InnoSocial

Mainstreaming Inclusive Innovation and Social Entrepreneurship in Higher Education

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Learning Modules

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Inclusive Innovation and Social Entrepreneurship

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Module 1. Inclusive innovation and social entrepreneurship

Module structure

Unit 1.1 Sustainable development goals and societal challenges
Unit 1.2 Mainstream innovation, social innovation & inclusive innovation
Unit 1.3 Social entrepreneurship
Unit 1.4 Case studies of inclusive innovations and social enterprises in emerging and developed markets

Learning Outcomes

Knowledge	The trainee will be able to: ● understand what is inclusive innovation and how is it different from mainstream innovation ● understand what is social entrepreneurship and how is it connected to inclusive innovation
Skills	The trainee will be able to: ● apply the concepts of inclusive innovation and social entrepreneurship in real cases ● identify and analyse social/environmental problems or needs in the local context
Attitudes	The trainee will be able to: ● recognize case studies of successful inclusive innovations and social businesses

Introduction

In today's rapidly evolving world, addressing societal challenges and fostering sustainable development have become essential for society as a whole (El-Haddadeh *et al.*, 2021; Hariram *et al.*, 2023). This challenge needs a multidisciplinary approach that integrates mainstream innovation, social innovation, and inclusive innovation.

In Unit 1.1, the Sustainable Development Goals (SDGs) and the pressing societal challenges they aim to tackle are investigated.

Unit 1.2 explores the dynamics between mainstream innovation, social innovation (SI), and inclusive innovation (II). Here, we examine how SI and II diverge from conventional innovation practices and their role as drivers of social development.

Unit 1.3 focuses on social entrepreneurship (SE) as an opportunity for change. We provide a discussion about the distinction between SE and traditional entrepreneurship, highlighting how SE interacts with social and inclusive innovation. Additionally, we discuss strategies for targeting and engaging marginalized groups within II and SE. Furthermore, we emphasize the significance of II and SE, focusing on the motivations that drive aspiring entrepreneurs to invest in these domains.

Finally, unit 1.4 presents case studies that illustrate the impact of inclusive innovations and social enterprises in both emerging and developed markets. These examples serve as inspiration and practical insights into the power of innovative solutions in addressing societal challenges.

By the end of this module, students will develop the capability to apply the principles of inclusive innovation and social entrepreneurship to real-world scenarios, while also gaining proficiency in identifying and analysing social or environmental challenges within their local context.

Unit 1.1 Sustainable development goals and societal challenges

Introduction – Societal challenges and triple bottom line

Can capitalism sustain itself? This question, posed by John Elkington, founder of the British consultancy firm SustainAbility, sets the stage for examining various social trends shaping our society (Elkington, 1997).

To advance some knowledge in response to the aforementioned questions, as early as 1994, Elkington introduced the concept of the triple bottom line (TBL), also known as the 3P (profit, people, and planet). More specifically, despite the concept of TBL was introduced by Elkington in 1997, the idea of sustainability itself traces back over 130 years to the notion of "spaceship earth" proposed by George in 1879, which emphasizes the finite resources of our planet (George, 1879). The term gained awareness with the publication of the Brundtland Report in 1987, according to which sustainable development is characterized by the fulfilment of current needs while safeguarding the capacity of future generations to fulfil their own requirements (Brundtland, 1985).

In particular, Figure 1 represents the evolution of the concept of sustainability over the last years.

Figure 1: Evolution of the concept "sustainability" over time

1960s
Amnesty International founded Silent Spring published

1970s
Greenpeace founded UN Conference in Stockholm

1980s
Brundtland report Montréal protocol

1990s
Earth Summit Rio Kyoto Agreement
John Elkington's Triple Bottom Line

2000s
GRI Guidelines Green Paper on Promoting a European Framework for Corporate Social Responsibility

2010s
IIRC launched Rio +20 Paris Climate agreement UN SDGs TCFD recommendations on climate risk 2014/95/EU

Source: Rimmel, G. (Ed.). (2020). Accounting for Sustainability. Routledge; Laine, M., Tregidga, H., & Unerman, J. (2021). Sustainability accounting and accountability. Routledge.

TBL, driven by the principles of sustainability, offers a framework for assessing business performance and organizational success across three dimensions: economic, social, and environmental (Elkington, 1997; Goel, 2010; Adams, Frost and Webber, 2013; Alhaddi, 2015) and, in Elkington's formulation, the three dimensions are often expressed as profit, people, and planet (Elkington, 1997). More specifically, Elkington elaborates on seven societal trends that compel organizations to take sustainability seriously, presenting new areas for excellence and business opportunities (Elkington, 1997; Rimmel, 2020; Laine, Tregidga and Unerman, 2021):

- Markets,
- Societal values,
- Transparency,
- Life-cycle technology,
- Partnerships,
- Time, and
- Corporate governance.

While Elkington was not the first to suggest the incorporation of broader social and environmental concerns into business practices, the TBL framework has remained one of the most widely used frameworks globally. The underlying principle of the TBL is providing a holistic perspective on organizational performance and its interactions with the environment. According to Tullberg (Tullberg, 2012, p. 314), a study by KPMG found that 70 percent of the world's top 250 companies utilized some form of TBL accounting in 2005, marking a 15 percent increase over three years.

According to previous studies, without a focused definition, sustainability or sustainable development remains a buzzword, crucial yet challenging to operationalize, especially within business contexts. Therefore, the TBL offers a language that renders the holistic vision of social and environmental activists comprehensible and more actionable for organizations (Rimmel, 2020; Laine, Tregidga and Unerman, 2021).

Agenda 2030 and Sustainable Development Goals

Over the past three decades, the concept of sustainable development has served as a relevant milestone in formulating guiding principles for addressing societal challenges, encompassing environmental and societal issues.

The globally adopted 2030 Agenda for Sustainable Development, approved by the United Nations Member States in 2015, serves as a comprehensive framework aimed at fostering peace, prosperity, and sustainability for present and future generations (Bebbington and Unerman, 2018). Consisting of 17 Sustainable Development Goals (SDGs) organized under five pillars—people, planet, prosperity, peace, and partnership—the Agenda delineates specific objectives crucial for global advancement. The SDGs represent an expansion of efforts to address pressing environmental challenges facing humanity (Bebbington and Unerman, 2018). At this purpose, the SDGs transcend geographical boundaries and call for collective action from all nations, including those classified as "developing," thereby suggesting a more universal approach (Scheyvens, Banks and Hughes, 2016).

Despite criticisms and challenges related to its implementation, the 2030 Agenda remains indispensable in addressing the world's most pressing issues, particularly in the face of slow progress and external crises such as the COVID-19 pandemic (Naidoo and Fisher, 2020). Since their introduction in 2015, the SDGs have gained significant attention from different categories of stakeholders, from NGOs to profit-oriented companies. However, some criticism also emerged in the literature. In particular, the interrelationships between these goals or the underlying drivers of the challenges that the SDGs aim to address are not clearly stated (McCollum *et al.*, 2018; Alcamo *et al.*, 2020).

In this context, organizations play a pivotal role in advancing the objectives outlined in the SDGs, translating global targets into tangible actions at the local and organizational levels (Bebbington & Unerman, 2018). Collaboration between supra-national initiatives and private enterprises is essential for effective implementation, as evidenced by initiatives like the Global Partnership for Business and Biodiversity. Central to the SDGs is the recognition of the private sector's capacity to drive sustainable development, particularly through innovation, responsible production practices, and inclusive employment opportunities (Blowfield, 2012). Moreover, the SDGs offer a framework for businesses to align their strategies with broader societal objectives, facilitating the identification of new opportunities, partnerships, and avenues for social impact (Van Zanten and van Tulder, 2021).

SDGs description

The SDGs are supported by 169 targets and 231 indicators, intended to guide operational efforts towards the Agenda's realization by 2030 (Figure 2). In particular, the interdependence of economic development, social fairness, and environmental stewardship throughout the entire agenda is highlighted by these aims and indicators (Nilsson *et al.*, 2018).

Figure 2 – Sustainable Development Goals

Source: https://www.un.org/sustainabledevelopment/news/communications-material/

1. No Poverty

This goal aims to eradicate extreme poverty by ensuring that all people have access to resources, basic services, and social protection systems. It targets poverty in all its forms, including income poverty, hunger, and lack of access to education and healthcare, and social exclusion (Boluk, Cavaliere and Higgins-Desbiolles, 2017). Efforts focus on promoting sustainable livelihoods, supporting vulnerable populations, and implementing policies that reduce inequality.

Source: https://www.un.org/sustainabledevelopment/news/communications-material/
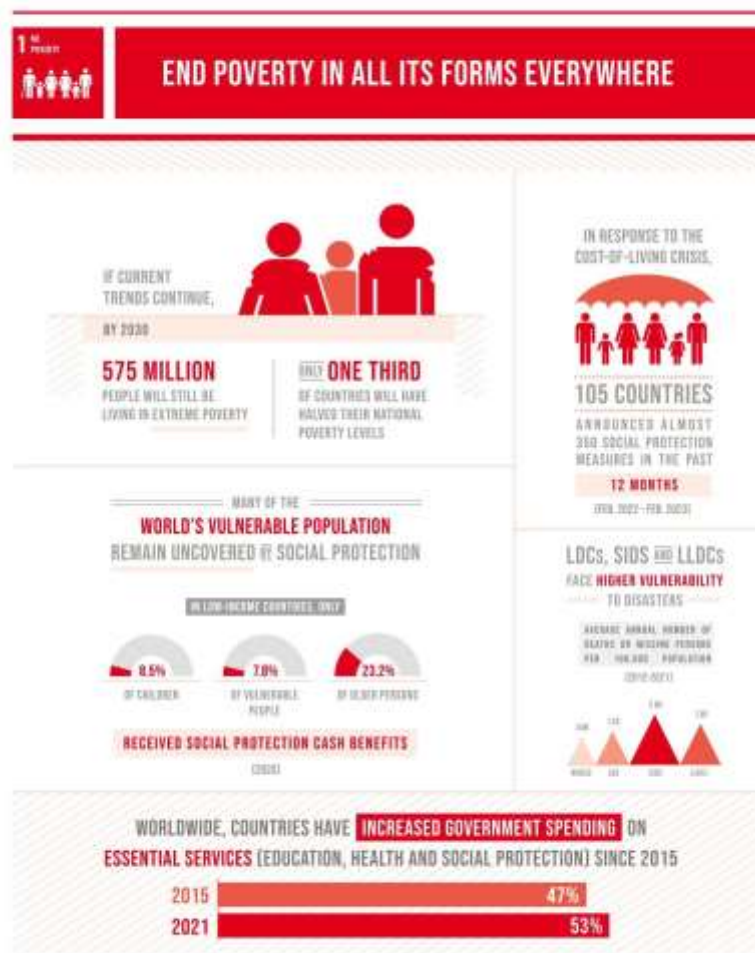
2. *Zero Hunger*

SDG 2 seeks to end hunger, achieve food security, improve nutrition, and promote sustainable agriculture (Boluk, Cavaliere and Higgins-Desbiolles, 2017). It aims to ensure that all people have access to safe, nutritious, and sufficient food year-round. Efforts include increasing agricultural productivity, improving food distribution systems, promoting sustainable farming practices, and addressing the root causes of hunger and malnutrition.

