

## **D.T5.2.1 InnoSchool training package for teachers on social entrepreneurship**

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## Introduction

The InnoSchool project aims to foster social innovation and entrepreneurship among secondary school students through the use of an Innovative Learning System.

The main element of the Innovative Learning System is a serious interactive online game that aims to provide the right knowledge on social innovation and the joint development of entrepreneurial skills through examples of social entrepreneurship. The target age group is 15-17 years olds, who are at the stage of their journey to adulthood when they are open-minded, receptive and aware of the social problems in their environment. They are already able to take in information and knowledge, have their own opinions and ideas, and are able to propose solutions. The game is designed to reach these young people in an environment that is familiar, comfortable and attractive to them, namely the online space.

Of course, in this adventure, young people need a mentor to help them learn, overcome obstacles, provide guidance when needed and have the right background knowledge. These mentors are none other than teachers. Clearly, with a few possible exceptions, teachers do not necessarily have a broad knowledge of social innovation or social entrepreneurship. Nor can they be expected to be, because, although it is not so rare in the Danube Region today, it is a phenomenon that is not very well known.

In this Teacher's Guide, we want to help them to have the background knowledge in this area, so that they can confidently help your students to learn and really play their role as a mentor.

## Social innovation

### About social innovation in general

Social innovation is a complex activity aimed at finding an innovative solution to a social problem. It can be a one-off intervention or a longer-term sustainable intervention, it can refer to an initiative, a process, a technology, a product, a movement or a principle.

To call an initiative or an outcome a social innovation, it is important that it should be novel. This does not necessarily mean that it must be a completely original idea, but it must be novel in the context, for the users or stakeholders. Another important criterion for social innovation is that the development is more efficient and effective than existing alternatives.

There is no single agreed definition of social innovation. The first appearance of the concept in the literature can be traced back to Drucker, who stressed the importance of social innovation as early as the 1980s. He argued that the hitherto typically managed US economy was increasingly shifting to the operating principle of the so-called entrepreneurial economy, and that the development of the entrepreneurial economy was primarily the result of social innovation. He argued that innovation is needed in all areas of life. Innovation should not be limited to technical or economic fields, but should also be a social category, and his theory deepened the concept of social innovation.

The concept and definition of social innovation has been the subject of much debate in the literature, which we will not go into in detail in this document. Innovation is generally considered to be the micro-level implementation of modernisation, a process which leads to the realisation of a new type of social innovation.

Since the 1980s, new areas of innovation have been added to technical innovation (technological, economic innovation). In addition to engineering, science and economic innovations, innovations have emerged that are tools for society to contribute to the well-being of the community and to address current problems. Well-being is linked to a sense of security, self-esteem and the need for relationships, in addition to the income conditions and subsistence needs that determine well-being.

Peripheral areas and their need to catch up have come to the fore. In this process of catching up, innovative ideas and social innovation activities at local, community level have become important. Social innovation, in cooperation with technical innovation, can respond to local challenges at the community level, find solutions to everyday problems and thus improve the well-being of the community. The innovations resulting from the expansion of innovative fields

can be characterised as complementary processes. Social and technical innovation interact closely.

Social innovation can be understood at different territorial levels, namely:

- micro (organisational) level
- mezo (municipal, regional) level
- macro (national) level
- global level

As the European Commission put it in its 2006 document Putting knowledge into practice: a broad-based innovation strategy for the European Union, "Our future depends on innovation." The document looks at innovation primarily in economic terms, but also refers to the broader concept of innovation, the processes that enable social innovation to be generated. Among its findings, it stresses that the Commission believes that the most important scene for stimulating innovation is very often the regional level. The literature review clearly shows that there is a strong link between territory and innovation potential. This implies both spatial correlations, spatial variations in resources and that 'the environment is an endogenous variable in innovation'. The European Union's cohesion policy aims to reduce disparities between regions, and social innovation is one of the tools and models for this. In the EU's vocabulary, the meaning of innovation has also changed from economic and competitiveness to innovation that focuses on processes in society and that also leads to social renewal. Social innovation has an important role to play in tackling regional disparities and creating opportunities for catching up.

