array of barriers affecting SEs across Europe is crucially important, yet also difficult given the multitude of existing barriers and the variety of actions required to alleviate these (potentially interconnected) hindrances. For instance, it may be difficult to resolve disadvantages around public procurement without also addressing the lack of SE-specific legal forms, which could enable the subsequent development of procurement schemes designed specifically for registered SEs. Similarly, addressing visibility challenges such that there is a broader, more accurate understanding of SEs among banks and investors (as well as other stakeholders) could be crucial for facilitating the launch of additional, tailored financing instruments that SEs are more readily able to access.

> If you experience barriers, how much do these barriers impede your organisation?⁸² (n=1778)

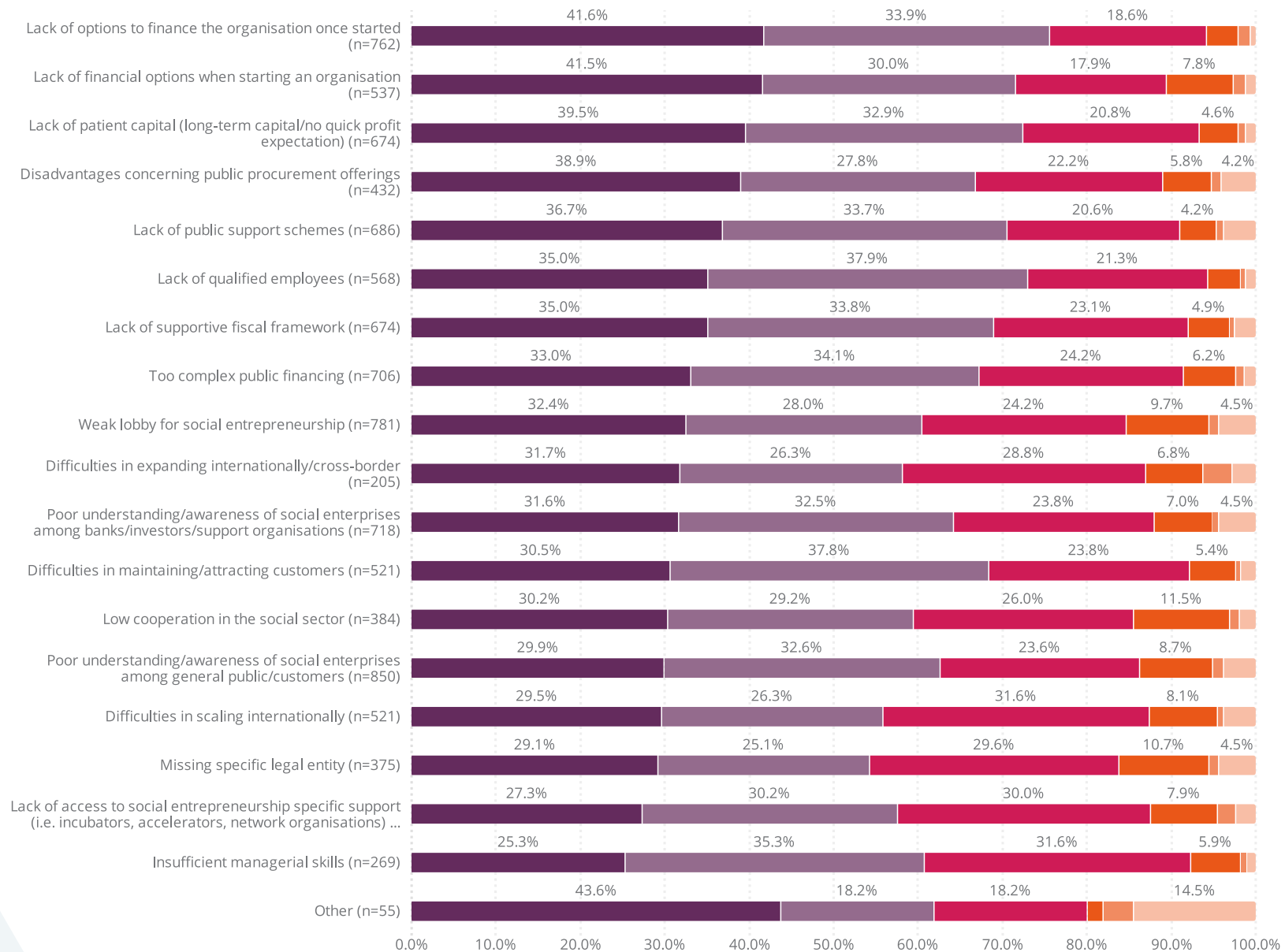
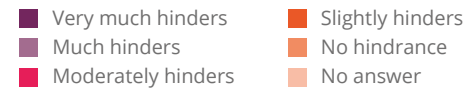
Very much hinders Slightly hinders This is not a barrier for us
 Much hinders No hindrance
 Moderately hinders No answer



76.7%
 Financial support is by far the most common aggregated barrier, experienced by a full 76.7% of this study's sample.

⁸² For this analysis n=1778, representing the 93.2% of ESEM SEs who identify that they experience some barriers. Those SEs who reported that they do not experience any barriers are excluded from this analysis, following the survey logic.

> If you experience a particular barrier, how much does it impede your organisation?





6.2 Political Support

Political support for social enterprises and entrepreneurship is very important and can act as both a barrier and an enabler to their operations.

Political support for social entrepreneurship does not only have a benefit for social entrepreneurs, but also contains reciprocal benefits for politicians. These benefits come in many forms, from locally rooted innovative responses to local challenges, to the provision of high quality and fulfilling employment, to contributing to the strategic autonomy of national and European economy supply and value chains. Strong political support can grow a more widespread understanding of what social enterprise is, what they do and why they are important. This can lead to more supportive legislative and policy frameworks as well as greater recognition and support through funding programmes.

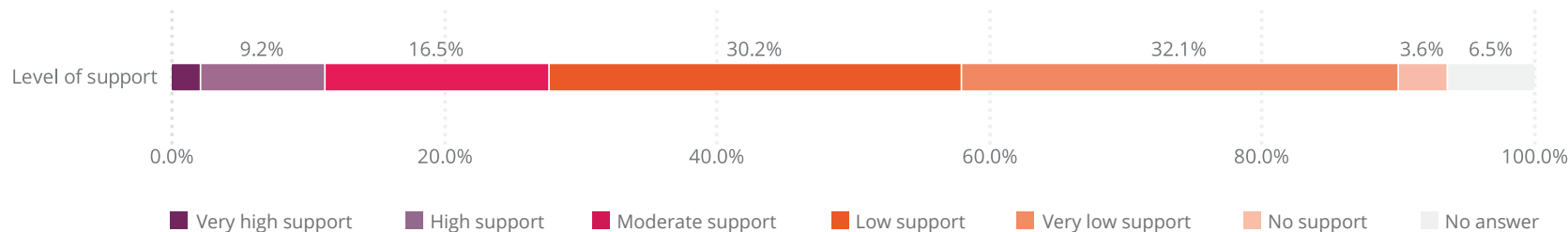
A lesser degree of political support can result in the opposite situation for social enterprises – a poor understanding of who they are, how they work and the impact they deliver. Political support therefore has a significant impact on the barriers that social enterprises may face but it should also be appreciated that political support, or the lack thereof, does not on its own necessarily constitute a completely perfect or imperfect ecosystem for social enterprises to start up or scale up. Political support is but one element of what can make an ecosystem hospitable or inhospitable for the growth and flourishing of SEs.

There is consistent and increasing action from policy-makers to support the European economy with specific actions targeting the social economy and social enterprises. These actions are already underway, stemming from the European Social Economy Action Plan⁸³ and to be bolstered by the Transition Pathway for the Proximity and Social Economy⁸⁴ as part of the

New European Industrial Strategy.⁸⁵ However, as indicated by ESEM participants, such political support at the European level is often not sufficiently replicated at the national level.

Only 2.0% of ESEM SEs consider there to be very high support for social entrepreneurship in their country. Including those that consider there to be very high or high support only accounts for 11.2% of ESEM SEs. Conversely, 3.6% of ESEM SEs consider there to be no support at all for social entrepreneurship in their country. Including all those ESEM SEs that consider there to be no, low or very low support accounts for 65.9% of respondents. On average, ESEM SEs rank the political support of their national governments for social entrepreneurship at a value of 33.0 out of 100. This paints a picture of ESEM SEs feeling overall that there is a lack of political support. Considering individual countries, however, illustrates some divergence between national contexts.

> How would you rate the political support for social entrepreneurship in your country?⁸⁶



⁸³ European Commission, *An Action Plan for the Social Economy*.