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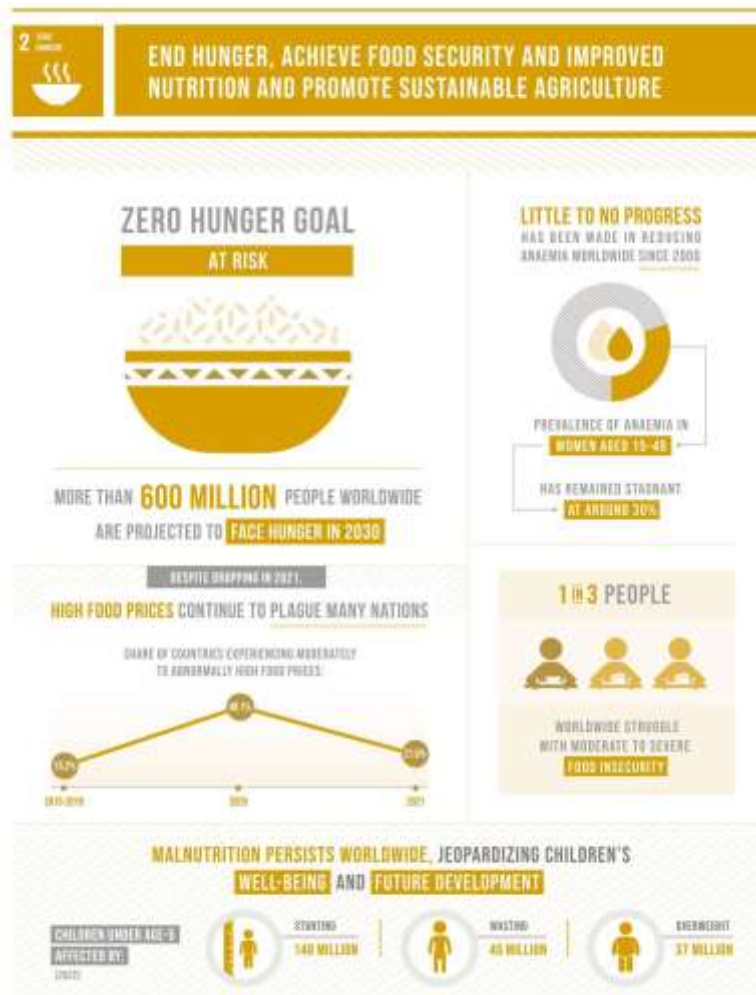
3. *Good Health and Well-being*

This goal focuses on ensuring healthy lives and promoting well-being for all at all ages (Boluk, Cavaliere and Higgins-Desbiolles, 2017). It aims to reduce maternal and child mortality, combat communicable diseases, such as HIV/AIDS, malaria, and tuberculosis, and address non-communicable diseases, such as diabetes and mental health disorders. Efforts also include strengthening health systems, improving access to essential healthcare services, and promoting health education and awareness.

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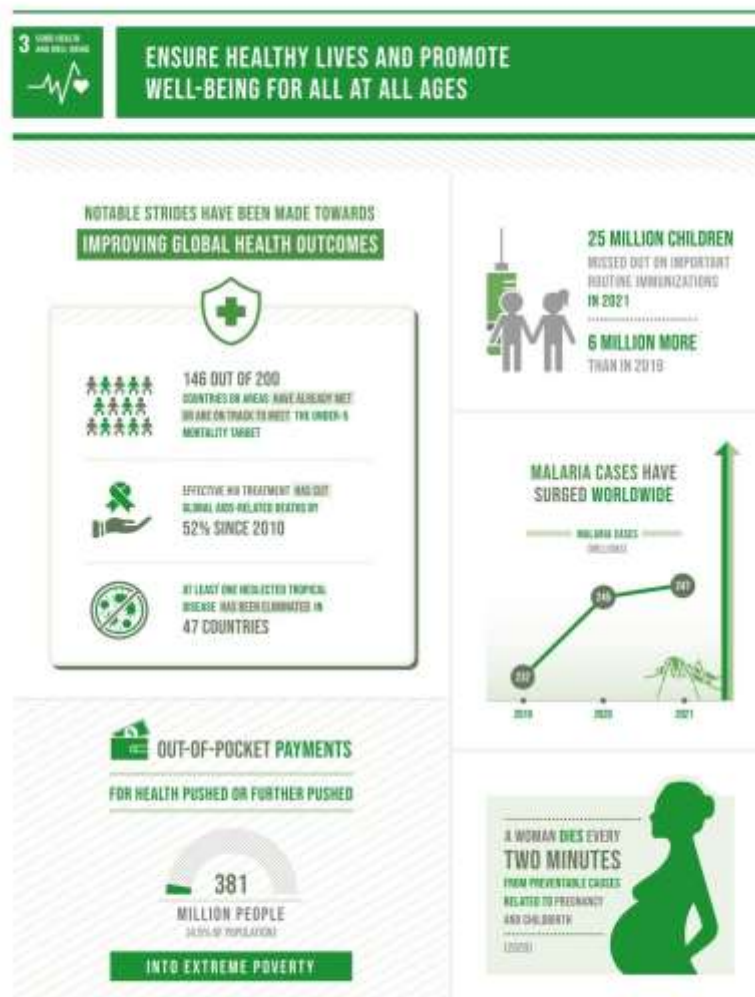
4. *Quality Education*

SDG 4 aims to ensure inclusive and equitable quality education and promote lifelong learning opportunities for all (Boluk, Cavaliere and Higgins-Desbiolles, 2017). It focuses on providing access to education for all children, youth, and adults, regardless of gender, socioeconomic status, or location. Efforts include improving school infrastructure, training teachers, expanding vocational and technical education, and promoting education for sustainable development and global citizenship.

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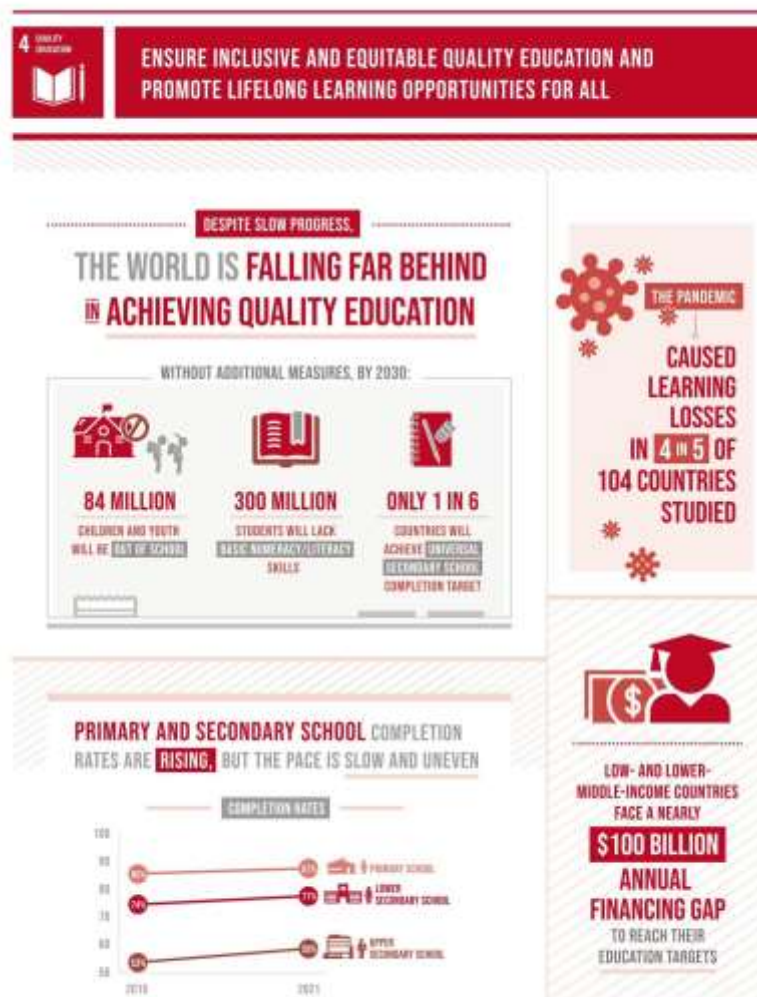
5. Gender Equality

This goal seeks to achieve gender equality and empower all women and girls (Boluk, Cavaliere and Higgins-Desbiolles, 2017). It aims to eliminate discrimination, violence, and harmful practices against women and girls, and ensure equal access to education, healthcare, and economic opportunities. Efforts include promoting women's leadership and participation in decision-making processes, addressing gender-based violence, and ensuring equal rights and opportunities in all areas of life.

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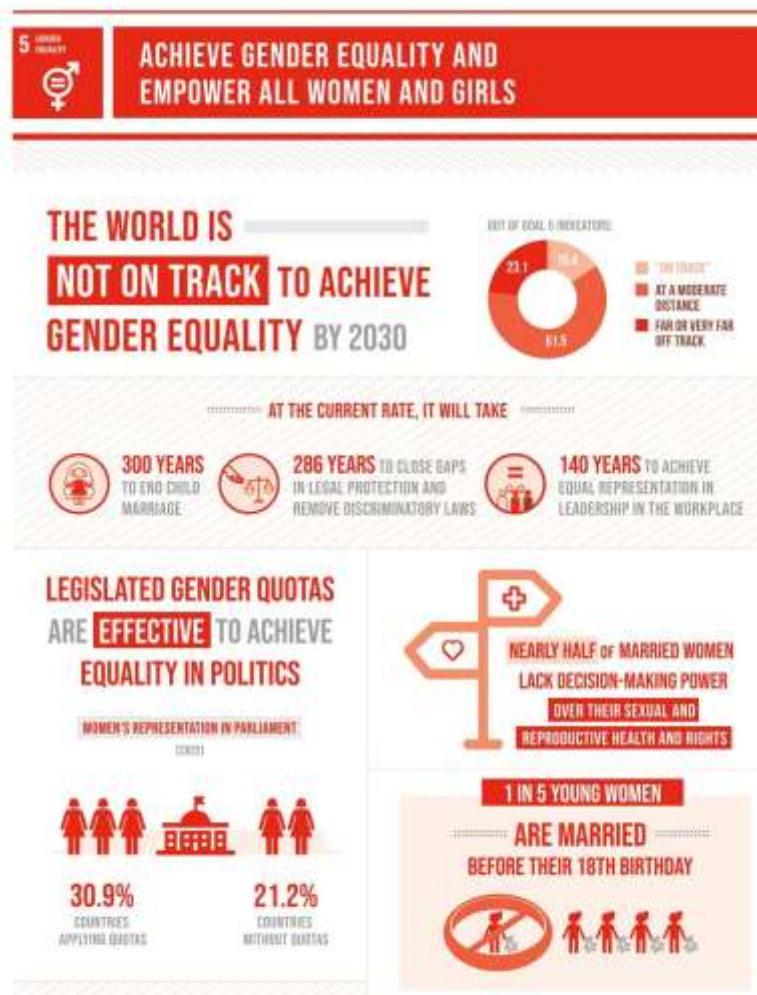
6. Clean Water and Sanitation

SDG 6 aims to ensure availability and sustainable management of water and sanitation for all (Boluk, Cavaliere and Higgins-Desbiolles, 2017). It focuses on improving access to safe and affordable drinking water, adequate sanitation, and hygiene facilities. Efforts include protecting and restoring water resources, improving water quality, and promoting water conservation and sustainable water management practices.