Social innovation as a new tool to tackle everyday challenges is most visible at the level of cities. Analysis at the regional level will showcase innovative solutions from municipalities that take the form of new collaborations, creating sustainable, flexible and open governance at the city level. The social innovation capacity of cities is also explored in the URBACT programme study on Social Innovation in Cities. The study suggests that the main challenge for cities is to increase cooperation (between organisations, institutions, citizens, other stakeholders) by exploiting local assets, and that social innovation provides a tool and a model for doing so. In this case, innovation means not seeing local government as an isolated process, separate from citizens, but rather as an attempt to work together. A new model of governance is needed, one that is holistic and in which the role of citizens in society is enhanced.

Grassroots civic movements and citizen projects are innovative solutions to meet the needs of a community, and social engagement is emerging as a new and innovative tool in the life of cities. The implementation of these solutions is the result of social innovation, which, in the form of cooperation, can also bring about a systemic change in local governance. The new

model thus enables the creation of innovative solutions, treating the citizens of the city as equal partners, who also reduce the costs of the projects through their participation.

## The link between competitiveness and social innovation

In the 1980s, the focus of the analysis of innovation and competitiveness was on the firm level: it was mainly at this level that innovations appeared, and it was generally believed that the competitiveness of firms predicted the development of the country's competitiveness. Competitiveness is a broad concept that is difficult to define and refers to the propensity and willingness to compete. It is measured in terms of success rate, market share and profitability growth, measured in a specific way.

The basic components of competitiveness are productivity and employment. The main objective of increasing competitiveness is to raise living standards, which is a function of high levels of employment and productivity. Competitiveness is closely linked to innovation, with innovation playing a key role in increasing competitiveness. The so-called core areas are rich in economic and scientific innovation, while the periphery is lagging behind. In these lagging, less developed areas, new and timely solutions are needed for smaller communities (municipalities, regions), for which social innovation provides a tool and a model for implementation.

The European Union has assigned values to 13 indicators to define regional competitiveness over the period 1980-2001. The studies concluded that productivity, i.e. the competitiveness of a region, is closely linked to the development of the knowledge economy and its underlying conditions. Innovation plays a crucial role in the competitiveness of a region, and thus the promotion of social innovation with the involvement of local communities becomes a key issue.

What makes social innovation social? There are countless innovations that make our everyday lives more comfortable, our work more efficient, our problems easier to manage. The computer, the telephone, the variety of transport, innovations that have a profound impact on our society, influence our lives, provide new and creative solutions to our problems. Yet we would not call them social innovations. As James A. Phillis and Kriss Deiglmeier point out in the Stanford Social Innovation Review, "The car has enabled a sense of freedom and independence while connecting people who otherwise rarely saw each other. Drugs save lives. Deodorant is likely to strengthen social bonds. And so these products benefit not just individuals but society as a whole. But that doesn't make them social innovations." Only social innovation can be said to

have community and economic benefits for society as a whole, not for individuals, companies or investors.

Many of society's problems cannot be solved by a one-off technological or business innovation, and often not by centralised, governmental means. In fact, government may not even see solving some problems as a priority. And once we have a solution plan in place, its effectiveness is often hampered by the fact that, despite the best intentions, the target group itself becomes passive and accepting, and thus cannot get out of its situation in the long term because it does not learn to stand up for itself. This is why innovators are needed who develop, promote and implement innovative solutions that respond creatively to societal needs and problems and are therefore better, more effective or easier to sustain in the long term than previous solutions. Social enterprises can be seen as such innovators.

## Social enterprises

### Definition of social enterprise

There is no single definition of social entrepreneurship, many different definitions and schools of thought exist. Approaches can be grouped into two main American trends - market returns and social innovation - and one European trend - EMES. A description of international trends can help to better understand the processes taking place in each country. It is important to stress, however, that different understandings of social entrepreneurship are influenced by social, economic, political and cultural contexts and backgrounds, so that the adoption of certain American or Western European definitions without taking into account local conditions will not in itself lead to more effective policies to support social entrepreneurship.

**The market income school** considers the main characteristic of social enterprise to be the generation of market income. Within the school, two approaches can be distinguished, the former narrowing the scope strictly to non-profit organisations, while the later school includes all social business initiatives:

- The commercial nonprofit approach: a narrower approach that initially focused specifically on the strategies of nonprofit organisations to start a business and generate income in the market, and later expanded to include the use of a broader set of business methods.

- The social-purpose business or mission-driven business trend. The social-purpose business movement, which emerged in the 1990s, is a broader approach that does not limit social entrepreneurship to the economic activities of non-profit organisations, but includes any social purpose activities that can be carried out by any form of organisation, including for-profit organisations. Some authors even include activities related to the social responsibility of for-profit companies.