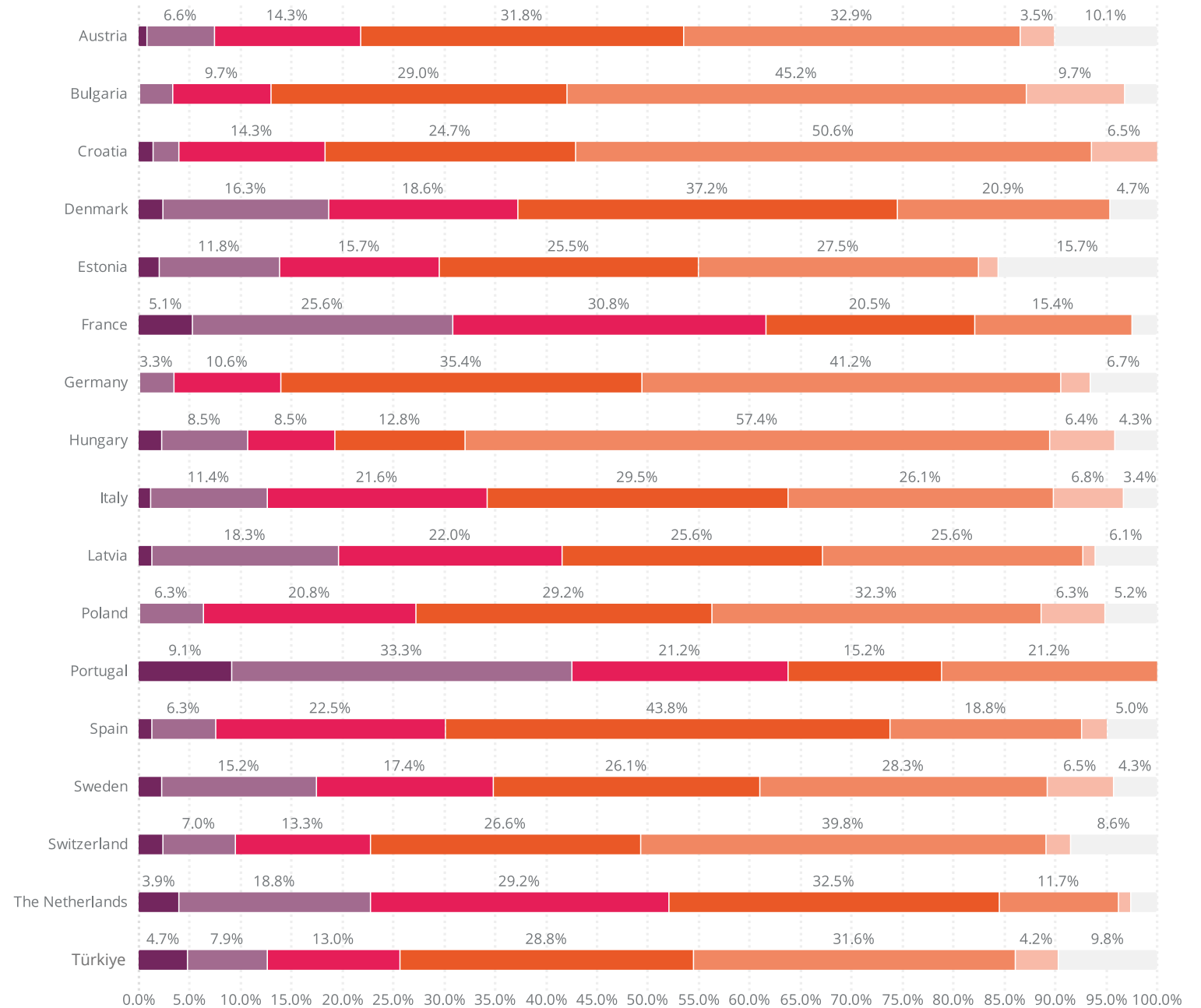
⁸⁴ European Commission, "Co-creation of a Transition Pathway."

⁸⁵ European Commission, "Updating the 2020 New Industrial Strategy: Building a Stronger Single Market for Europe's Recovery" (communication from the European Commission, Brussels, May 2021), https://ec.europa.eu/info/sites/default/files/communication-industrial-strategy-update-2020_en.pdf

⁸⁶ Study participants were asked to rank the political support for social entrepreneurship within their country on a scale of 0 to 100. For easier comprehension and comparison, these numerical values were recoded to qualitative answer categories on a 5-point Likert scale, as follows: 0 = No support, values between 1 and 20 = Very low support, values between 21 and 40 = Low support, values between 41 and 60 = Moderate support, values between 61 and 80 = High support, values between 81 and 100 = Very high support.

> How would you rate the political support for social entrepreneurship in your country?

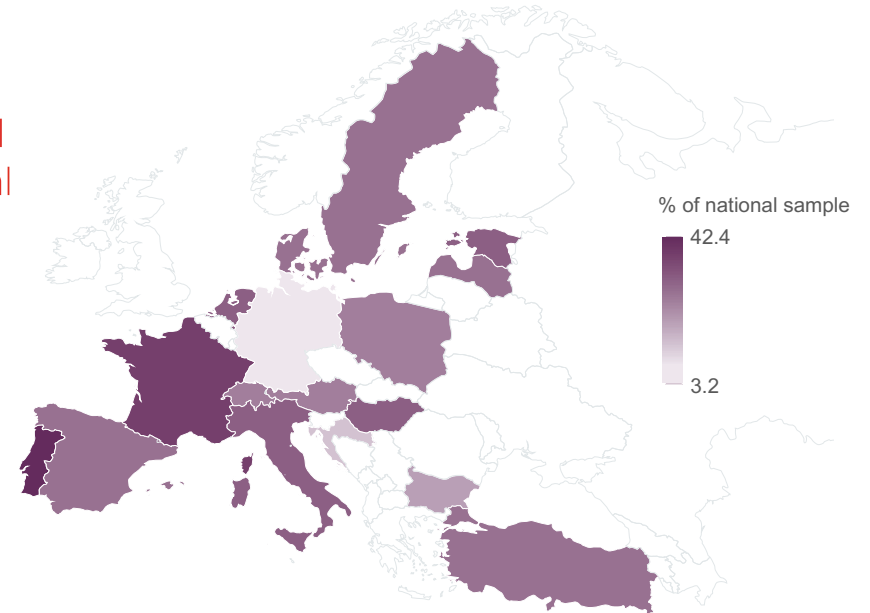
- Very high support
- High support
- Moderate support
- Low support
- Very low support
- No support
- No answer



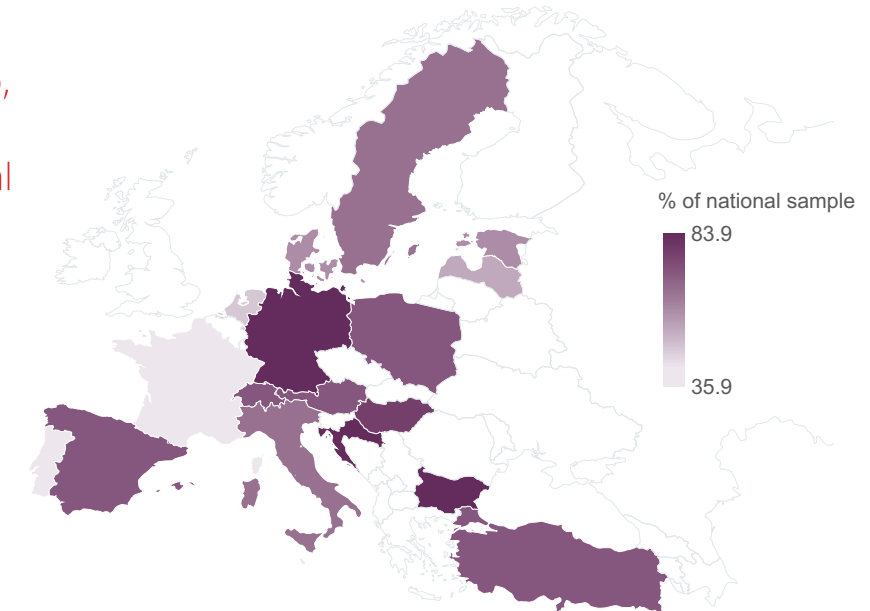
In Bulgaria, Germany and Poland, no ESEM SEs consider there to be a very high level of political support at the national level for social entrepreneurship. In all of these three of these countries, the proportion of ESEM SEs that consider there to be at least a high level of political support at the national level is less than 10.0% (Bulgaria 3.2%, Germany 3.3% and Poland 6.3%). In Portugal there is the highest proportion of ESEM SEs that consider there to be a very high level of political support at the national level for social entrepreneurship (9.1%). This however still represents less than 10.0% of respondents in Portugal and also signifies that in no ESEM country are there at least 10.0% of ESEM SEs that consider there to be a very high level of political support.⁸⁷ 42.4% of Portuguese ESEM SEs believe that the level of political support at the national level is either high or very high, which is the largest proportion across all ESEM countries. Portugal, Denmark and France are the only countries to have no ESEM SEs believing that there is no political support for social entrepreneurship at the national level.

Bulgaria has the highest proportion of ESEM SEs that believe there is no political support for social entrepreneurship in the national context (9.7%). In Italy (6.8%), Sweden (6.5%), Croatia (6.5%), Hungary (6.4%) and Poland (6.3%) there are more than 6.0% of ESEM SEs that believe there to be no political support. Indeed, in Bulgaria (83.9%), Croatia (81.8%), Germany (79.4%) and Hungary (76.6%), more than three quarters of ESEM SEs consider there to be no, little or very little political support.