Source: https://www.un.org/sustainabledevelopment/news/communications-material/
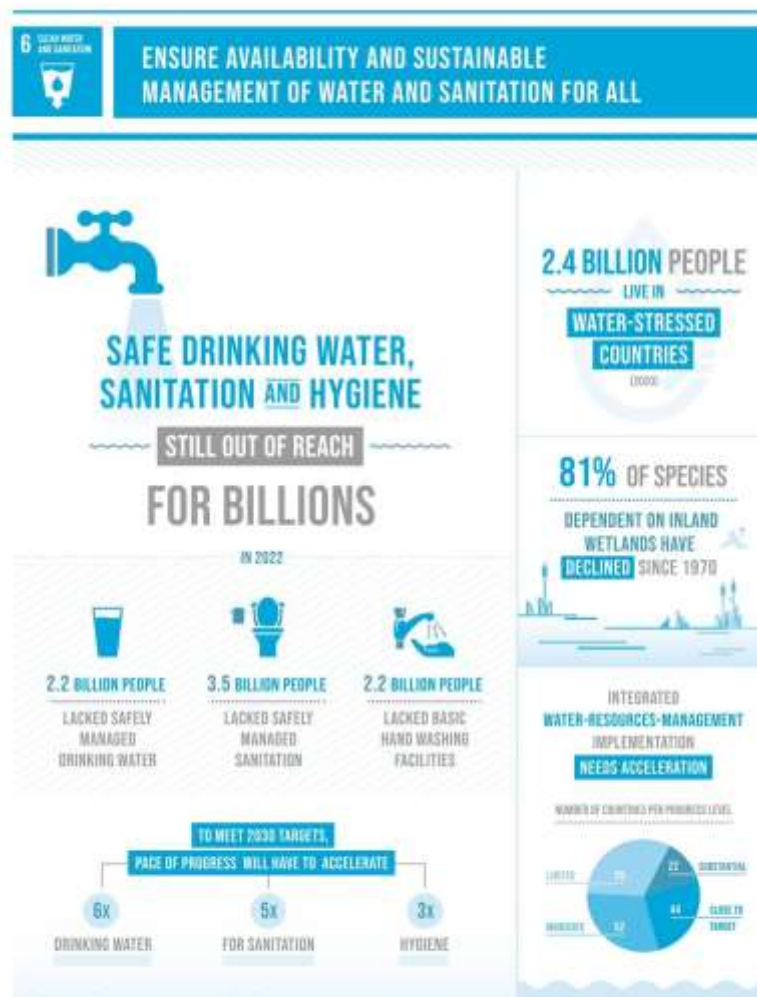
7. *Affordable and Clean Energy*

This goal focuses on ensuring access to affordable, reliable, sustainable, and modern energy for all (Boluk, Cavaliere and Higgins-Desbiolles, 2017). It aims to increase the share of renewable energy in the global energy mix, improve energy efficiency, and expand access to modern energy services in developing countries. Efforts include investing in renewable energy technologies, expanding energy infrastructure, and promoting energy access in rural and remote areas.

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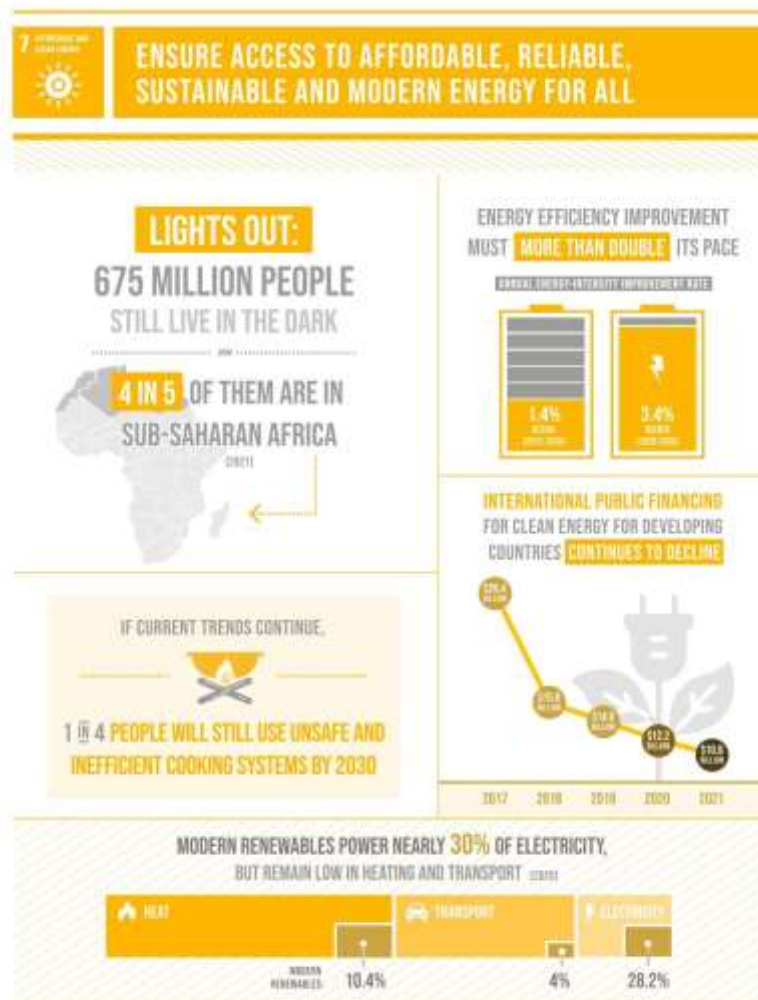
8. *Decent Work and Economic Growth*

SDG 8 aims to promote sustained, inclusive, and sustainable economic growth, full and productive employment, and decent work for all (Boluk, Cavaliere and Higgins-Desbiolles, 2017). It focuses on creating opportunities for decent and productive employment, reducing unemployment and underemployment, and promoting entrepreneurship and innovation. Efforts include implementing labor rights, ensuring fair wages and social protection, and promoting sustainable and inclusive economic development.

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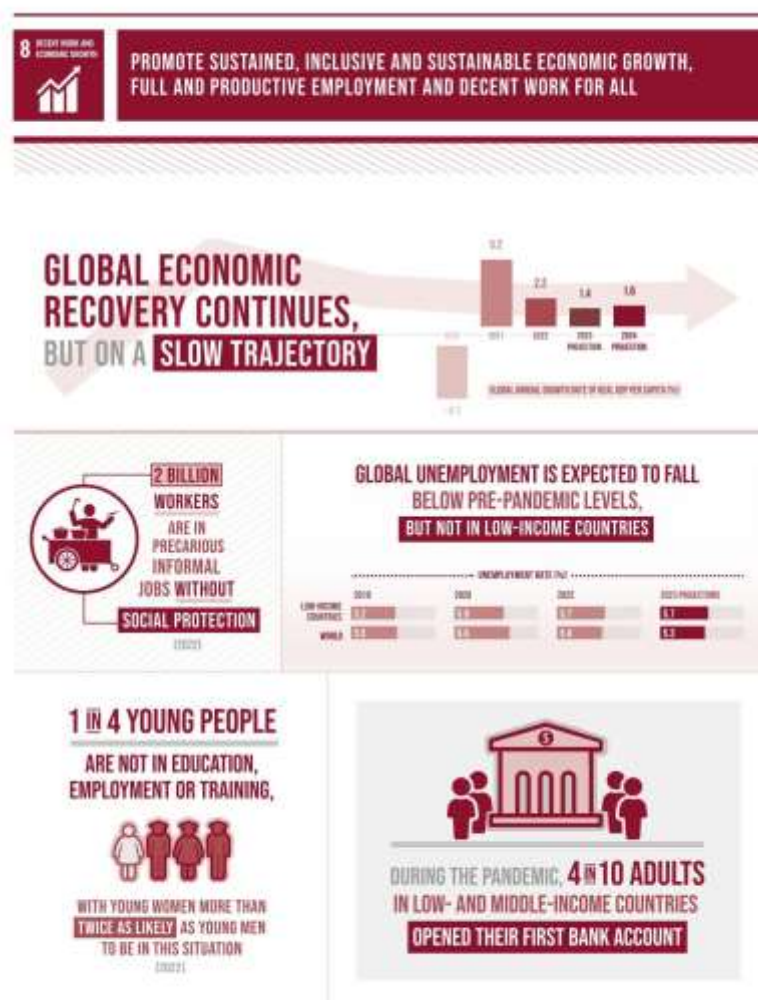
9. Industry, Innovation, and Infrastructure

This goal seeks to build resilient infrastructure, promote inclusive and sustainable industrialization, and foster innovation (Boluk, Cavaliere and Higgins-Desbiolles, 2017). It aims to enhance access to reliable and affordable infrastructure, promote sustainable industrial practices, and support technological innovation, research, and development. Efforts include investing in infrastructure development, upgrading industrial facilities, and fostering innovation ecosystems.

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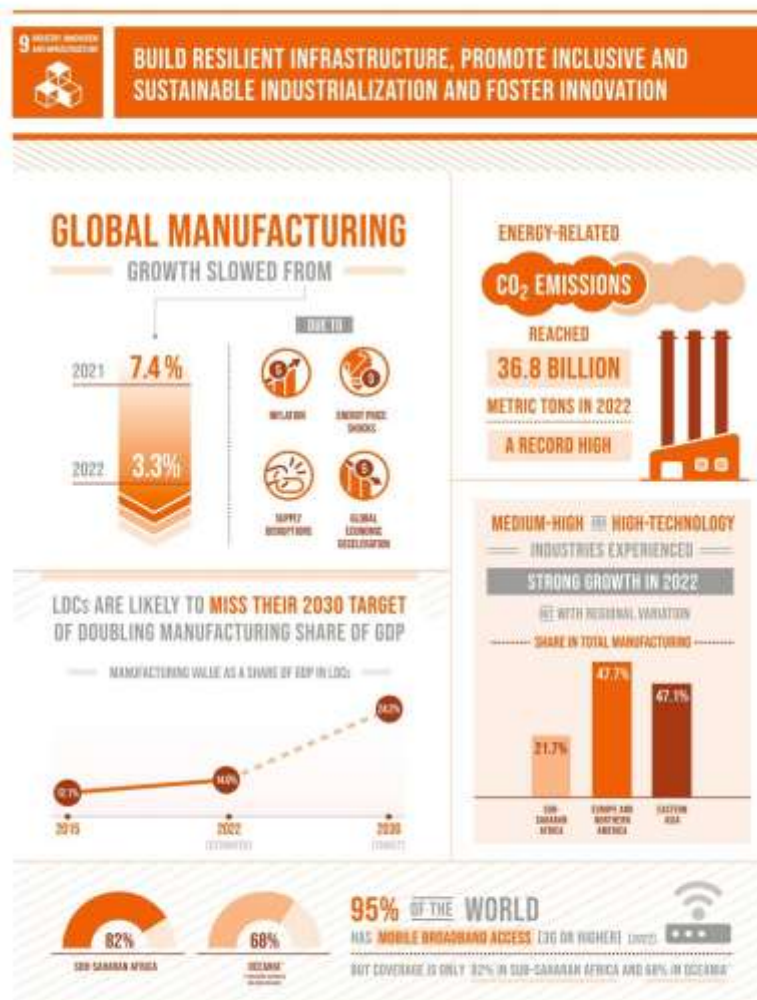
10. Reduced Inequality

SDG 10 aims to reduce inequality within and among countries (Boluk, Cavaliere and Higgins-Desbiolles, 2017). It focuses on addressing income inequality, social exclusion, and discrimination based on age, sex, disability, race, ethnicity, origin, religion, or economic status. Efforts include implementing progressive taxation policies, promoting social protection systems, and ensuring equal opportunities for all people, regardless of background or circumstance.