**The second American school** does not focus on the revenues of organisations, but on the profile and behaviour of social entrepreneurs, which basically means the willingness and action to solve a social problem in an innovative way. "Here, the social entrepreneur is a change agent who brings something new in some area: a new service, a new method, new factors of production, new organizational forms, a new market or a modified regulation. The central concept is innovation, and social entrepreneurs as individuals are the celebrated heroes of the modern age."

In addition to innovation, the social impact at the societal level as a result of social entrepreneurship is of particular importance. The trend is primarily associated with Bill Drayton and the international social entrepreneur support organisation he founded in 1980, Ashoka, which focuses on the profile of individuals who are able to innovate, with social innovation rather than the generation of market revenue at its core.

**The EMES approach** is the most prominent trend in European discourse. The EMES defines social enterprise as follows: social enterprises are private non-profit organisations that provide products and services specifically for the benefit of the community and thus for their social purpose. They are based on collective dynamics involving a large number of participants in their decision-making bodies, place a strong emphasis on their autonomy and are subject to economic risk in their activities. Social enterprises are primarily, but not exclusively, linked to the third sector, the non-profit sector and the social economy. They can be seen as a subset of the sector, but also as a process affecting the sector as a whole, a kind of new (social) entrepreneurship. At the same time, the concept of social enterprise is not linked to a legal form, but can take the form of an association, cooperative, foundation, for-profit enterprise or other legal form specifically designed for social enterprises. According to this approach, social enterprises are distinguished from traditional non-profit organisations by a significant share of market revenues; whereas they differ from traditional for-profits in terms of the existence of a social purpose. Thus, social enterprises are placed at the intersection of the market, civil society and the public sector, and in their legal form are mostly social economy organisations.

In order to create a coherent research methodology, the EMES research network developed a set of criteria, consisting of three elements related to three economic, three social and three



governance dimensions, which allowed for the comparison of different social enterprises. A fundamental feature of the EMES approach, which differs from the other schools, is that it emphasises the need for specific democratic models of governance, such as democratic control, stakeholder participation in decision-making, autonomy and the prohibition of profit-sharing. According to the EMES approach, these indicators are not prescriptive criteria, but rather, as characteristics of the ideal type, they indicate an abstract construct that allows researchers to relate real social enterprises to each other and to define the boundaries of the concept.

In addition to the criteria developed for Western Europe, the EMES research network has simplified its approach by examining the situation of social entrepreneurship in Central and Eastern Europe in a joint research with the UNDP. Using this simplified approach, it has been possible to analyse third sector organisations in Central and Eastern European countries that are engaged in social economic activities, including start-up initiatives that may later develop into social enterprises.

The **European Commission's definition combining these three approaches** was set out in 2011 in the Social Business Initiative, which aims to create a favourable regulatory environment for social enterprises, which play a key role in the social economy and innovation. By social enterprise, the Commission means an enterprise that:

- in which a public, social or societal purpose is the basis for commercial activity, often with a high level of social innovation;
- whose profits are reinvested primarily to achieve this social objective;
- which has an organisational structure or ownership system in accordance with its mission, based on democratic or participatory principles or the objective of social justice.

According to the Commission's definition, "a social enterprise as an actor of the social economy (EMES) is an enterprise whose primary purpose is to achieve social impact, rather than to benefit its owners or shareholders (all three schools). Its market operation consists of producing goods or services innovatively (social innovation school) using the means of the enterprise (market income school) and using its surplus revenues primarily for social purposes (all three schools). It is managed responsibly and transparently, in particular by involving its employees, customers and stakeholders in its economic activities (EMES)'.

It is important to note that three basic concepts can be identified in the field of social entrepreneurship: social entrepreneurship as an activity/process; social entrepreneur as a person; and social enterprise as an organisation. In order to distinguish clearly between these concepts, Defourny and Nyssens propose the following definition: social entrepreneurship as

an activity/process is the process whereby a social entrepreneur creates his or her social enterprise.

## The international situation of social enterprises

The non-profit sector or social economy has become more important worldwide in recent decades, mainly as a response to the crisis in welfare systems and as a new strategy to combat social and economic exclusion.

In the following, we look at the main characteristics of social entrepreneurship in the United States and Europe.