> Proportion of ESEM SEs perceiving there to be high or very high national political support for social entrepreneurship.



> Proportion of ESEM SEs perceiving there to be no, very little or little national political support for social entrepreneurship.



⁸⁷ While 14.3% of respondents in the UK indicated they considered there to be a very high level of political support for social entrepreneurship, this observation is omitted due to the limited amount of data collected for the UK (n<30).

Spanish Congress passes law to recognize a distinct legal form for purpose-led companies

In June 2022, the Spanish Congress approved the creation of a new legal form called 'Sociedades de Beneficio e Interés Común (SBIC)' (Common Benefit and Interest Companies), which recognises the specificities of purpose-led companies.

This is the result of a campaign led by B Lab Spain, which was supported by 400 organisations and more than 30,000 individual signatures. These companies will have to meet high standards in environmental, social, economic, governance and transparency issues, and will have to be accountable for the interests not only of their shareholders but also other stakeholder groups such as workers, local communities or future generations.

This important step comes a decade after the 'Social Economy Law' which was passed in Spain in 2011. That law promoted the work of organisations that used business practices for the common good, but only applied to existing legal forms (mostly not-for-profits) such as cooperatives, foundations or associations, among others. The current effort, which is part of a broader initiative labelled the 'Create and Grow Law', will drive the impact economy in Spain forward by helping impact investors, policymakers and other relevant actors identify those companies that put social and environmental impact at the centre of their strategy. For example, in the case of

impact investing (a market that is rapidly growing in Spain), fund managers investing in SBICs will be confident that their investees are aligned with the impact objectives of the fund (even if they are for-profit companies). In the case of public administrations, they will be able to positively discriminate in favour of SBICs in the commissioning of public services.

Other countries, in Europe and elsewhere, have similar legal forms. In Italy, for example, they have the 'Società Benefit', which in the first quarter of 2022 experienced a 43% increase in registrations with respect to the previous year. Other initiatives, such as the 'Better Business Act Coalition' in the United Kingdom or the 'Interdependence Coalition' in Europe, are advocating that all companies align and balance the interests of shareholders with the interests of society and the environment. However, before these ambitious objectives can be achieved, having a legal form that identifies and promotes purpose-led companies is a much-awaited step forward for the Spanish social enterprise sector.



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6.3 Social Entrepreneurship Ecosystem Support

Social Enterprise Ecosystems & Support Organisations

Support for social entrepreneurship in ecosystems can help budding social innovators and entrepreneurs to flourish, start up their SEs and deliver positive impact. Social entrepreneurs do not operate in a vacuum but are intimately impacted, supported and hindered by the contexts they operate in. Social entrepreneurial ecosystems therefore are used to conceptualise the group of actors and stakeholders who are engaged in social innovation, social entrepreneurship, the support of social entrepreneurs, research into social entrepreneurship and more. Political figures and public authorities can have a great impact - positive or negative - on these ecosystems and the interactions and strength within them. Ecosystems are dynamic spaces, with each group influencing the others, and hence taking an ecosystemic view of the conditions, barriers and needs of social entrepreneurs in the way they are expressed through the ESEM is vitally important.

Social enterprise support organisations (SESOs) exist in many different forms. These include national associations and networks for social entrepreneurship, innovation and enterprise. SESOs also include topical organisations and networks, for example focussing on gender inclusion or working with displaced persons. International networks for SESOs also exist, connecting different national perspectives as well utilising the collective knowledge of these stakeholders to influence policy at all levels of governance. As well as operating on different topics, in different places and at different levels of governance, SESOs can undertake a great multitude of activities.

This range of activities includes: connecting social entrepreneurs and innovators to each other; participating in projects to support their members and the development of their ecosystems; providing (non-)financial support and consulting services to their members on how to develop their ideas into sustainable SEs; conducting research; and influencing policy and funding to be more accommodating to SEs. SESOs can therefore be seen to be undertaking many important activities that enable SEs to start up, scale up and drive forward the transition of the European economy to one which puts people and the planet at the centre on its path towards achieving the SDGs.

There are many models by which SESOs function, including with regards to how they receive or generate funding. For more information about SESOs across Europe, research is conducted annually which is supported by the European Commission and leads to the annual State of Social Enterprise Support in Europe and Neighbouring Countries report published by Euclid Network.⁸⁸ The project partners of the ESEM can be found on pages 140-146 and these organisations can all be taken as examples of leading stakeholders in the European or their national social entrepreneurial ecosystems.

⁸⁸ Marcela Neves, Veerle Klijn, Wieteke Dupain and Toby Gazeley, *The State of Social Enterprise Support in Europe and Neighbouring Countries: Euclid Network Annual Consultation 2021-2022* (Euclid Network, 2022), https://euclidnetwork.eu/wp-content/uploads/2022/07/0527-euclidnetwork-annualconsultation2022_final.pdf; Wieteke Dupain, Oriana Pilia and Veerle Klijn, *The State of Social Enterprise Support in Europe and Neighbouring Countries: Euclid Network Annual Consultation 2020-2021* (Euclid Network, 2021), https://euclidnetwork.eu/wp-content/uploads/2021/07/annual-consultation_2021-final-v2.pdf





Support Organisations of ESEM SEs

As this study discovered, ESEM SEs belong to and participate in a variety of different business support organisations, most prevalent among them national networks or associations⁸⁹ for social enterprises in their various forms and with their various thematic areas of focus. Indeed, 31.1% of the European sample is supported by some type of national network. Some of these networks operate according a broad mandate, such as Social Entrepreneurship Netzwerk Deutschland (SEND), which brings together social entrepreneurs and social enterprises from across Germany, whereas others focus on specific areas of impact, such as Bulgaria's Национално сдружение на работодателите на хората с увреждания (the National Association of Employers of the Disabled), which supports organisations employing persons with disabilities. National networks offer a wide range of benefits to SEs, such as support with accessing markets, obtaining financing, developing partnerships and gaining entrepreneurial skills; consequently, they comprise a critical component of SE ecosystems and make an important contribution to the further development of the social economy. It should be noted, however, that the participation of such organisations in promoting the ESEM survey among their SE members may have generated a biased sample that is not truly representative of the broader European reality.

It is also worth noting that the proportion of each country sample belonging to a national network varies, ranging from 0.0% in Sweden to 62.2% in Latvia.⁹⁰ Other countries where

national network membership is quite common are Denmark (53.5% of the national sample), The Netherlands (53.2%), and Germany (46.2%); conversely, membership is also relatively limited in Croatia (15.6%), Switzerland (18.0%) and Bulgaria (19.4%). These varying rates of membership in national networks among ESEM SEs is likely to be heavily influenced by national outreach campaigns disseminating the ESEM survey as national networks in some countries have more experience distributing such surveys through previous studies.

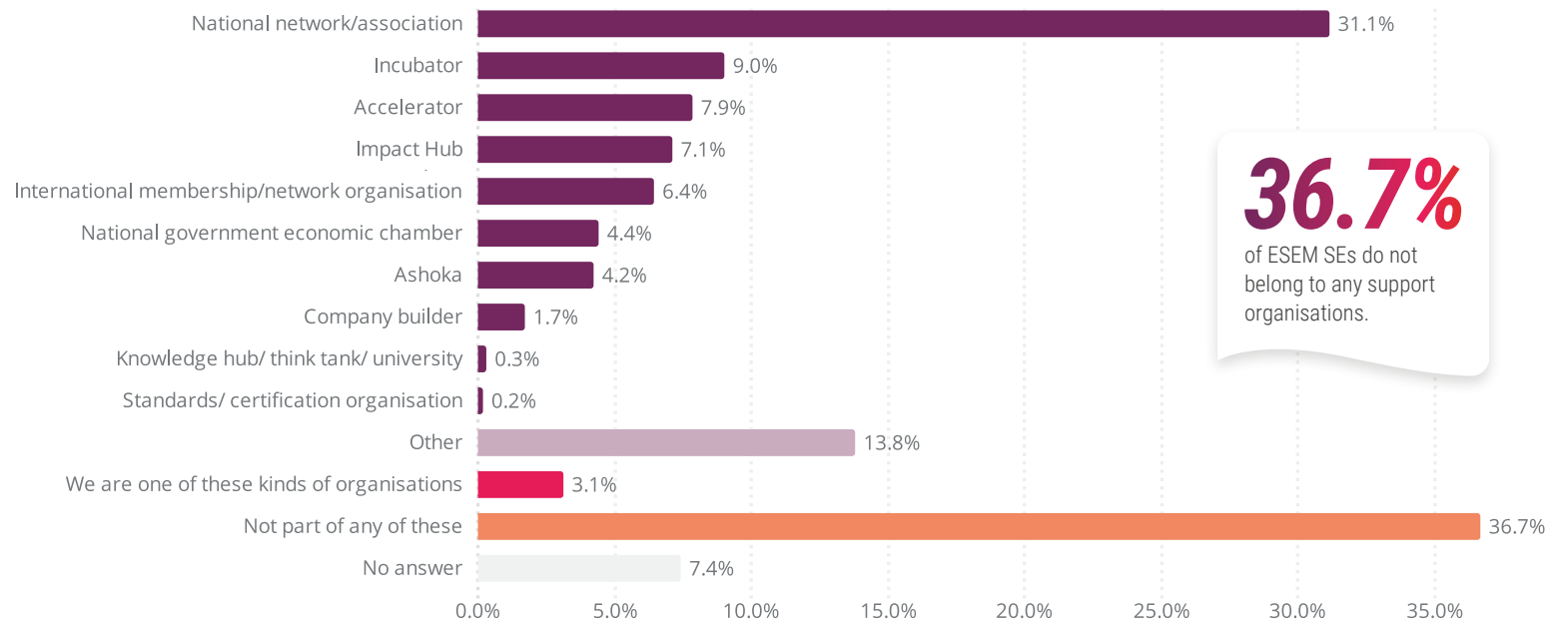
Diverging rates of participation in national networks, while influenced by the range of options surveyed and the sampling method, also suggests that various countries across Europe may have more well-developed national ecosystems for social entrepreneurship support. These discrepancies may also be due to differences in the level of accessibility for various national networks and in the degree to which SEs are aware of these organisations and perceive membership as beneficial. It is also worth noting that participation in national networks/associations is more common at later development stages, with 41.7% of ESEM SEs in the late implementation stage belonging to such an organisation as compared to 18.1% and 20.8% of seed and startup stage participants, thus these rates may also be influenced by divergence in development stages across countries. Regardless of the causes, the national networks in countries such as Latvia, Denmark, the Netherlands and Germany offer potential lessons and best practices to be replicated and adapted in other contexts.