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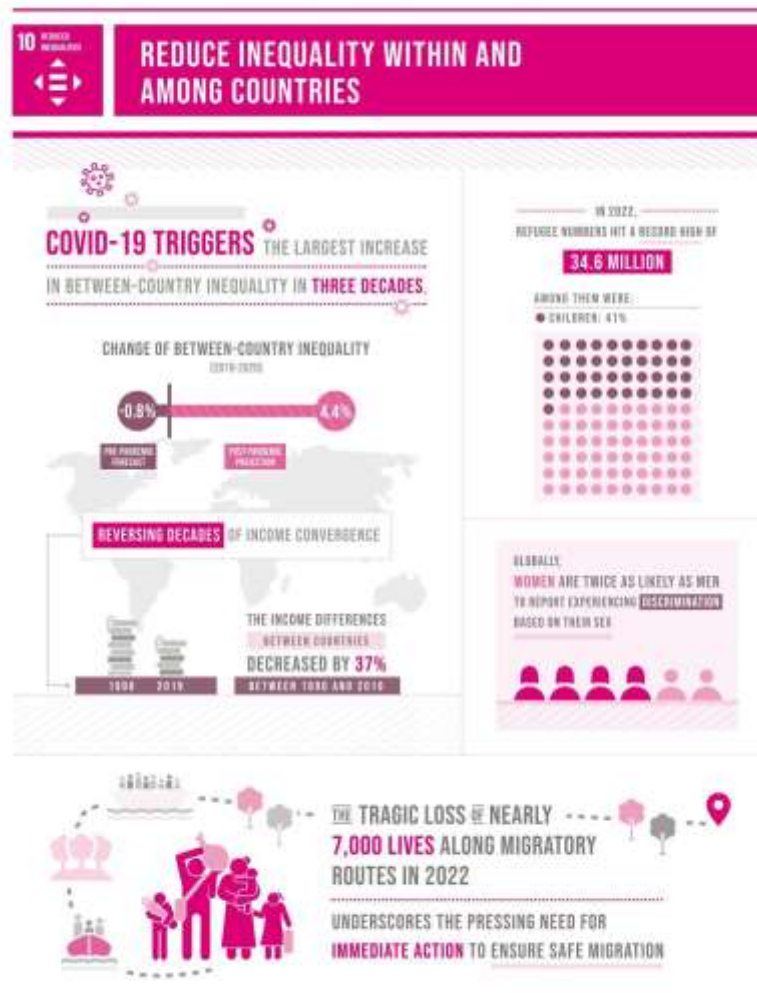
11. Sustainable Cities and Communities

This goal focuses on making cities and human settlements inclusive, safe, resilient, and sustainable (Boluk, Cavaliere and Higgins-Desbiolles, 2017). It aims to improve urban planning and management, reduce the environmental impact of cities, and enhance access to affordable housing, transportation, and public spaces. Efforts include promoting sustainable urban development, expanding public transportation networks, and enhancing urban resilience to natural and man-made disasters.

Source: https://www.un.org/sustainabledevelopment/news/communications-material/

12. Responsible Consumption and Production

SDG 12 aims to ensure sustainable consumption and production patterns (Boluk, Cavaliere and Higgins-Desbiolles, 2017). It focuses on reducing resource use, waste generation, and environmental degradation throughout the entire lifecycle of products and services. Efforts include promoting sustainable lifestyles, improving resource efficiency, and implementing sustainable production and consumption practices in businesses and industries.

Source: https://www.un.org/sustainabledevelopment/news/communications-material/

13. Climate Action

This goal seeks to take urgent action to combat climate change and its impacts (Boluk, Cavaliere and Higgins-Desbiolles, 2017). It aims to reduce greenhouse gas emissions, enhance resilience and adaptive capacity to climate-related hazards, and promote climate change mitigation and adaptation measures. Efforts include implementing renewable energy initiatives, reducing deforestation and land degradation, and enhancing climate resilience in vulnerable communities.

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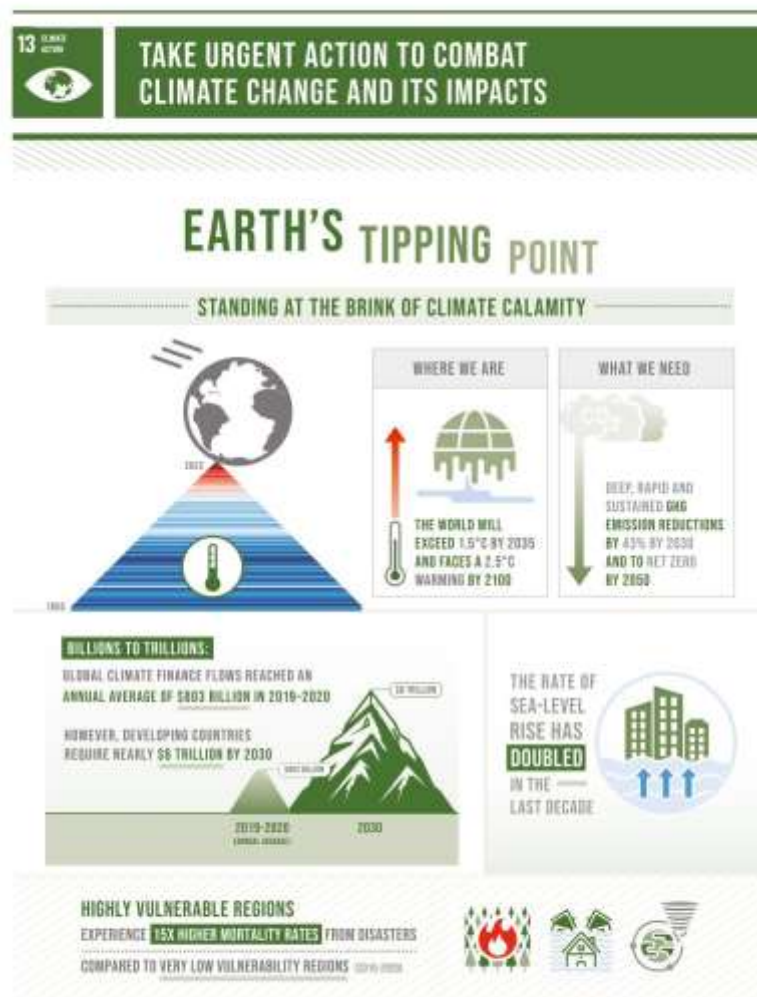
14. Life Below Water

SDG 14 aims to conserve and sustainably use the oceans, seas, and marine resources for sustainable development (Boluk, Cavaliere and Higgins-Desbiolles, 2017). It focuses on protecting marine ecosystems, reducing marine pollution, and promoting sustainable fishing practices. Efforts include establishing marine protected areas, reducing plastic pollution, and improving ocean governance and conservation measures.

Source: https://www.un.org/sustainabledevelopment/news/communications-material/

15. Life on Land

This goal focuses on protecting, restoring, and promoting sustainable use of terrestrial ecosystems, including forests, wetlands, and biodiversity (Boluk, Cavaliere and Higgins-Desbiolles, 2017). It aims to halt and reverse land degradation, conserve biodiversity, and promote sustainable land management practices. Efforts include restoring degraded land, combating desertification and deforestation, and protecting endangered species and habitats.

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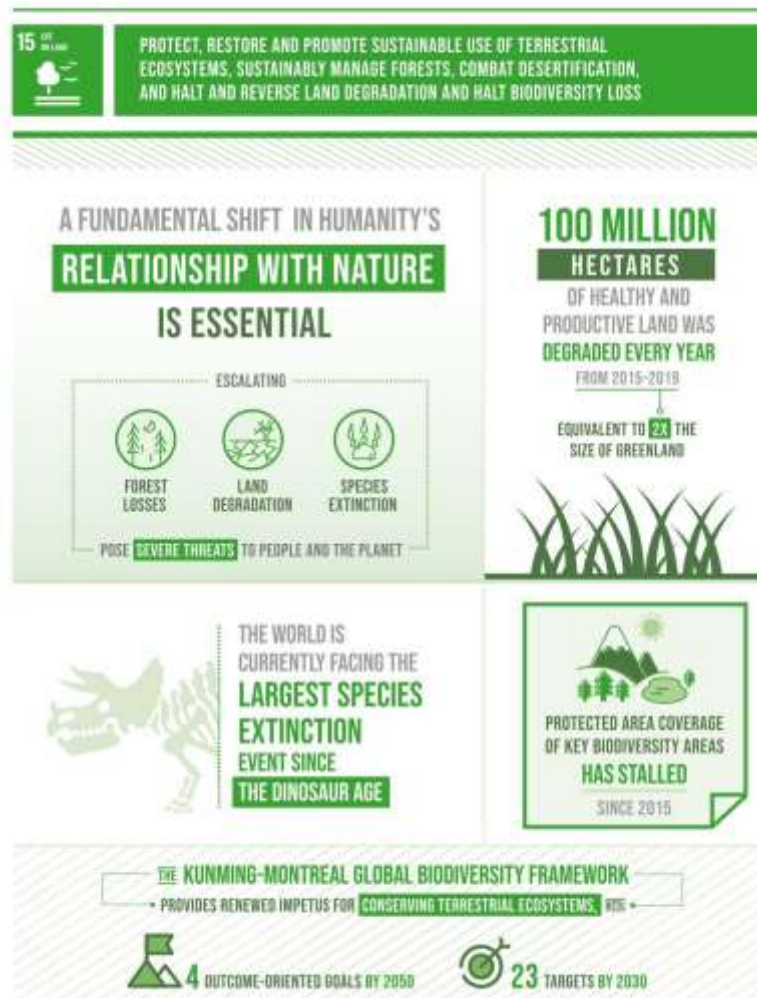
16. Peace, Justice, and Strong Institutions

SDG 16 aims to promote peaceful and inclusive societies for sustainable development, provide access to justice for all, and build effective, accountable, and inclusive institutions at all levels (Boluk, Cavaliere and Higgins-Desbiolles, 2017). It focuses on reducing violence, corruption, and crime, promoting the rule of law and human rights, and strengthening governance and institutional capacity. Efforts include promoting conflict resolution and reconciliation, improving access to justice and legal services, and strengthening democratic institutions and the rule of law.

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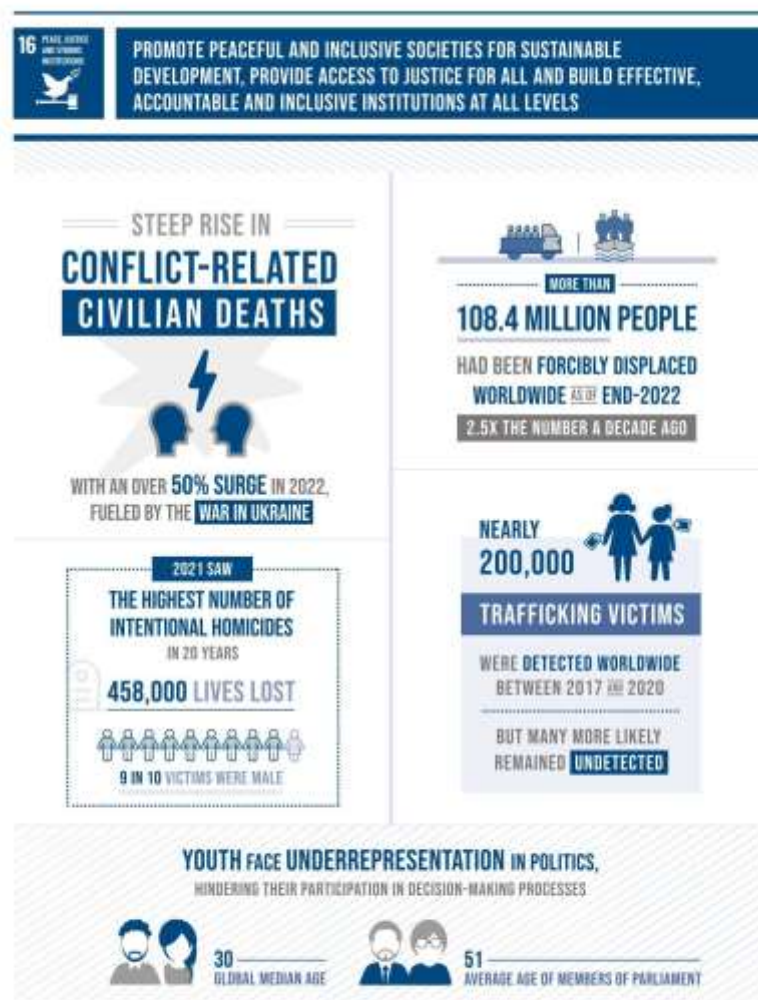
17. Partnerships for the Goals

This goal seeks to strengthen the means of implementation and revitalize the global partnership for sustainable development (Boluk, Cavaliere and Higgins-Desbiolles, 2017). It aims to enhance cooperation and collaboration among governments, civil society, the private sector, and other stakeholders to achieve the SDGs. Efforts include mobilizing resources, sharing knowledge and technology, and fostering multi-stakeholder partnerships to address common challenges and achieve shared objectives.