### United States of America

In the US, voluntary organisations have been engaged in market-based income-generating activities since the country was founded. Here, the lack of a strong welfare state meant that there was a strong tradition of grassroots community building and community development, and non-profit and voluntary organisations became a new form of organising welfare services. In the 1960s, public welfare programmes in the areas of education, health, community development and poverty were to a large extent outsourced to old and newly formed non-profit organisations in these areas. The economic downturn of the 1970s and new social and economic challenges also affected welfare spending, as it led to a significant reduction in public funding.

Nonprofits adapted to the new circumstances by relying on state, local government and private rather than federal resources from the 1980s onwards. It was at this time that it became clear to organisations that government was not a reliable source of long-term sustainability and that traditional sources of philanthropy and volunteerism could not grow fast enough to fill the funding gaps for organisations with an already expanded scope of activities, so nonprofits began to develop market activities.

In recent years, social entrepreneurship has been on the rise in the United States, with nonprofit commercial activities (1982-2002) both the largest source of revenue and growing substantially over the previous 20 years. However, this can vary by sub-sector. We do not have representative research on the most recent figures. The most recent research mapping the social enterprise sector in the US is the Great Social Enterprise Census (<http://socialenterprisecensus.org/>), the

main findings of which are that social enterprises in the US are small in terms of both revenue and number of employees. They operate in both non-profit and for-profit forms, evenly spread across the country. 60 percent were founded after 2006, 29 percent after 2011. 20 percent are in economic development; 16 percent focus on workforce development; 12 percent on energy and the environment; 11 percent on education. More than 90 per cent operate within the country, and less than 10 per cent extend their activities to other countries. The businesses included in the survey represent more than \$300 million in revenue, employing 14,000 people in 28 states. It is estimated to be a sector employing 10 million people, with revenues of \$500 billion, or about 3.5% of total US GDP.

## Western Europe

In the early days (until the end of the 18th century), social economy organisations - associations, foundations, cooperatives and mutual societies - also played a role in social work, health, education and housing. There were fundamental differences in early development by country. In the United Kingdom, the 19th century was characterised by the social principle of charity and the voluntary and benevolent organisations organised on this basis, while in France, although these types of organisations existed, the concept of solidarity and the organisations of the social and solidarity economy gained influence. Over the years, legal frameworks for activities were gradually introduced and legislation limited the activities of organisations. From the 19th century onwards, the clarification of the legal framework contributed to the emergence of various sub-sectors: foundations, associations, cooperatives, mutual societies. Foundations, charitable organisations and trusts were most widespread in Anglo-Saxon countries, while cooperatives and mutual societies were most widespread in some countries of continental Europe, such as France. The development of each type of organisation has been influenced by the way in which the welfare system has subsequently evolved in each country: either most NPOs have been integrated into the public sector, or they have remained legally and formally NPOs but have lost their autonomy as they have become part of the welfare system. There were also organisations that were not part of the welfare system, were not allowed to carry out business and productive activities, and could only perform advocacy functions. The emergence of welfare states tended to reinforce the role of the public and market sectors, although in the 1950s and 1960s non-profit organisations were active in certain areas, such as housing and poverty.

The economic crisis of the 1970s and early 1980s led European countries to adopt more active approaches than traditional social policy actors. According to the OECD (2003, 38), most

European countries initially responded to the financial crisis by reforming employment subsidies and restructuring, slowing down or inhibiting the growth of public provision of social services, but traditional macroeconomic and employment policies became less effective in addressing unemployment and the growing demand for social services. This process has also coincided with a decline in the provision of informal social services in families, mainly due to the increasing labour market participation of women and the decline in family size. After the crisis, new social enterprises, mainly in the third sector, started to respond to increasing needs, e.g. housing problems, childcare services, services for the elderly, urban renewal initiatives, employment programmes for the long-term unemployed, and so on. The first such pioneering social enterprises were set up in the 1980s by civil society actors, sometimes members of excluded groups. In the early days, these services were autonomous and largely based on voluntary work, but from the 1980s and 1990s, changes in public policy brought about closer cooperation with the public sector.

Organisations first used the older legal forms (e.g. cooperative and association), creating networks and alliances to gain better recognition, resulting in new laws and public support schemes more tailored to social enterprises. In some countries, new legal forms have been created, such as the Italian social cooperative, or the Portuguese social solidarity cooperative, the French public interest cooperative or the Belgian "entreprise à finalité sociale". However, despite the new legal forms, the majority of social enterprises still take traditional legal forms.