⁸⁹ The national networks/associations surveyed include: SEND (DE), SE NL (NL), Act Grupa (HR), SE Estonia (EE), EsLider (PT), Sociale Entreprenører i Danmark (DK), Arbeitplus (AT), Форум Социални предприятия в България (BG), Национално сдружение на работодателите на хората с увреждания (BG), Társadalmi Vállalkozások Magyarországi Koalíciója (HU), Forum Terzo Settore (IT), Confcooperative (IT), Legacoop (IT), Assobenefit (IT), Alleanza Italiana per lo Sviluppo Sostenibile (IT), Centri di servizio per il volontariato (IT), Compagnia delle opere (IT), Latvijas Sociālās uzņēmējdarbības asociācija (LSUA) (LV), Latvijas Pilsoniskā alianse (LV), koalīcija za razvoj solidarne ekonomije (RS), SENS (CH), Türkiye Social Entrepreneurship Network – Türkiye Sosyal Girişimcilik Ağı (TR), Açık Açık Sosyal Girişim (TR), Ship2B (ES), Unlimited Spain (ES), Social Nest (ES), Asociación/Federación de empresas de inserción (ES), Asociación/Federación de centros especiales de empleo (ES), Yekpare (TR), Irish Social Enterprise Network (ISEN) (IE), Social Enterprise Republic Ireland (SERI) (IE), Kooperationen (DK), Selveje Danmark (DK), DISIE (DK), Akademiet for Social Innovation (DK), Ligeværd (DK).

⁹⁰ NB: No national networks/associations were tested for France, Poland or Slovenia; therefore it is unknown to what extent this type of support organisation is significant for ESEM SEs from these countries.

> Are you part of any of the following business support organisations?⁹¹

(multiple selections possible)



36.7%
of ESEM SEs do not belong to any support organisations.

After national networks, the next most common category of support organisation for ESEM SEs, at the aggregated European level, is incubators (9.0% of the sample, of which 39.0% are in the startup stage and 37.8% are in the early implementation and growth stage). Also quite common are accelerators (7.4% of the sample, of which 28.7% are in the startup stage and 47.3% are in the early implementation and growth stage), impact hubs (7.1%) and international membership or network organisations (6.4%).

While 13.8% of the sample indicated that they belong to other support organisations than those queried (either instead of or in addition to), another 36.7% do not belong to any support organisations. These SEs without support range from 23.1% of the national samples (France) to 65.6% (Poland). Other

countries with relatively high proportions of the sample not belonging to any support organisations include Bulgaria (54.8%), Switzerland (54.7%) and Croatia (48.1%). This could perhaps be interpreted to suggest that there are fewer support networks operating in certain countries or that those that do exist lack visibility. While it may be the case that these country outreach partners were simply more successful in attracting study participants from outside of their national networks, some of the highest rates of indicating as a barrier the lack of access to social entrepreneurship specific support are seen among CEE countries, for instance at 44.7% of the ESEM SEs in Hungary, 39.0% in Croatia and 29.0% in Bulgaria.

Indeed, a lack of access to social entrepreneurship-specific support (such as incubators, accelerators, and network

organisations) is a significant barrier for ESEM SEs. While only 21.3% of the European sample considers a lack of such specific support to be a barrier, for those SEs who do experience this as problematic (n=407), the majority (57.5%) consider it to 'much' or 'very much' hinder their organisation. While this data seems to point to a broad availability of SE-specific support, such that a lack of access does not, at the European level, significantly hinder the sector's development, it also indicates that where such support is lacking it poses a serious challenge to SEs. There is therefore a need for additional research on the range and functioning of SE support systems, not only within the CEE region but in Europe more broadly, and on how these ecosystems can be bolstered and further developed in order to offer additional support to SEs and further drive forward the social economy movement.

⁹¹ Aside from the aforementioned national networks/associations, the survey also tested other examples of national/international organisations that are categorised into new variables, as follows:
1) Knowledge hub/ think tank/ university: Forum for social innovation Sweden (SE), WU Wien (AT), Demokratisk Erhverv (DK); 2) Standards/ certification organisation: Fair Trade Türkiye (TR); and 3) Wirtschaftskammer (AT), Latvijas Tirdniecības un rūpniecības kamera (LTRK) (LV). Recoded into the following existing answer categories were: 1) Other: Austria Wirtschaftsservice (AT) - a federal development bank, Österreichische Forschungsförderungsgesellschaft (AT) - national search promotion agency, and Wirtschaftagentur Wien (AT) - a municipal business agency; 2) Accelerator: New Door (LV); 3) Incubator: LIAA biznesa inkubatori (LV); and 4) International membership/network organisation: Reach for Change.



Serbia's Law on the Social and Solidarity Economy

The 'Law on Social Entrepreneurship' was adopted in February 2022. In light of mounting social and environmental challenges in Serbia, as well as global agendas, the Law came at the right time. Next to introducing the first definition of social entrepreneurship to Serbia, the Law's concrete initiatives for the support of the ecosystem are an important step forward.

Filling the void caused by the lack of a legal definition, the Law defines social entrepreneurship as 'the performance of activities of general interest in order to create new and innovative opportunities for solving social problems, problems of individuals or socially vulnerable groups, and for preventing the emergence and the elimination of the consequences of social exclusion, strengthening the social cohesion and solving other problems in local communities and the society as a whole' (Art.3). In this way, those subjects that have operated as social enterprises for many years in different forms (associations, cooperatives, foundations etc.) are now recognised. By advocating not for a legal form for social enterprises, but rather for a status for all those that operate in line with the principles of social entrepreneurship, the Law is an advanced and high-quality piece of legislation in comparison to other laws in Europe.

Going beyond matters of definitions, the Law is also committed to actively supporting the sector. Measures are planned to improve the operation of social entrepreneurship entities through financing, education and promotion of social entrepreneurship. One leading role is ascribed to the Social Entrepreneurship Development Program (Art.19). Another key body is the Social Entrepreneurship Council (Art.20), which was established by the government on May 19, 2022. The Council, which is composed of representatives of the public and private sectors, reviews and launches initiatives and will adopt a five-year initiative for the development of social entrepreneurship.

For the social entrepreneurship sector in Serbia the new Law is a milestone that completes a ten-year long process of intensive debates.



6.4 Challenges & Opportunities of Covid-19

The Covid-19 pandemic has imposed considerable challenges on SEs, as well as on their supporters, partners, consumers, and the broader public.

Despite the gradual resumption of social and economic life the potential for a future resurgence of Covid-19 remains, and therefore it is vital to understand the ways in which the pandemic has impacted and continues to impact SEs, as well as the diverse coping mechanisms that SEs have developed in response.

At the time of the survey 8.7% of ESEM SEs did not experience any lingering problems due to Covid-19, while 76.8% did face continued barriers. At the European level, the most common ways in which Covid-19 still posed a hindrance to these SEs were through: 1) closed businesses and cancelled events (36.8% of the sample); 2) decreasing sales (31.5%); and 3) the precluded possibility of reaching social target groups (23.3%). While the pandemic continued to limit social connections in these ways, it had less of an impact on the availability and accessibility of funding.

Indeed, the four least common barriers imposed by Covid were all related to financing: 1) investment/loans being less available (experienced by only 6.3% of the sample); 2) the end of existing funding (6.7%); 3) investors being insecure (8.4%); and 4) a lack of financing via sponsorships, donations or crowdfunding (10.7%). However, it is worth noting that a lack of money to pay employees or fixed costs was considered a barrier of higher significance (18.7% of the sample), suggesting that the general availability of funding was less of an issue for SEs than were the conditions and restrictions on the ways in which funding could be spent. However, given the general prevalence of financial

barriers for ESEM SEs, it may also be the case that any financial issues identified as associated with Covid-19 were not caused exclusively by the pandemic, but were rather exacerbated by the crisis.