Source: https://www.un.org/sustainabledevelopment/news/communications-material/

Unit 1.2 Mainstream innovation, social innovation & inclusive innovation

Definition and types of innovation

According to previous studies, innovation is recognized as a complex and context-specific phenomenon (Neely and Hii, 1998). More specifically, innovation is differentiated by invention since the former involves the implementation of new ideas rather than merely their creation. Drawing from the OECD definition:

"Innovation consists of all those scientific, technical, commercial and financial steps necessary for the successful development and marketing of new or improved manufactured products, the commercial use of new or improved processes or equipment or the introduction of a new approach to a social service. R&D is only one of these steps." OECD (1981:15-16)

From this definition, it emerges that innovation can be classified into product and process innovations, defined as it follows:

"Product innovation refers to the new or improved product, equipment or service that is successful on the market. Process innovation involves the adoption of a new or improved manufacturing or distribution process, or a new method of social service" (Neely and Hii, 1998, p. 8).

Mainstream innovation, social innovation & inclusive innovation

In this context, various approaches have emerged to address the diverse needs and challenges of society. Mainstream innovation, social innovation, and inclusive innovation represent distinct paradigms that shape the trajectory of progress and development. The definition of the different concepts is provided in Table 1.

Table 1: Definitions of mainstream, social and inclusive innovation

Concept	Definition
Mainstream Innovation (Patriotta and Hirsch, 2016; Govindan *et al.*, 2021; Greve *et al.*, 2021)	Mainstream innovation refers to traditional forms of innovation that primarily focus on technological advancements, product improvements, and efficiency gains within existing systems. It often originates from established businesses and industries, aiming to enhance their products or services to gain a competitive edge.
Social Innovation (Sharra and Nyssens, 2010; Djellal and Gallouj, 2012; Billion, no date)	Social innovation involves developing new ideas, solutions, or approaches to address societal challenges. It goes beyond technological advancements and often focuses on social, environmental, and cultural aspects. SI aims to create positive social impact and can involve changes in processes, policies, or organizational structures to address systemic issues.
Inclusive Innovation (Heeks *et al.*, 2013; Papaioannou, 2014; Heeks, Foster and Nugroho, 2017; Schillo and Robinson, 2017)	Inclusive innovation is centered around ensuring that the benefits of innovation are accessible to a broad and diverse range of people, including those traditionally marginalized or excluded. II involves designing and implementing innovations in a way that considers the needs and perspectives of all stakeholders, especially those in underserved or vulnerable communities.

Source: Own elaboration from Patriotta and Hirsch, 2016; Govindan *et al.*, 2021; Greve *et al.*, 2021; Sharra and Nyssens, 2010; Djellal and Gallouj, 2012; Billion; Heeks *et al.*, 2013; Papaioannou, 2014; Heeks, Foster and Nugroho, 2017; Schillo and Robinson, 2017)

Differences between the concepts

Mainstream innovation, typically driven by profit motives and established industries, often revolves around pursuing economic gains. This form of innovation focuses predominantly on technological advancements, product enhancements, and operational efficiencies within existing systems to gain a competitive advantage in the market (Greve *et al.*, 2021). The primary goal is to maximize financial returns and shareholder value.

In contrast, social innovation (SI) and inclusive innovation (II) prioritize broader societal benefits and inclusivity, placing a stronger emphasis on addressing social, environmental, and cultural challenges (Heeks *et al.*, 2013). SI involves the development of novel ideas, solutions, or approaches aimed at tackling systemic issues and generating positive social impact beyond economic metrics. It often

encompasses changes in processes, policies, or organizational structures to address underlying social problems (Djellal and Gallouj, 2012).

Similarly, II is centered on ensuring that the benefits of innovation are accessible to a diverse range of individuals, including those traditionally marginalized or excluded (Schillo and Robinson, 2017). It involves designing and implementing innovations in a manner that considers the needs and perspectives of all stakeholders, thereby promoting social equity and inclusion.

Both SI and II advocate for a more holistic and sustainable approach to innovation, recognizing the interconnectedness of social, environmental, and economic factors. By prioritizing inclusivity and societal well-being, these approaches aim to address pressing challenges such as poverty, inequality, and environmental degradation, and, thus, contributing to sustainable development.

Unit 1.3 Social entrepreneurship

Definition of entrepreneurship

According to previous studies, entrepreneurship is a multidisciplinary concept (Abu-Saifan, 2012; Croci, 2016) that involves initiating actions to establish new organizations (Barot, 2015) and focused on fostering creativity and generating economic and social value (Buendía-Martínez and Carrasco Monteagudo, 2020). Despite varied definitions (as provided in Table 2), the core objective of entrepreneurship is to create job opportunities and drive economic development (Barot, 2015; Hessels and Naudé, 2019). Essential to entrepreneurship is the utilization of diverse human resources, including technical, skilled labour, and managerial talents (Barot, 2015; Diandra and Azmy, 2020).

Table 2: Contrasting definitions and core characteristics of the terms "entrepreneur" and "entrepreneurship"

Source	Definition	Core Characteristics
Schumpeter (1934) tinyurl.com/6mqfkro	An entrepreneur is an innovator who implements entrepreneurial change within markets, where entrepreneurial change has five manifestations: 1) the introduction of a new/improved good; 2) the introduction of a new method of production; 3) the opening of a new market; 4) the exploitation of a new source of supply; and 5) the carrying out of the new organization of any industry	• Innovator
McClelland (1961) tinyurl.com/6nsgtpd	The entrepreneur is a person with a high need for achievement. This need for achievement is directly related to the process of entrepreneurship [...] Entrepreneur is an energetic moderate risk taker.	• High achiever • Risk bearer • Dedicated
Kirzner (1978) tinyurl.com/87mtxax	The entrepreneur recognizes and acts upon market opportunities. The entrepreneur is essentially an arbitrageur.	• Arbitrageur
Shapero (1975) tinyurl.com/8xcuvj8	Entrepreneurs take initiative, organize some social and economic mechanisms and accept risks of failure.	• Organizer • Initiative taker
Carland et al. (1984) tinyurl.com/7xa9s7f	The entrepreneur is characterised principally by innovative behaviour and will employ strategic management practices in the business.	• Strategic thinker
Kao and Stevenson (1985) tinyurl.com/6wcq6su	Entrepreneurship is an attempt to create value through recognition of business opportunities.	• Value creator • Opportunity aware
Timmons and Spinelli (2008) tinyurl.com/7sfqdh2	Entrepreneurship is a way of thinking, reasoning, and acting that is opportunity obsessed, holistic in approach and leadership balanced.	• Leader • Holistic • Persistent • Committed

Source: Abu-Saifan, S. (2012). Social entrepreneurship: definition and boundaries. Technology innovation management review, 2(2), p. 23

Social entrepreneurship

In this context, social entrepreneurship involves the use of entrepreneurial principles and methods to address social or environmental issues. Social entrepreneurs aim to create sustainable and positive change by developing innovative solutions to pressing societal challenges (Haugh, 2005; Brooks, 2008; Phillips *et al.*, 2015). The field of social entrepreneurship is rapidly expanding and gaining attention across various sectors, making its mark in media coverage and the entrepreneurial community (Martin and Osberg, 2007; Abu-Saifan, 2012, Table 3). Discussions in academic circles often reference successful examples of social entrepreneurship to support the growth of this field. Social entrepreneurs receive praise for their efforts to address societal needs and improve overall well-being, with the potential benefits they offer widely recognized. However, despite the increasing popularity of social entrepreneurship, there remains uncertainty about the specific roles and activities of social entrepreneurs. This uncertainty is aggravated by the limited availability of comprehensive literature and theoretical frameworks explaining the complexities of social entrepreneurship. While entrepreneurs and social entrepreneurs exhibit many similarities in their traits and actions, the primary distinction between these roles lies in their objectives. Generally, entrepreneurs typically strive to generate economic wealth, whereas social entrepreneurs prioritize the achievement of their social mission. Put simply, what sets social entrepreneurship apart is its emphasis on social benefit and its core value proposition (Martin and Osberg, 2007; Abu-Saifan, 2012).

Understanding the role of social entrepreneurship in development is crucial, as it catalyzes addressing pressing social issues, including those related to the environment and cultural preservation. Social entrepreneurship not only highlights these issues but also actively works towards finding sustainable solutions. By identifying and tackling social problems, social entrepreneurs act as agents of change within society, driving positive transformation and fostering community development. Furthermore, social entrepreneurs consistently seek out innovative approaches and strategies to effectively tackle evolving challenges. In doing so, they not only contribute to employment growth and innovation but also nurture social capital within their communities (Sheena, 2023).

Table 3: Contrasting definitions and core characteristics of the terms "social entrepreneur" and "social entrepreneurship"

Source	Definition	Core Characteristics
Bornstein (1998) tinyurl.com/6ucfnc6	A social entrepreneur is a path breaker with a powerful new idea who combines visionary and real-world problem-solving creativity, has a strong ethical fiber, and is totally possessed by his or her vision for change.	• Mission leader • Persistent
Thompson et al. (2000) tinyurl.com/7mkp7ah	Social entrepreneurs are people who realize where there is an opportunity to satisfy some unmet need that the state welfare system will not or cannot meet, and who gather together the necessary resources (generally people, often volunteers, money, and premises) and use these to "make a difference".	• Emotionally charged • Social value creator
Dees (1998) tinyurl.com/86g2a6	Social entrepreneurs play the role of change agents in the social sector by: • Adopting a mission to create and sustain social value • Recognizing and relentlessly pursuing new opportunities to serve that mission; • Engaging in a process of continuous innovation, adaptation, and learning; • Acting boldly without being limited by resources currently in hand; • Exhibiting a heightened sense of accountability to the constituencies served for the outcomes created.	• Change agent • Highly accountable • Dedicated • Socially alert
Brinckerhoff (2009) tinyurl.com/7w8dfs5	A social entrepreneur is someone who takes reasonable risk on behalf of the people their organization serves.	• Opinion leader
Leadbeater (1997) tinyurl.com/7exweb6	Social entrepreneurs are entrepreneurial, innovative, and "transformatory" individuals who are also: leaders, storytellers, people managers, visionary opportunists and alliance builders. They recognize a social problem and organize, create, and manage a venture to make social change.	• Manager • Leader
Zahra et al. (2008) tinyurl.com/87upzh3	Social entrepreneurship encompasses the activities and processes undertaken to discover, define, and exploit opportunities in order to enhance social wealth by creating new ventures or managing existing organizations in an innovative manner.	• Innovator • Initiative taker • Opportunity alert
Ashoka (2012) tinyurl.com/5jjv6u	Social entrepreneurs are individuals with innovative solutions to society's most pressing social problems [...] They are both visionaries and ultimate realists, concerned with the practical implementation of their vision above all else.	• Visionary • Committed

Source: Abu-Saifan, S. (2012). Social entrepreneurship: definition and boundaries. Technology innovation management review, 2(2), p. 24

Main differences from conventional entrepreneurship

In the literature, the primary distinction between entrepreneurs and social entrepreneurs is identified as their motivation. Entrepreneurs are predominantly driven by the pursuit of profit, whereas social entrepreneurs are primarily motivated by altruism. Additionally, this disparity extends to the core of their respective value propositions. For entrepreneurs, the value proposition is structured to cater to markets capable of affording new products or services, with the primary aim being financial gain. Conversely, social entrepreneurs strive to effect large-scale transformative change that positively impacts significant segments of society. Another significant aspect concerning the entrepreneurial value proposition is that typically, the market

can sustain innovation, and attracting investors is not a daunting task if the financial returns are promising. In contrast, for social entrepreneurs, their value proposition generally targets marginalized populations lacking in financial resources or political influence to procure benefits independently (Martin and Osberg, 2007).