The concept of social enterprise itself emerged in Western Europe in the first half of the 1990s in Italy in connection with the cooperative movement. Here, new cooperative initiatives emerged in the late 1980s, mainly in the fields of work integration and personal services. Similar initiatives were later developed in other Western European countries. Different legal forms were introduced in each country to encourage the economic activities of non-profit organisations. In France, Portugal, Spain and Greece, the new legal forms were of the cooperative type, while in Belgium, the United Kingdom or Italy (through the second law on social enterprise in 2005), for example, more open models of social enterprise, not exclusively focusing on the cooperative tradition, have proliferated. In addition to the new legal forms and frameworks, the development of social enterprises in the 1990s was significantly influenced by specific public programmes and measures aimed at labour market integration. This is one of the reasons why a new type of social enterprise, namely the work integration social enterprise (WISE), has become predominant in Europe since the mid-1990s. In addition, the provision of social and community services has become another key area.

We also do not have representative data on social enterprises in Europe. For the third/non-profit sector and the social economy, we can draw on several data sources. The social economy can also be considered as very significant in the EU in terms of numbers. In total, the sector employs

more than 14.5 million people, i.e. 6.5 % of the active population of the 27 EU Member States. The role of the social economy is more significant in the 15 new Member States, where 7.4% of the active population is employed in the sector. However, the size of the social economy varies from country to country, with Sweden, Belgium, France, Italy and the Netherlands having much higher rates - between 9% and 11.5% - than the other Member States. Furthermore, it is important to note that the social economy can be seen as a dynamic growth sector.

### Central and Eastern Europe

In Central and Eastern Europe, social enterprises have evolved from the concepts of the third sector, non-profit organisations and the social economy, including both institutionalised organisations such as associations, foundations and cooperatives and non-institutionalised organisations such as self-help groups and other informal initiatives. The non-profit sector/social economy in this region has also undergone a long development over the centuries, with organisations present since the Middle Ages, as in Western Europe, and charity and mutual support in a wide range of activities, such as production, consumption, credit and trade.

The development of the non-profit sector was characterised by strong growth in the first years after the change of regime. The underground initiative, which was not visible to the public, gained ground after the change of regime. People started to join organisations and to use new opportunities to participate in social processes. The transition has seen a shift from underground movements to non-profit organisations operating in a mostly stable and supportive social and political environment. At the beginning of the transition period, civic participation flourished in the Eastern European countries, with an explosion in the number of non-profit organisations and civic initiatives being set up. The new legal framework helped the development of some social economy institutions and enabled the creation and restoration of legal and fiscal frameworks for organisations. In most countries, this resurgence was the result of the massive unemployment and poverty associated with the economic transition and the shortcomings of market mechanisms in national economies. The growing institutional and administrative vacuum in social welfare systems and the decline in public services created during the transition led local leaders with social sensitivity to set up new organisations and institutions, such as foundations and associations.

The region's non-profit sector was characterised by a duality, with new non-profit organisations and the survival of the socialist legacy, as evidenced by the relatively strong position of culture

and recreation, and professional associations and associations, two areas not only tolerated but also supported by the communist regime. At the same time, unlike in the developed world, NPOs are still limited in the areas most closely linked to the welfare state, namely social care, health and education. Non-profit organisations in Central Europe are also important in the fields of environmental protection and legal protection.

The development of cooperatives after 1989 differed significantly from that of non-profit organisations. The post-change neoliberal policies and foreign donors mainly recognised the importance of advocacy organisations in building democracy, but also neglected cooperatives as economic and welfare actors alongside non-profit organisations. Indeed, cooperatives have declined because their economic and social function and their role in the social economy have not been recognised by policy.

For non-profits, the rapid growth in the early years of regime change, followed by slower growth in the second half of the 1990s, was followed by a kind of decline in the 2000s and slightly earlier. The number of foundations fell somewhat and membership numbers plummeted. Public institutions continued to be mainly active in the social services sector, while NGOs were only able to compete in the market to a limited extent, mainly in the field of sport and recreation.

In almost all countries in the region, new social economy legislation has been developed and corrections have been made to better adapt to the new realities of the social economy and to address the various abuses and corrupt practices related to the law (e.g. tax laws, irregular duty-free imports) that were also contributed to by inadequate legislation.