One heartening insight with regard to the pandemic is that 8.6% of the ESEM SEs found that Covid-19 actually boosted their business. Such successful adaptability and leveraging of opportunities despite challenging circumstances was made possible through the creative strategies that SEs developed and implemented, not only to cope with the pandemic but also to support others through these difficult times. While 34.0% of the sample did not help during the pandemic, including for the reason that they were themselves suffering, another 58.3% did take innovative coping and supportive measures.

The most common response was to develop new offers for SEs' existing target groups (37.4% of the sample), followed by the change to digital offers for SEs' existing target groups (32.1%). Such strategies enabled these SEs to continue reaching their beneficiaries, in different and innovative ways, while 17.6% of the sample also sought to reach new beneficiaries through the development of new product or service offers. Furthermore, driven by their common purpose of generating positive social impact and benefiting others, 15.5% of ESEM SEs sought to also help other companies or social entrepreneurs deal with the Covid crisis.

76.8%

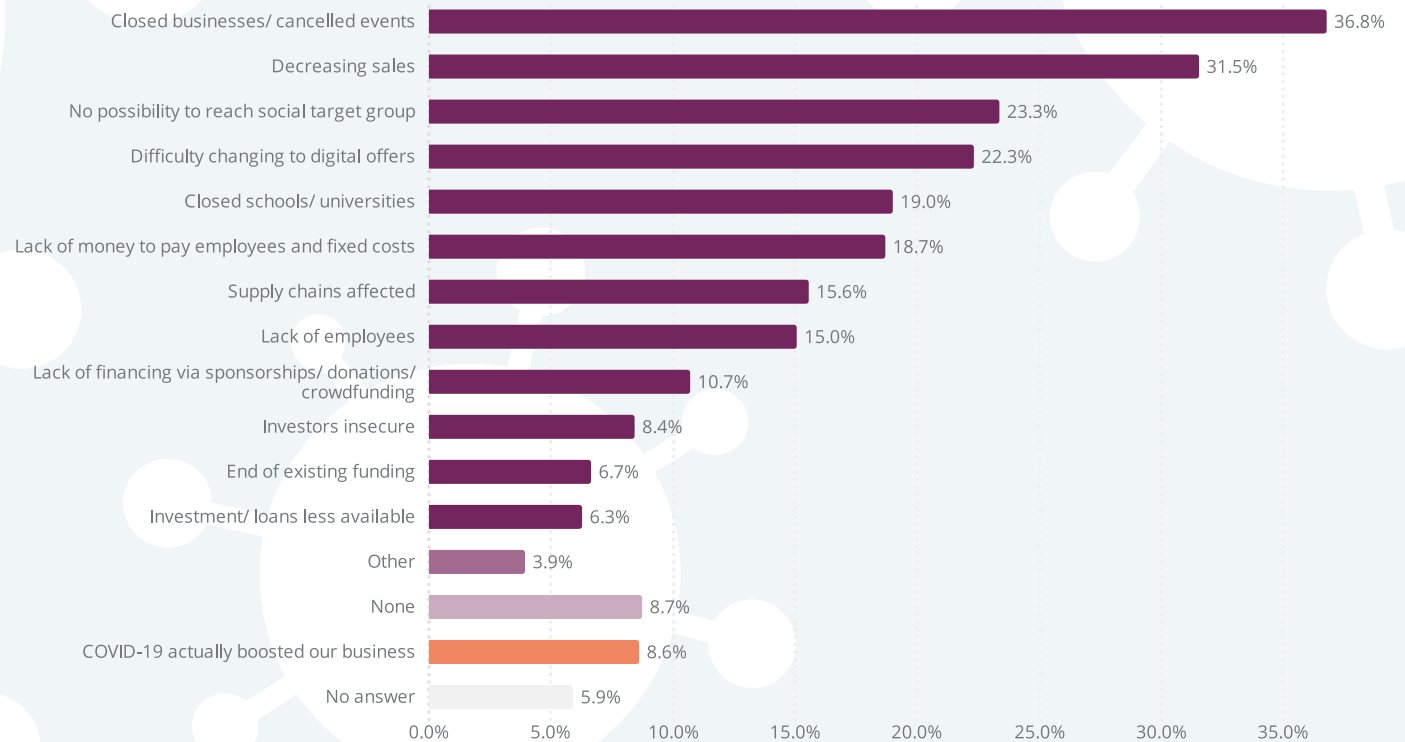
When surveyed, 76.8% of ESEM SEs faced continued challenges due to Covid-19



One heartening insight with regard to the pandemic is that 8.6% of the ESEM SEs found that Covid-19 actually boosted their business.

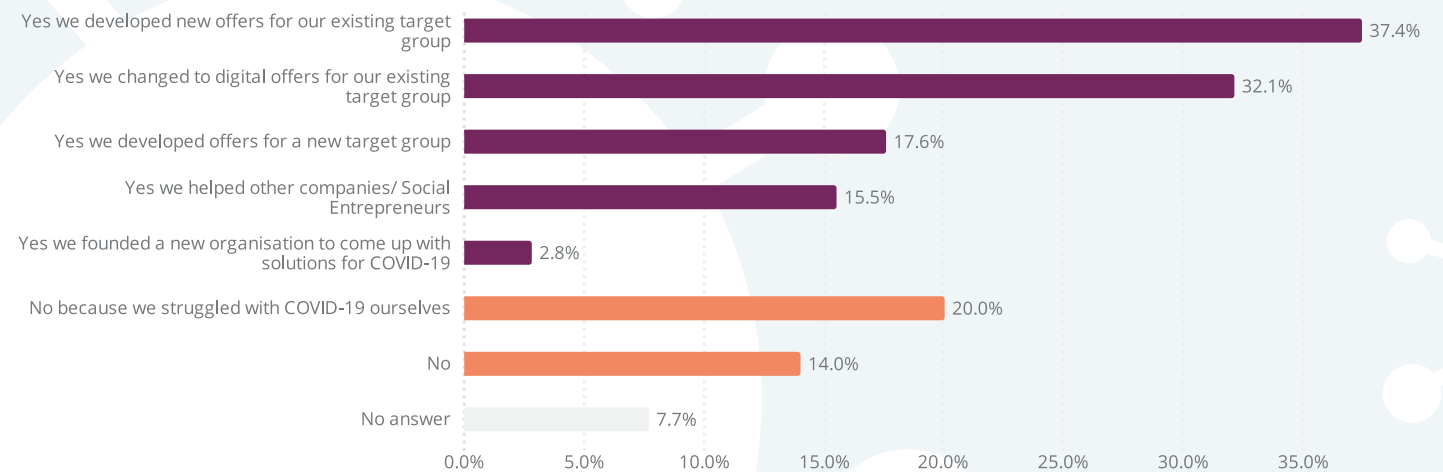
> What challenges does your organisation still face due to COVID-19?

(multiple selections possible)



> Did your organisation help in the COVID-19 crisis?

(multiple selections possible)



A photograph of two women in professional attire smiling and looking at documents together. The woman on the left has dark curly hair and is wearing a dark jacket with a name tag and a circular badge. The woman on the right has blonde hair and is wearing a dark top with a name tag. They are in a well-lit room with other people and decorative lights in the background. The image is overlaid with a red-to-orange gradient.

Conclusion

*Key Insights on ESEM SEs
& Key Supporting Actions Needed*

Conclusion

The 2021-2022 ESEM study advances significantly on the previous edition of the study, now drawing on the perspectives of 1907 SEs across 21 European countries.

The data gathered offers a plethora of insights on the structure and defining characteristics of SEs, their purpose and impact, their needs and strategies, their histories and planned futures, and perhaps most pertinently, the barriers that present obstacles to their further growth, development, and amplified impact. Through studying and analysing this data, we can not only come to better understand SEs, but also to determine what courses of action might be necessary to better support them. Of course, this study is but a partial glimpse at the sector, as it is much more vast and diverse (both across Europe and within each of the participating countries) than could be captured with this survey and this sample. Regardless of this, the ESEM 2021-2022's initial findings are still vital and pertinent, indicating many potential questions and themes for future research.

Defining Characteristics of ESEM SEs

Regarding their defining characteristics, ESEM SEs appear to be young, growing and in many senses diverse. Though the founding dates of these SEs range from 1821 to 2022 and thus reflect the sector's deep history across the continent, the sample's median age (7 years) and most common development phase (early implementation and growth) emphasise that the broader growth of the SE model is a newer, still-growing trend. Their interest in and pursuit of growth is evidenced by the fact that 91.0% intend to scale their organisations, and through a varied array of strategies – most commonly involving innovation, diversification and partnership.