Although social entrepreneurship is motivated by altruism mainly, ventures created by social entrepreneurs can certainly generate income and be organized as either non-profits or for-profits (Martin and Osberg, 2007). According to the work of Elkington and Hartigan (2008) social entrepreneurs' business structures follow mainly three different models depending on their own scenario and situation (Elkington and Hartigan, 2008; Buchko, 2018, Table 4).

Table 4: Different social entrepreneurs' business structures

Leveraged non-profit ventures	Hybrid non-profit ventures	Social business ventures
The entrepreneur sets up a non-profit organization to drive the adoption of an innovation that addresses a market or government failure. In doing so, the entrepreneur engages a cross section of society, including private and public organizations, to drive forward the innovation through a multiplier effect. Leveraged non-profit ventures continuously depend on outside philanthropic funding, but their longer-term sustainability is often enhanced given that the partners have a vested interest in the continuation of the venture.	The entrepreneur sets up a non-profit organization, but the model includes some degree of cost-recovery through the sales of goods and services to a cross section of institutions, as well as to target population groups. Often, entrepreneur set up several legal entities to accommodate the earning of an income and the charitable expenditures un an optimal structure. To be able to sustain the transformation activities in full and address the needs of clients, who are often marginalized from society, the entrepreneur must mobilize other sources of funding from the public and/or philanthropic sectors. Such funds can be in the form of grants or loans, and even quasi-equity.	The entrepreneur sets up a for-profit entity or business to provide a social or ecological product or service. While profits are ideally generated, the main aim is not to maximize financial returns for shareholders but to grow the social venture and reach more people in need. Wealth accumulation is not a priority and profits are reinvested in the enterprise to fund expansion. The entrepreneur of a social business seeks investors who are interested in combining financial and social returns on their investments.

Source: Buchko, T. (2018). Social entrepreneurship and its implications for Hungary. Periodica Polytechnica Social and Management Sciences, 26(1), 38-48, page 41.

Conversely, according to Dr. Sergio Paramo Ortiz, a professor at the Maastricht University School of Business and Economics, there exists an ongoing discussion within the field regarding the relationship between profit generation and impact investment. He asserts, "Some researchers only consider a business a social enterprise if all profits go to creating long-term impact. Depending on the context, others think it is acceptable for part of the profits to be paid out" (https://www.maastrichtuniversity.nl/news/it-morally-responsible-social-enterprise-make-profit).

Social entrepreneurs are the perfect example that conducting social change is a noble pursuit that can also be profitable over the long run (Elkington and Hartigan, 2008). As per the World Economic Forum (2024), social enterprises continue to be overlooked and inadequately assisted, despite their substantial social and economic influence (World Economic Forum, 2024). A study conducted by the Schwab Foundation's Global Alliance for Social Entrepreneurship revealed that social enterprises globally generate approximately $2 trillion in annual revenues and create over 200 million jobs. These enterprises prioritize social impact over financial returns and reinvest their profits back into their mission. Despite their economic significance, they also positively impact the lives of millions. Data collected from over 470 social entrepreneurs indicates that they have directly affected more than 891 million lives over the past 25 years.

Nevertheless, social impact cannot always be quantified in numerical terms or articulated tangibly. This poses a significant challenge for social entrepreneurship in effectively measuring their progress to various stakeholders and maintaining their engagement (Paramo Ortiz, 2023).

Unit 1.4 Case studies of inclusive innovations and social enterprises in emerging and developed markets

In this section, case studies of inclusive innovations and social enterprises in both emerging and developed markets are presented and discussed.

1.4.1 Inclusive Innovations in emerging markets

Aarusha Homes[1] is an organization dedicated to transforming the concept of "home" into an inclusive and accessible experience for all. Founded on the premise that every individual deserves a safe and comfortable living environment, it is committed to providing housing solutions that cater to the needs of all individuals, including those from diverse income brackets and social backgrounds. Aarusha promotes inclusivity through accessible housing, personalized social, domiciliary, and healthcare assistance, support groups, community events, training programs for healthcare professionals, teachers, and other specialists working with individuals with specific needs, and public awareness campaigns[2].

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[1] https://acumen.org/?investment=aarusha-homes
[2] https://aarusha.com/

M-Pesa is a mobile payment service introduced in 2007 in Kenya by Vodafone and Safaricom, which has transformed the financial landscape in many regions of the world, especially in Africa.[3] It enables instant money transfers and digital payments through mobile phones, making financial transactions accessible to anyone with a phone, including those who do not have access to traditional banking services. M-Pesa is inclusive because it provides economic accessibility to low-income communities, reduces financial disparities, promotes digital inclusion, and economic empowerment.[4]

1.4.2 Inclusive Innovations in developed markets

Airbnb is an online platform that allows people to rent accommodations worldwide, offering a wide range of options, from private rooms to entire apartments and houses. This business model has created a new market, allowing hosts to make unused spaces available and travelers to find accommodations, often at more convenient prices than traditional hotels. Its concept of inclusivity has literally revolutionized the way we travel thanks to the countless forms of accommodation offered, from luxury residences to more affordable options, catering to all types of needs and budgets. Additionally, the platform ensures unique and authentic experiences, allowing

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[3] https://it.wikipedia.org/wiki/M-Pesa

[4] https://www.vodafone.com/about-vodafone/what-we-do/consumer-products-and-services/m-pesa

travelers to connect with local cultures and discover activities and adventures they wouldn't find elsewhere.[5]

Ben & Jerry's is a company that produces ice cream, yogurt, and sorbets known worldwide for its social and environmental activism. Indeed, it actively supports causes such as racial justice, LGBTQ+ rights, climate justice, and reducing economic inequalities by ensuring products for everyone, including those without lactose and gluten, providing an inclusive environment, implementing inclusive corporate policies, and participating in protests it believes are meaningful for its values.[6]

1.4.3 Social enterprises in emerging markets

D-Light was founded in 2007 by Sam Goldman and Ned Tozun, with the goal of bringing clean and accessible lighting and energy to everyone regardless of geographical location or economic status, has quickly emerged as a leader in the off-

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[5] https://news.airbnb.com/about-us/
[6] https://www.benjerry.com/values/issues-we-care-about

grid solar energy sector, reaching millions of people worldwide. It focuses on the design, production, and distribution of solutions, including solar lanterns, lamps, and home lighting systems at affordable prices where traditional electricity is scarce or unreliable. Its commitment to social impact is evident through:

- <u>Improving the living conditions of rural and disadvantaged communitie</u>s by providing clean energy solutions, reducing dependence on harmful energy sources.
- <u>Its business strategy</u>, which considers the financial capabilities of target communities, introducing affordable products to the market.
- <u>Environmental sustainability and reductions in harmful emissions</u> promoted using solar energy as a power source.
- <u>Empowerment of communities</u>, including solar energy training programs, development of entrepreneurial skills, and support for the establishment of local small businesses.[7]

Grameen Bank

Grameen Bank is a financial institution that has significantly contributed to poverty reduction in Bangladesh and other parts of the world. Founded in 1983 by Professor Muhammad Yunus, winner of the Nobel Peace Prize in 2006, it stands out as one of the first institutions to offer financial services to the poor with the aim of improving their social welfare. It provides them with small loans, known as microloans, to start or expand small informal businesses such as retail, agriculture, crafts, and local services by organizing applicants into "solidarity groups" composed of five or more members to support each other in the repayment process. In addition to this, it offers insurance and savings services to improve the financial security of its clients.[8]

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[7] https://www.dlight.com/
[8] https://grameenbank.org.bd/about/introduction

1.4.4 Social enterprises in developed markets

TOMS is a for-profit company founded in 2006 by Blake Mycoskie with the aim of providing quality products. What sets it apart is the "One for One" initiative, which involves donating a related product for every purchase made. For example, every time a pair of TOMS shoes is sold, another pair is donated to a child in a developing country. To date, the company has made over 95 million donations and plans to expand its operations to include the distribution of eyeglasses in the coming years. In addition to this, by using eco-friendly materials and adopting specific ethical production practices aimed at reducing environmental impact and improving conditions for workers along the supply chain, it is committed to sustainability and social responsibility.[9]

The Big Issue was founded in the United Kingdom in 1991 with the aim of combating social marginalization and poverty through street journalism. Its main activity involves the sale of magazines by vendors, often in poverty or experiencing homelessness, who purchase the magazines at a reduced price and resell them at a higher price, thus generating immediate and sustainable income. Additionally, it offers support and social

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[9] https://en.wikipedia.org/wiki/Toms_Shoes

reintegration programs for vendors, providing services such as counselling, accommodation, and professional training. [10]

Summary of the key points

Unit 1.1 Sustainable Development Goals and Societal Challenges

Introduction – Societal Challenges and Triple Bottom Line

Triple Bottom Line (TBL):

- Concept Origin: John Elkington introduced TBL in 1994, emphasizing the three Ps: profit, people, and planet.
- Historical Context: The notion of sustainability dates back to George's "spaceship earth" concept in 1879 and gained prominence with the Brundtland Report in 1987, which defined sustainable development as meeting present needs without compromising future generations' ability to meet theirs.

TBL Framework:

- Three Dimensions: Economic (profit), social (people), and environmental (planet).
- Societal Trends: Markets, societal values, transparency, life-cycle technology, partnerships, time, and corporate governance are critical for organizations to adopt sustainability.
- Global Adoption: A significant portion of the world's top companies use TBL accounting, highlighting its global relevance and impact on business practices.

Agenda 2030 and Sustainable Development Goals (SDGs)

Sustainable Development Framework:

- Agenda 2030: Adopted by the UN in 2015, it outlines 17 SDGs organized under five pillars: people, planet, prosperity, peace, and partnership.
- Global Objectives: SDGs address poverty, hunger, health, education, gender equality, water, energy, work, industry, inequality, cities, consumption, climate, ocean, land, peace, and partnerships.

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[10] https://en.wikipedia.org/wiki/The_Big_Issue

Challenges and Implementation:

- Interconnected Goals: The SDGs are interdependent, requiring comprehensive and collaborative efforts for effective implementation.
- Private Sector Role: Businesses are crucial in advancing SDGs through innovation, sustainable practices, and inclusive employment.
- Criticisms: Some critiques include unclear interrelationships among goals and drivers, and the challenge of practical implementation, especially amid crises like COVID-19.

Unit 1.2 Mainstream Innovation, Social Innovation & Inclusive Innovation

Definition of Innovation:

- Complex Phenomenon: Innovation involves implementing new ideas successfully, distinguishing it from mere invention.
- OECD Definition: Innovation encompasses all steps necessary for developing, marketing, and using new or improved products, processes, or social services.

Types of Innovation:

- Product Innovation: Introduction of new or improved products.
- Process Innovation: Adoption of new or improved processes or methods.

Innovation Approaches:

- Mainstream Innovation: Focuses on technological advancements and efficiency within existing systems, primarily driven by profit motives.
- Social Innovation: Develops new solutions to address societal challenges, aiming for positive social impact.
- Inclusive Innovation: Ensures innovation benefits a broad range of people, particularly marginalized or excluded groups, promoting equity and inclusion.,

Unit 1.3 Social Entrepreneurship

Entrepreneurship Overview:

- Multidisciplinary Concept: Involves creating new organizations to generate economic and social value, emphasizing creativity and resource utilization.
- Primary Objective: Job creation and economic development.

Social Entrepreneurship:

- Definition: Applies entrepreneurial principles to address social or environmental issues, aiming for sustainable and positive change.
- Key Characteristics: Focus on social mission over profit, addressing systemic issues, and fostering community development.

Differences from Conventional Entrepreneurship:

- Motivation: Social entrepreneurs prioritize altruism and social impact, while conventional entrepreneurs focus on financial gain.
- Business Structures: Social entrepreneurs may use leveraged non-profit, hybrid non-profit, or social business ventures to achieve their goals.
- Profit and Impact: There is an ongoing debate about the extent to which social enterprises can balance profit-making with creating long-term social impact.