ESEM SEs are active across all 22 of the UN ISIC economic sectors, with 26.1% operating in multiple sectors and 11.1% either not fully or at all represented by these standard categories. Not only is the SE model thus demonstrated to be adaptable to a multitude of different business sectors, but this would also seem to indicate the limitations of traditional conceptions of the economy, pointing to the need to expand our systems of classification to encompass new areas of innovation.

ESEM SEs are also diverse in the legal forms they utilise, with the sample taking 158 different legal forms across the 21 countries and 8.1% drawing on multiple, hybrid legal forms. Evidencing a strong desire within the sector for legal structures specifically adapted to the particular needs of SEs, 65.5% of the sample perceives value in a SE-specific legal status. Encouragingly, this desire is increasingly being answered, for instance by new legal forms now being introduced in the Netherlands and Spain. However, a continued need exists for such developments across other European countries. It will also be vital to ensure that as such statuses are created by national governments, that this is done in consultation with local SEs and the ecosystem organisations which support them.

Purpose & Impact of ESEM SEs'

As for their purpose and impact, ESEM SEs are found to work across the full range of the 17 UN SDGs. Most commonly tackled are SDG 8: Decent Work and Economic Growth (49.9%), SDG 3: Good Health and Well-being (49.0%) and SDG 10: Reduced Inequalities (46.2%), though 83.2% of ESEM SEs target multiple SDGs. This strong commitment to creating positive social, economic, political and environmental change both





ESEM SEs appear to be not only decisive about what impact they seek to achieve and on what scale to enact it, but also rigorous about measurement.

reflects and reinforces the claim that SEs are one of the most critical drivers towards achievement of the SDGs. A majority (51.4%) of ESEM SEs are also found to tackle these goals on multiple geographic levels, though most commonly at a national level (41.9%). While the geographical focus for action among ESEM SEs ranges from the local community level (29.6%) to an international scale (27.9%), given their relatively even distribution across development stages, this data indicates that such choices are intentional rather than merely reflective of age and growth.

ESEM SEs appear to be not only decisive about what impact they seek to achieve and on what scale to enact it, but also rigorous about measurement. 58.0% of the sample currently measures their impact while 28.3% plan to do so in future, and of those already performing measurement 72.2% do so at least once a year. While 37.2% of ESEM SEs refer to the SDGs

in impact reporting and 20.8% draw on formal certifications, 60.7% did not have any external support in developing an impact measurement framework. This data indicates a potential need (and concomitant opportunity) to better support SEs in navigating the challenges of developing targeted measurement systems that will enable them to effectively gauge, track and improve upon their impact creation over time.

Through the impact that they generate, ESEM SEs also support a wide and diverse range of beneficiaries, most commonly children/young individuals (33.3%), women/girls (27.2%) and individuals with mental illnesses (27.1%). These beneficiaries are supported by ESEM SEs in numerous ways, such as through the consumption of their goods/services (79.4%) or involvement in their production processes/services (66.4%). However, ESEM SEs not only seek to serve individual beneficiaries, but also to create more systemic impact on a broader scale, such as through developing and diffusing knowledge about innovations (43.6%) and influencing policy-making (36.1%). To generate such targeted and far-reaching impact, ESEM SEs are found to leverage various innovations, most notably integrating (from the time of their founding) innovative approaches in their products/services (59.0%), impact model (36.3%) or business model (36.2%). In addition, at least 55.4% of ESEM SEs perceive at least one technology as relevant for their business/impact models going forwards. In short, not only are ESEM SEs often leveraging innovation and technology to operate effectively as enterprises and to create impact for their beneficiaries, but they also have the potential to act as catalysts for the spread of innovation and the empowerment of their beneficiaries.

People & Governance in ESEM SEs

To achieve these endeavours ESEM SEs require various resources, including human capital. While the overwhelming majority (95.4%) of participating SEs can be classified as SMEs (<250 employees), 57.6% of the sample expects to hire additional staff in the coming year. Given their status as social enterprises, at least 55.1% ESEM SEs also draw on the skills and experience of volunteers to support their operations and growth, again demonstrating the flexibility of the SE model. Another key feature of the SE model that the data illustrates is the participatory nature of governance and decision-making. 68.3% of ESEM SEs involve staff in decision-making to a 'high' or 'very high' extent and 33.0% involve beneficiaries to this same extent, therein demonstrating a strong commitment to participation and accountability.

ESEM SEs are further distinguished by their consideration of diversity, equity and inclusion, with at least 37.2% considering themselves to employ people with disabilities and at least 59.2% considering themselves to employ people of varying ethnic backgrounds. ESEM SEs can also be seen to employ a greater proportion of women, at all levels of their organisations, than is seen in the broader economy. While this data is limited in its scope and level of granularity, it is still a positive indicator that suggests directions for additional research on the ways in which SEs plan, implement and further the values of diversity, equity and inclusion.

ESEM SEs & Social Procurement

The commitment of ESEM SEs to social values extends beyond their hiring practices and also influences critical decisions about the enterprises' operations. In particular, ESEM SEs are found to rank highly both social and environmental responsibility (at values of 74.9 and 75.6, respectively) as criteria impacting decisions about their own procurement and supply chains. Indeed, both are roughly equivalent in their influence with the considerations of cost, demonstrating their high priority to ESEM SEs. Not only do ESEM SEs enact socially-responsible procurement in their supply chains, 61.0% also participate in social procurement through their sales to other businesses (ranging from SMEs to corporations). Of this subset, 24.5% include multinational corporations within their customer base and 50.5% would like to have additional such customers. Among the 18.7% of ESEM SEs not yet making B2B sales but who would like to do so in future, 50.4% also desire corporate customers. Social procurement is a growing and critically important trend, possessing enormous potential to transform traditional economic models for the better and to move the world closer to achievement of the SDGs. This study indicates that a significant number of ESEM SEs are already participating in such vital change and that many more seek to do so in future, if they can be provided (inter alia) with sufficient and targeted support to develop their capacity for engaging in (and enable their access to) B2B and B2G markets.

Financial Features & Needs of ESEM SEs

To participate in social procurement, as well as to scale, grow their impact and employ the additional staff that ESEM SEs plan to hire, financial resources are also crucially needed. To finance their organisations ESEM SEs rely, on average, on trading income at a rate of 60.4% and non-trading income at a rate of 39.6%. While some ESEM SEs have either exclusively

trading or non-trading income, the majority (67.1%) have hybrid income from both types of activities. More specifically, ESEM SEs most commonly rely on sales to consumers, other companies and the public sector, as well as government grants and volunteering by private persons. Though the most common level of revenue achieved by ESEM SEs is less than €50,000, this is unsurprising given their age, size and level of development. However, the data promisingly indicated that revenues had increased over the past year for 44.0% of ESEM SEs and that the majority had either broken even or made a profit. Again reflecting their social purpose, 86.0% of reporting ESEM SEs distribute any profits 'mainly' or 'mostly to exclusively' for the purpose of their organisations and the impact they aim to achieve.

Despite these achievements, ESEM SEs are found to experience a few financial challenges". 75.2% have stable financial planning horizons of less than a year. In addition, on average, they were only able to secure funding to meet 60.7% of their financial needs over the past year. This shows an enormous opportunity, if solved, for these ESEM SEs to create substantially more positive impact for the economy and society.

In seeking to address these financial needs, ESEM SEs sought a variety of external funding sources, most commonly public financing, private donations and foundation funding. While success rates for financing were generally quite high, it was often the case that ESEM SEs received only partial or yet-undetermined proportions of the amounts sought. It is also crucially important to note that the range of financing sought is determined and limited by a plethora of factors, including their availability and perceived accessibility.

For instance, while EU funding was sought by 34.1% of ESEM SEs and future applications were planned by 50.4%, a significant number of potential applicants were deterred by the complexity and time-consuming nature of applications, despite



Action from policy-makers will be particularly crucial given the limited levels of political support for social entrepreneurship identified by ESEM SEs, ranked on average at a value of 33.0 out of 100.

the perceived importance of EU funding as a valuable income stream providing access to international networks. Ensuring that ESEM SEs are able to access the financing they need to operate, scale and enhance their impact is a crucial challenge. Not only might this entail making a variety of funding sources more sizeable, visible, accessible and tailored to the particular needs of SEs, but also potentially valuable would be support for SEs in dealing with the complexity of funding applications.

Key Barriers Hindering ESEM SEs

While financial challenges are the most prevalent barrier hindering the operations of ESEM SEs (experienced by a full 76.7% of the sample), issues related to non-financial support and market access, visibility and legal frameworks are also highly pertinent. Among the multitude of specific barriers identified by ESEM SEs, the most common are a limited awareness of SEs among the general public/consumers (44.6%), a weak lobby for social entrepreneurship (41.0%) and a lack of options to finance their organisations once started (40.0%). Considering the extent to which barriers obstruct ESEM SEs, the financial category once again proves most problematic, on average 'much' or 'very much' hindering 71.6% of those experiencing these barriers. Legal barriers are close

behind at 63.6%, on average, with non-financial challenges (62.4%) and visibility issues (62.3%) also ranking as quite obstructive. Specific barriers within these broader categories are even more problematic: the lack of options to finance the organisation once started 'much' or 'very much' hinders a full 75.5% of the ESEM SEs who experience this barrier. It is important to note here that many of these barriers may be intertwined, and their alleviation will require concerted, collaborative solutions from a variety of actors, including both financing providers, social enterprise support organisations, policy-makers and social entrepreneurs themselves.

Political & Ecosystem Support for ESEM SEs

Action from policy-makers will be particularly crucial given the limited levels of political support for social entrepreneurship identified by ESEM SEs, ranked on average at a value of 33.0 out of 100. This necessary, additional support for SE by (all levels of) government will not only benefit SEs, though. Through SEs' tackling of social, economic and environmental challenges, the impact they create for beneficiaries, the employment opportunities they generate and their contribution to more socially- and environmentally-responsible supply chains, they can also support governments in achieving their objectives for more prosperous, equitable and sustainable societies.

Such reciprocal benefits arise not only from SEs' interactions with governments, but also through their participation in broader SE ecosystems. Incorporating a diverse array of stakeholders, supportive ecosystems are a crucial factor in enabling SEs to grow and flourish. Of the various support organisations operating within European SE ecosystems, national networks/associations for SE are the type to which ESEM SEs most commonly belong (31.1%). However, 36.7% of ESEM SEs do not belong to any support organisations; a concerning number when one considers that a lack of access

to SE-specific support is identified as 'much' or 'very much' hindering 57.5% of the ESEM SEs experiencing this barrier. Taken together, this data would seem to indicate a critical need for additional and greater support, in its various forms, to be made available and visible to SEs.

Of course, despite the many commonalities present across the national sub-samples of the ESEM study, there also exist many divergences between countries. Different countries represent outliers, either positive or negative, on numerous data points. In Denmark, for instance, 100% of ESEM SEs distribute their profits 'mainly' or 'mostly to exclusively' for the purpose of the organisation. Conversely, in Bulgaria at least 83.9% of ESEM SEs experience there to be low, very low, or no support by the national government for social entrepreneurship. Such outliers represent cases for potential future research into their causes and implications; they also offer opportunities for mutual learning and the generation of best practices that can be adapted for other national contexts in order to advance the European SE sector as a whole.

The aggregate European data of the ESEM, and each of its national subsets, offer a wealth of insights and suggest numerous new research questions. The data also indicates an array of actions to be taken by each of the diverse sets of stakeholders within the European SE ecosystem – researchers, SESOs of all varieties, businesses, consumers and governments at all levels. In particular, the needs and barriers identified by ESEM SEs require the development of new, innovative and targeted forms of support in order to alleviate the challenges that hinder SEs' growth and development.

If the SE sector is to achieve its full potential, amplifying its impact on a diverse range of beneficiaries, generating and catalysing innovation, advancing socially-responsible procurement and driving achievement of the UN SDGs by 2030, this is an endeavour in which we must all participate.





Methodology

Survey Logistics, Promotion & Launch

Encompassing 21 European countries, data collection for the 2021-2022 ESEM study was launched on 28 September 2021 at the Social Enterprise World Forum. The survey, which was conducted through the Qualtrics online platform, was promoted through a multilingual media and communication campaign. The core channels for promotion included social media, newsletters, press and website updates and Google and Facebook advertisements. Periodic direct outreach emails were sent to a database of 2498 social entrepreneurs. All materials and resources created by Euclid Network were shared openly with the consortium partners to enable mirroring of the campaign strategy across the consortium. Close collaboration enabled the translation and adaptation of materials for specific audiences. Copies and templates for these communications materials were continuously updated throughout the data collection period, based on engagement rates, in order to maximise the number and spread of respondents.

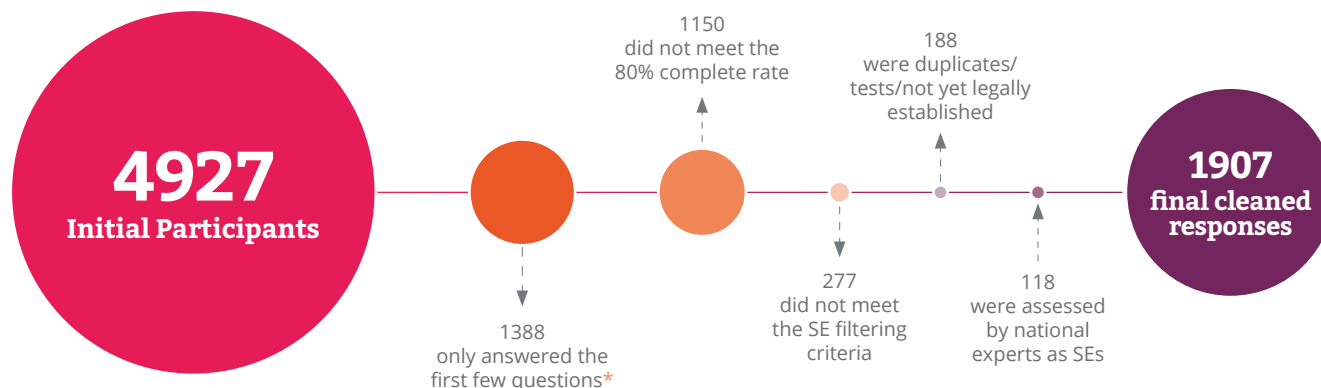
The communication efforts were also supported by 17 formal outreach partners on the European level, namely Social Enterprise World Forum, World Economic Forum Global Alliance for Social Entrepreneurs, Schwab Foundation, ImpactCity, Ashoka, Ecopreneur, Impact Hub Global, EVPA, The GIIN, Social Enterprise Mark CIC, Sustainable Investment in Action, We Make Change, Impact Alpha, European Confederation of Inclusive Enterprises, ChangeNOW and Social Economy Europe. Furthermore, the ESEM consortium accumulated 113 national-level outreach partners, who leveraged their respective networks to directly reach out to potential social enterprise participants.

The survey was officially closed for all countries on 16 February 2022 (with the exception of Türkiye, whose survey ran longer),⁹² though the Netherlands, Germany, Estonia, Hungary and Latvia ceased their campaigns earlier, between 28 November 2021 and 10 January 2022. Despite the survey running longer in Türkiye, only those responses collected before 16 February were considered for the ESEM study sample.

Data Cleaning Process

In total, 4792 participants started the survey. 1388 did not continue after answering the first few questions, several of which were unable to do so because their SE was not based in one of the participating countries. Due to the links used to distribute the survey being largely anonymised, of the 1388 responses removed due to not answering the very first questions, it is not possible to know how many of these respondents returned to the survey later, after having initially opened it, to provide further answers. Any such cases would have been counted multiple times, with the initial instance being removed during this first step of data cleaning due to the respondent having only opened the survey but not having answered any questions, and the later instance, where the respondent resumed and completed the survey, being included if it met the other data cleaning parameters. The 3404 responses remaining after this first step were cleaned, in collaboration with the project's research partners, according to a standard and documented procedure, which was largely the same as that taken in the previous study. Few exceptions to this methodology were made, and are explained on the following page.

⁹²The survey was kept open longer in Türkiye because the country research partners are also using the data generated for another study and report being developed in collaboration with the World Bank.



In the data cleaning process, 1150 responses were next removed (of those remaining that had answered more than the first few questions) because they did not meet the established 80% threshold for survey completion that would allow comparability among sufficiently complete responses. While several countries had added country-specific questions to the survey for the purposes of their national reports, these questions were not considered within the 80% completion cut-off calculations.

Next, 277 responses were removed according to the survey's key filtering criterion, which was used to establish whether or not, for the purposes of the study, a participant could be considered a SE. The filtering question was stated as follows: 'How much importance is given to social impact and financial interests/return in your strategic business decisions?' Respondents were prompted to select values on a slider of 0 to 100 for each of these two criteria. Answers where financial interests/return were ranked higher than social impact were discounted as not fitting the study's definition of a SE, whereby social and/or environmental impact is equal to or greater than financial return.

Another 188 responses were then removed as test entries conducted by members of the research team, as duplicates (identified as identical IP addresses, email addresses, company names and/or participant names, and confirmed by national research partners as true duplicates or not) or as not having been legally founded yet. Other standard data cleaning steps were taken in collaboration between the EN research team and country partners to check the consistency and formatting of answers. The team replaced missing answer entries with 'N/A' (no answer) and recoded where possible answers of 'other' which had accompanying text that could be classified within existing answer categories.

In discussions about data cleaning with the country experts serving as the project's research partners, it became apparent that the filtering criteria regarding the weighting of social and/or environmental impact against financial return was not entirely appropriate in certain contexts, highlighting the difficulties of applying a singular rule or definition for all SEs across all European contexts and legislative frameworks. In total, 118 responses not meeting the filtering criteria were reintegrated according to the rationales outlined in the table below.

These reintegration decisions were taken on the expert advice of these partners with regard to the particularities of their national contexts and the different conceptions of SE within these contexts, and were often also supported with additional forms of validation, such as SEs' participation in certification schemes or national SE registers. Checks were made to determine whether or not the inclusion of these 118 responses would influence the insights generated by the dataset, and across all of the key questions tested there were very limited differences (at most 1.26 percentage points, and usually much less).