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Assignment

Task

Identify market needs for inclusive innovation and social entrepreneurship

Instruction

1. Identify potential market gaps
2. Develop an idea to contribute to overcoming these gaps
3. Analyze the context in which the idea can be applied (in terms of SDGs)
4. Discuss how the idea of a inclusive innovation and/or social entrepreneurship can contribute to SDGs

Assessment criteria

The evaluation will consider the following criteria:

1. Relevance of market gaps
2. Appropriateness of the idea developed
3. Articulation of the context analysis
4. Relevance of the contribution of the idea
5. Innovativeness of the idea
6. Detailed structure of the idea

Template: Analysis of SDGs

SDGs	State of the art	Proposed objective(s)
SDG1		
SDG2		
SDG3		
…		

Designing inclusive innovations to solve societal challenges

Module 2. Designing inclusive innovations to solve societal challenges

Module structure

Unit 2.1 Social innovation process
Unit 2.2 Design thinking and human centred design for inclusive innovation
Unit 2.3 Methods and techniques for design thinking
Unit 2.4 Case study

Learning Outcomes

Knowledge	The trainee will be able to: ● understand the structure of the innovation process and describe its stages; ● identify the peculiarities of "design thinking" and "human-centred design" as frameworks conducive to social and inclusive innovation; ● related different creativity/innovation methods and techniques to different stages of the design thinking process.
Skills	The trainee will be able to: ● use the "design thinking" approach to addressing social and environmental challenges; ● apply creativity/innovation techniques for designing an innovative solution to a social and/or environmental problem.
Attitudes	The trainee will be able to: ● demonstrate creativity in the innovation process.

Introduction

This learning module is dedicated to designing Inclusive Innovations, understood as a type of social innovations targeted at excluded groups. This module explores the process of social innovation and its application in creating inclusive solutions to complex societal challenges. The module consists of three units, each focusing on a different aspect of the social innovation process.

Unit 2.1 provides an overview of the social innovation process, highlighting the importance of understanding the needs of diverse stakeholders and the iterative nature of problem-solving in the context of societal change. A special attention is paid to the stages of the social innovation process and activities pertaining to each stage.

Unit 2.2 delves into the principles of design thinking and human-centred design, emphasizing the role of empathy, creativity, and collaboration in developing solutions that are responsive to the needs and experiences of marginalized communities. The two approaches are compared to underscore their complementarity and added value for developing inclusive innovations.

Unit 2.3 introduces various methods and techniques used in design thinking for understanding the target group's needs, defining a problem, ideating, prototyping and user testing, to empower learners with practical tools for generating, testing, and refining innovative solutions to societal challenges.

Finally, unit 2.4 presents a case study of social innovation focusing on urban mobility. It aims to showcase the application of Design Thinking for finding innovative solutions that reflect customer needs and align with the company's possibilities.

By the end of this module, students should gain the ability to apply the design thinking approach to address social challenges in a way that is inclusive, empathetic, and impactful. Learners will be equipped with the knowledge, skills and mindset necessary to develop innovative solutions that positively impact individuals and communities, driving meaningful social change. Get ready to embark on a journey of creativity, empathy, and transformation!

Unit 2.1 Social innovation process

Innovation – in its conventional understanding – is centred around market-driven research, emphasizing the creation of products or services for the mainstream consumer base with a profit-oriented motive. However, with global challenges growing more complex, it has become evident that conventional innovation alone cannot adequately address pressing social, economic, and environmental issues.

The emergence of social and inclusive innovation signifies a fundamental change in how researchers and innovators perceive their roles. Instead of solely prioritizing profit and catering to the affluent consumers, there is a growing acknowledgment of the importance of creating solutions that meet the needs of marginalized populations. Social innovation pertains to innovative activities and services that are driven by the objective of fulfilling a societal need. Inclusive innovation, as a form of social innovation, is specifically directed towards populations that are excluded, underserved, or underrepresented, such as youth, women, the elderly, persons with disabilities, migrants, refugees, and low-income groups. Its primary objective is to enhance the quality of life for these groups at an affordable cost, aiming to broaden their access to education, healthcare, employment, environmentally friendly services, and affordable technology, among other essential aspects. The concept of inclusive innovation involves addressing the social needs of these populations through innovative solutions and actively engaging them in the innovation process (Goel, 2011).

There are different approaches to defining the social innovation process. While various authors (e.g. Mulgan, 2006, Oeij et al, 2019, Morais-da-Silva et al., 2021) outline different steps within it, they all adhere to a shared problem-solving methodology. This involves progressing through a sequence of stages, starting from comprehending the needs and defining the problem, then moving on to generating and evaluating ideas, and finally, implementing innovative solutions, assessing their impact and scaling them up.

I. Understanding needs and defining a problem

The innovation process begins with identifying an unmet need and conceptualizing a solution for addressing that need. Needs can be revealed by analysing government priorities for development, issues addressed by social movements and voluntary organizations, and challenges faced by individuals. Careful observation and active listening can help in understanding people's dissatisfactions and spotting needs overlooked by the market or state. Empathy is crucial for identifying needs because it allows individuals to emotionally connect with others, gaining insight into their perspectives, feelings, and experiences. By putting oneself in another person's shoes,

innovators can develop a deeper understanding of the challenges, desires, and motivations that drive human behaviour. This emotional connection fosters a more comprehensive and nuanced understanding of diverse needs, helping innovators create solutions that are genuinely resonate with the human experience[11].

Having understood the needs, it is essential to provide a vision of the future where these needs are met. A vision represents a captivating depiction of aspirations, motivating the innovator to pursue them. An impactful vision highlights the disparity between the current reality and the envisioned future, often igniting a strong drive towards improvement (Hyatt, 2012).

By juxtaposing your vision with the existing context mapped out through the analysis of the needs, you can identify a specific problem to overcome in order to realize your vision. A "defined problem" delineates the boundaries of the desired outcomes. In defining a problem, you articulate precise objectives (problem statements) and transform them into a focused question. Subsequently, in the next stages of the innovation process, by addressing these questions, you generate a multitude of solutions to the problem. And then, by selecting the most promising ideas and putting them into action, you resolve the problem and advance towards your vision.

Several methods, such as "Observation What? How? Why" and "Empathizing through Interviews", can be used to understand the current needs of the targeted end-users. Such techniques as "Point of View Madlib and Want Ad" and "Critical Reading Checklist" can be useful for providing a vision and defining a problem statement. These methods and techniques are explored in more detail in Unit 2.3.

II. Finding potential solutions

Connecting needs and identified problems to innovative solutions requires exploring various possibilities. Innovative ideas seldom arise as fully developed concepts. Instead, innovators have to engage in experimentation and adapt their ideas based on real-world feedback. The process often involves trial and error, intuitive insights, and experiments. Social innovations are rarely entirely novel; more commonly, they integrate ideas that have existed independently of one another before (Mulgan, 2004). Instances of inventive idea combinations encompass telemedicine platforms that combine video consultations with AI diagnostics, initiatives like community-owned renewable energy projects, linking environmental sustainability with economic development, or the fusion of mental health awareness with workplace wellness programs.

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[11] In this respect, the innovation frameworks that take into account the end-user perspective, i.e. Design Thinking and Human-Centred Design, are highly valuable for social innovation. These frameworks are explored in more detail in the second Unit of this Module.

Due to the nature of needs and problems addressed, social innovations are often interdisciplinary and require multi-stakeholder cooperation in the solution-seeking process. Social and environmental challenges, such as poverty, education, climate change, are complex, regardless of the scale (local, national, or international) on which they are addressed. Tackling such challenges requires creating complex solutions that traverse different sectors (Becker & Smith, 2018). Consider a social innovation focused on improving the quality of learning at schools – an example of a Bulgarian social enterprise Ucha.Se (translated from Bulgarian, it means "I learn", https://ucha.se/). The innovative solution consists of a digital learning platform providing access to short video lessons (cartoons) in a language that is interesting and understandable to young learners. The idea came into being when the founder of the enterprise – an IT developer – was helping his young sister to understand school lessons. The IT developer took the perspectives of a teacher and a learner, and leveraged expertise from various sectors and disciplines, including technology (online gamified learning environment), didactics (teaching-learning strategies), psychology (motivation studies). The integration of different perspectives and knowledge of different disciplines in the solution-finding and developing process was one of the factors that preconditioned the success of this social innovation, which currently has more than 1 mln subscribed pupils, students, teachers, and parents in Bulgaria and has recently expanded to the Romanian market.

Finding potential solutions means engaging in an intense idea generation process that is better to be implemented in a team involving people of diverse backgrounds and expertise, representing different stakeholder groups (e.g. internal experts, researchers, potential customers or users of a new product/service). It is critical to focus on a single problem statement or question at a time, and allow enough time to produce ideas. Creativity and innovation experts (Koberg & Bagnall, 2003; Morriss, 2011) suggest writing down as many ideas as possible, including those that may seem pointless, because even those may serve as a source of inspiration.

The generated ideas need to be reviewed and evaluated to identify the most promising ones. This could be done by developing criteria for idea evaluation based on the analysis of the vision and the problem statement that express the goal and the intended outcomes of innovation. The examples of such criteria could include the extent to which the ideas are feasible, viable, likely to be adopted by the prospective users, and take into account the existing constraints. Each idea should be matched with the criteria and scored. The idea(s) receiving the highest score should be taken to the next stage – prototyping and testing.

Different creativity techniques can be used to generate ideas (e.g. "How Might We", "Brainstorming", "Bodystorming"). These and some other techniques are explored in more detail in Unit 2.3.

III. Prototyping and testing promising solutions

The next stage of the social innovation process involves testing ideas in practice. New solutions rarely remain unaltered in the face of reality. Their refinement and enhancement occur through practical implementation. Although social innovations can benefit from formal market research or desk analysis, swift progress often comes from transforming the concept into a prototype, piloting it, gathering feedback and garnering support for its full-blown implementation.

A prototype is as a system developed to empirically test an innovation (Lai & Locatelli, 2020). It allows for studying and gaining additional insights (e.g., economic and technical) into the new product or service for a fraction of its actual cost. Prototypes serve to test new ideas and get feedback of potential users on them for further improvement before the transition to the implementation stage. The information gained through prototyping can reduce the investment risk and increase the chances of the new product or service for success on the market (Thakkar, 2023).

Houde & Hill (1997) emphasize that a prototype is any representation of a design idea, regardless of medium. It may be physical or digital, low-fidelity or high-fidelity, represent a real object or be presented as a diagram, scheme, 2D, 3D or multidimensional model, depending on the purpose of the design idea (or innovation). The researchers single out three main purposes of a design idea:
- To provide new functionality for users, and what *role* it will play in a user's life. In this case, a prototype should focus on the features that support the new functionality of a product or service;
- To present the functionality in a novel way. In this case, prototyping should focus on how the new product or service *looks and feels*;
- To improve the functionality with a new technique. In this case, prototyping should focus on the *way of implementing* the new product or service (Houde & Hill, 1997).

Prototypes should be presented to the intended users of the innovation, the team developing it, and to the stakeholder organizations supporting its development. A key virtue of prototyping is that innovations often require several goes before they work. The first versions may be flawed. For instance, the development of solar-powered transportation took several decades to move from an implausible idea to a functional reality. The initial implementation of an inclusive education model encountered setbacks before it eventually evolved into an effective approach. Prototypes can help to identify the setbacks and rectify them before the actual launch of the innovation.

In social innovation, like in business innovation, the transition from promising pilot ideas to mainstream acceptance is challenging. This phase often involves negative revenues and requires investor patience. Faster prototyping in real or protected environment (e.g. in business incubators) and venture capital support aim to expedite this period, but some uncertainty is inevitable. Foundations and philanthropists providing funds play a crucial role during this stage.