While some partners wished to exclude other responses for reasons such as a lack of market activity, given that such reasons were not established from the outset as filtering criteria for the study and because the study seeks to incorporate diverse and inclusive conceptions of social entrepreneurship across Europe, such exceptions were not made.⁹³

After these various data cleaning steps and the carefully considered reintegration of national exceptions as described above, the final study sample totalled 1907 SEs. This European total forms the basis of all analyses in this report, except where certain sets of connected questions act as filters for subsequent answers and analyses. It should be noted that there were low participation rates (less than 30 cleaned responses, which cannot be considered as statistically meaningful) in Ireland, Serbia, Slovenia and the United Kingdom, therefore these countries are excluded from any cross-country comparisons. The limited number of responses makes the national averages for these countries more prone to appearing as outliers and it cannot be assumed that these responses are fully representative of the state of SE within these countries.

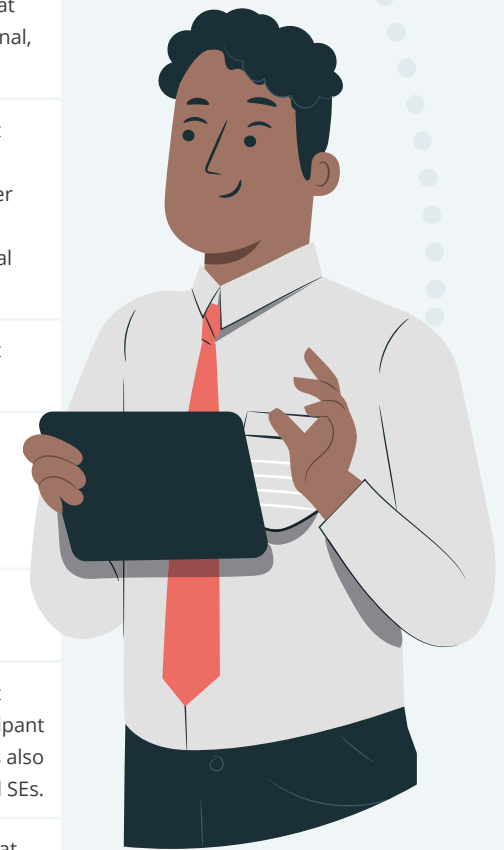
* Either because their country was not participating in the survey, or because the only just opened the survey and returned to complete it (with their later participation counted separately and their initial opening removed here)

⁹³ Only in one case was a response removed because national SE experts (in Switzerland) made a strong case that the participant (a university) did not qualify as a SE despite meeting the filtering criteria question.

> Inclusions & Rationale



Country	Inclusions & Rationale
Austria	Nine responses were reintegrated because these SEs are known to country experts from their interactions in the field with these organisations as SEs, and because some have also won awards for SE or serve as case studies in the field.
Bulgaria	Five responses were reintegrated because country experts know those organisations quite well and are certain that they are SEs, and because some are very active members of the Social Enterprise Forum.
Italy	Five responses were reintegrated because country experts determined that they are SEs based on having impact-generating activities as their intentional, core business.
Latvia	27 responses were reintegrated because country experts determined that they are SEs based on the particular way that SE is conceptualised in the national context (whereby great emphasis is placed on profitability in order to ensure sustainability, enable impact creation and differentiate these organisations from charities). These organisations also belong to a national register for SE in Latvia.
Poland	26 responses were reintegrated because country experts determined that they are SEs based on their knowledge of the organisations.
Switzerland	Nine responses were reintegrated because country experts determined that they are SEs based on their knowledge of the organisations and their missions, impact certifications they possess and/or meeting the SE membership standards of SENS Map or Après Genève.
The Netherlands	Three responses were reintegrated because country experts determined that they are SEs based on their knowledge of these organisations.
Türkiye	32 responses were reintegrated because country experts determined that they are SEs based on contextual factors that they believed skewed participant interpretation of the finance/social impact filter question. Country experts also double-checked these responses before concluding that they were indeed SEs.
United Kingdom	Two responses were reintegrated because country experts determined that they are SEs based on their membership in Social Enterprise UK and/or legal status as registered Community Interest Companies.



Translation Challenges & Mitigation

One minor issue arose due to an error in survey translation, though it was resolved by the country's research partners. In Italy, the national research team observed an issue with the Italian translation of one of the survey questions. For the question where respondents were asked what percentage of their total financing needs over the past 12 months that they had requested, the Italian translation specified 'external' sources when the question was actually meant to include all financing sources. Those respondents who had indicated seeking internal sources such as 'self-financing (cash flow)' or 'own savings' would therefore have given answers that under-represented the true percentage of financing needs that they had sought. To address this inaccuracy, these responses were therefore omitted from the calculation of the average percentage of financing sought.

The subsequent question, asking about what percentage of financing needs that respondents secured, also had a translation issue. Rather than querying the percentage secured of the total percentage needed, it asked about the percentage secured of the percentage requested. However, by performing a simple calculation ($\% \text{ managed to secure of total needs} = \% \text{ managed to secure of the } \% \text{ requested of total needs} * \% \text{ requested of total needs}$), the Italian team was able to address this issue and replace the partial percentages with the correct answers.

Explanatory Notes on Data Interpretation

Regarding interpretation of the data, it should also be noted that the number of staff employed by ESEM SEs is measured in FTE. This serves as a comparison of how many staff are considered to be full-time employed within a national context. This does not mean that they necessarily work the same number of hours, as 'full-time' varies across European



Answers where financial interests/ return were ranked higher than social impact were discounted as not fitting the study's definition of a SE.

countries from around 35 to 40 hours per week. Aggregating staff using FTE also captures the reality that multiple staff may be employed on a part-time basis; however, when aggregating the work-time of multiple employees this allows for a more appropriate comparison of the size of enterprises and scale of their staff.

For the questions relating to the employment and inclusion of women, persons of disability and of differing ethnic backgrounds, the survey data relies on respondents' identification of these different characteristics within their SE. It should be noted that there may be different conceptualisations of ethnicity, gender and disability across ESEM countries. The individual survey respondent may also not have been aware of any less visible disabilities or how individual employees consider their own gender or ethnicity. Hence the responses in the survey relating to these characteristics should be interpreted as a self-identification which does not fully capture the various facets of these complex characteristics of staff employed by ESEM SEs, and may therefore be under-represented.



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ESEM will become the “go to place” for taking the pulse of a vibrant and increasing community of social enterprises in Europe.”

Professor, Hertie School of Governance, Co-Director Stanford Center on Philanthropy and Civil Society, ESEM Board Member



ESEM will be a powerful tool for monitoring the progress of SE ecosystem development on national and European level; at the same time a desperately needed database of relevant information on SE operations and SE ecosystems, not only for policy makers and researchers, but for SE support organisations (SESO), SEs themselves, academy, funders and other stakeholders as well.

ACT Group, one of the most active Croatian SESOs, as partner on the ESEM project, joined the consortium to enhance the development of Croatian SEs, to bring the Western Balkan SE ecosystem on the EU agenda and to co-create more enabling SE ecosystems on European level.”

Teo Petricevic
Director, ACT Grupa



Decision-makers now have the opportunity to set the course for a successful transition into an inclusive and sustainable economic paradigm. The ESEM provides insights into one of the most important organisational concepts, if not the most important one, that will enable this to be achieved: the social entrepreneurial model.”

Wieteke Dupain
Head of Knowledge Research & Development,
Co-Founder and Lead of the ESEM Initiative,
Euclid Network | The European Social Enterprise
Network



In a danish context a rapport with detailed data on the status and impact of social enterprises has never been produced. We think that it is very important for social enterprises and the social economy sector as a whole to be able to present this kind of documentation. It is important, both in Denmark and the rest of Europe, to be able to inform decision makers and to raise the awareness of the general public of the positive impact that this sector has on society. That is why we are very happy to be part of the ESEM project”.

Per Bach
Managing Director,
Sociale Entreprenører i Danmark (SED)



ESEM is important to gain a better understanding of the social entrepreneurship ecosystem in Europe. We need better data to be able to explain to policymakers and others what the needs of social enterprises are. More comprehensive data will enable us to conduct research on the sector to better understand issues such as the barriers social enterprises face in terms of innovation, growth, financing and impact.

ESEM will help social enterprises move closer to reaching the United Nations SDGs because we will strive to raise awareness and increase the visibility of the important work of social enterprises, attracting more resources and talent to the sector, and ultimately enabling social enterprises to have a greater impact on society!”

Lisa Hehenberger
Professor and Director,
ESADE Center for Social Impact



Policymakers need data to make good decisions. The ESEM gives them deep insights into the important work of Social Entrepreneurs in Europe.”

Michael Wunsch
Head of Strategic Project Development,
Social Entrepreneurship Netzwerk Deutschland
(SEND)



The data gathered offers a plethora of insights on the structure and defining characteristics of SEs, their purpose and impact, their needs and strategies, their histories and planned futures, and perhaps most pertinently, the barriers that present obstacles to their further growth, development, and amplified impact. Through studying and analysing this data, we can not only come to better understand SEs, but also to determine what courses of action might be necessary to better support them.



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