IV. Implementing and evaluating solutions

When an idea demonstrates its effectiveness in practice, the next stage of the innovation process comes. It involves the implementation of innovation focused on incorporating the solution into the targeted community or system. It is crucial to collaborate with different stakeholder groups, including local communities, public bodies, NGOs, and businesses, for successful implementation of innovation. The implementation stage is followed by a systematic evaluation to assess the effectiveness of the social innovation. It involves gathering stakeholders' feedback, juxtaposing outcomes with objectives, and possibly adjusting the solution accordingly.

Planning the implementation of an innovative solution can be facilitated by implementing the PESTLE analysis and developing a Social Business Model Canvas. Both methods are explored in Module 3.

V. Scaling up and diffusing innovations

Successful social innovations should be considered for scaling, i.e. facilitating the adoption of the solution by other communities or regions. Scaling a successful idea necessitates strategic planning, a clear vision, resource mobilization, and the identification of critical leverage points and weaknesses in competitors' strategies. Different researchers outline different strategies for scaling up social innovation. For example, Dees, Anderson & Wei-Skillern (2004) explore the following three strategies:
- *Dissemination*, i.e. actively spreading information and, if necessary, providing technical assistance, to others who are looking to bring an innovation to their community.
- *Affiliation*, i.e. building a formal relationship between two or more parties based on an agreement to be part of a network. Affiliate networks vary in structure, ranging from loosely connected organizations sharing common objectives to more tightly regulated systems resembling commercial franchises.
- *Branching*, i,e, establishing local offices by a single overarching organization.

Mulgan (2006) identifies three strategies of social innovation scaling, which are partially related to the classification above, but incorporate an element of cooperation with governments:

- *Organic growth of the organization* that came up with the innovation, i.e. mainly through establishing new branches in different regions.
- *Collaboration with established organizations* capable of supporting the implementation of innovation on a larger scale.
- *Soliciting support of governments* that can contribute to scaling up social innovations by passing laws, allocating public funds, or promoting the innovation. This involves persuading public bodies and local (or national) authorities in the potential of the innovation to meet the needs of the majority of the target group representatives.

Gabriel (2014) suggests specific models, approaches and activities for implementing different strategies for scaling social innovations. For example, dissemination approaches include campaigning, advocacy and consultancy implemented through public speaking, communication through traditional or social media, advising and training. The researcher distinguishes "collaboration with established organizations" for the purpose of building a delivery network and for the purpose of creating strategic partnership. The former can benefit from such models as licencing, franchising, quality marks, different membership models, and delivery contracts, and the latter from strategic alliances, joint ventures, mergers and acquisitions. Cooperation with government is considered either as a form of strategic partnership, aiming to mainstream the social innovation in the public sector, or as a method of fundraising, aimed at supporting the various strategies of innovation diffusion and scaling.

All innovation scaling strategies highly rely on cooperation with external organizations. Therefore, persuading potential supporters, either NGOs or governmental organizations, in the potential of the innovation to meet the needs of a wider community, is important. This may require evaluation of investment in the innovation and impact assessments (e.g. assessment of "social returns on investment"). More information on scaling social enterprises and impact assessment is provided in Module 5.

Overview of the Social innovation process stages

The following table summarizes the main characteristics and implementation methods that could be applied at each stage of the social innovation process.

Table 1. Social Innovation Process: Stages and their Characteristics

Stage	Main characteristics	Implementation methods
Identifying needs and defining a problem	Understanding pressing societal challenges	Analysis of related issues, observation, stakeholder engagement and empathizing; identifying root causes of the problem
Identifying potential solutions to the problem and selecting the most promising one	Brainstorming and generating ideas to tackle the identified challenges and bring about positive change; assessing the ideas against the pre-defined criteria	Creative thinking, divergent and convergent thinking, collaborative problem-solving, integration of diverse perspectives; criteria-based assessment
Prototyping and testing promising solutions	Creating a small-scale model of the solution, testing it in a controlled environment, collecting feedback and refining the solution	Depending on the type of the solution, prototyping methods could include: sketches and diagrams, storyboards, Lego prototypes, role playing, physical models, or user driven prototypes
Implementing and evaluating solutions	Incorporating the solution into the targeted community or system; evaluating its effectiveness	Actual launch of the solution, cooperation with stakeholders, collecting and analysing users' and stakeholders' feedback
Scaling up and diffusing innovations	Expanding the innovative solution to make impact on other communities and regions	Stakeholder cooperation, awareness raising, promotion, enhancing accessibility and improving distribution of the innovative solution

Source: Own elaboration based on the material presented above.

Unit 2.2 Design thinking and Human-centred design for inclusive innovation

Design thinking lies at the heart of the innovation process. It encompasses the first three stages of the innovation process described in the previous module, divided into 5 steps: Empathise, Define, Ideate, Prototype and Test. This model was proposed by the Hasso-Plattner Institute of Design, known as the d.school. This process is presented in Figure 1.

Figure 1. Design Thinking Process

Source: Design Thinking (https://design-thinking.in/honeycomb%2Fdouble-diamond)
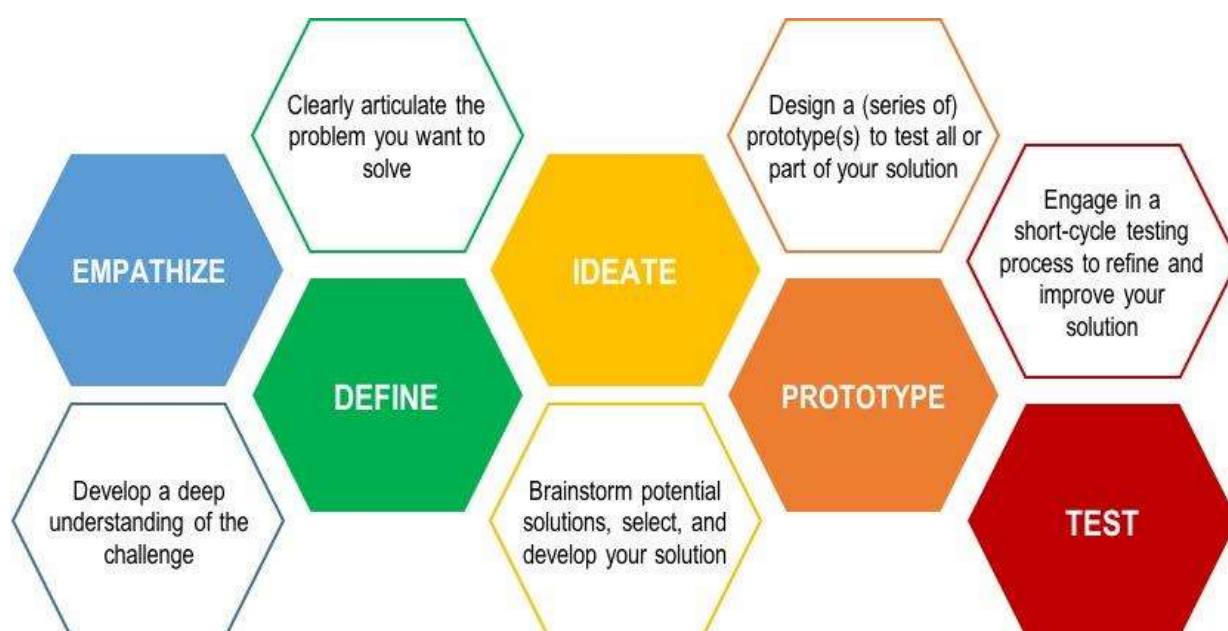
In the initial stage of "*Empathizing*", designers conduct both field and desk research to gain insights into the problem they aim to address. Subsequently, in the "*Defining*" stage, all observations from the preceding phase are thoroughly analysed and synthesized to articulate or redefine the core problem. Moving to the "*Ideating*" stage, the focus shifts to brainstorming sessions aimed at generating innovative ideas, with a subsequent selection of the most promising ones. Divergent thinking is encouraged among all participants during this stage. Following this is the "*Prototyping*" stage, where selected ideas are materialized into small-scale versions to undergo further scrutiny and evaluation to ascertain their alignment with user expectations. This step necessitates convergent thinking on the part of designers. Lastly, in the "*Testing*" stage, the solution is thoroughly assessed, ideally with the involvement of the target audience, to gather feedback for refining the solution (d.school).

Although the design thinking process comprises five steps, it should not be perceived as strictly linear or sequential. It is an iterative process that permits movement back and forth between stages. For instance, one can transition from the prototype stage back to the define stage and vice versa. More and more businesses are revolutionizing their product and service development methodologies by adopting design principles that prioritize the customer. This departure from reliance on intuition or chance favours a new approach centred on user empathy, iterative refinement through prototyping, and thorough user engagement in testing. This approach ultimately results in products or services finely tuned to meet user needs.

Human-centred design is a creative framework, aimed at tackling complex problems by integrating the human perspective throughout the problem-solving process (ideo.org). Originating from IDEO.org, human-centred design ensures that developed products and services not only cater to the intended target groups but also address their fundamental needs. One of its defining aspects is its emphasis on comprehending the viewpoints of those experiencing the problem, their needs, and the effectiveness of the proposed solutions. Central to this framework is the active involvement of people experiencing the problem in the design or solution-seeking process. This necessitates designers to exhibit qualities like empathy and tailor solutions to human needs, irrespective of the problem's complexity. The process entails idea generation, prototyping, sharing, and testing with the prospective users, culminating in innovative solutions. The human-centred design process comprises three key phases: inspiration, ideation, and implementation, as shown in Figure 2.

Figure 2. Human-centred design process
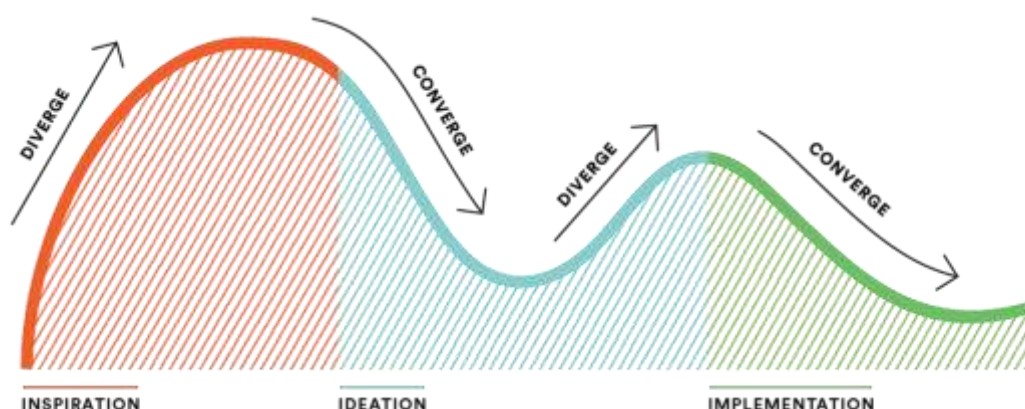
Source: IDEO.org design studio (*https://www.ideo.org/*)

The *Inspiration* stage involves engaging oneself with the target groups to gain profound insights into their needs and to empathize with them. In the *Ideation* stage, brainstorming sessions are conducted to generate ideas for potential innovative solutions, followed by the development of prototypes for user testing. Transitioning into the *Implementation* stage, the selected solution is built, evaluated and eventually

introduced to the market. The success of the innovative solution is assured by prioritizing the needs of users and involving them in every stage of the innovation process.

Striving to remain relevant in a competitive landscape, businesses engage in a continuous struggle for customer attention and endeavour to demonstrate responsiveness to evolving customer preferences. Concurrently, customers seek connections with organizations that resonate with them on a personal level, addressing their unique needs and experiences. This dynamic has spurred the adoption of the human-centred design approach to innovation by businesses, which places emphasis on understanding and addressing the human needs and experiences of customers. This iterative process commences with a deep understanding of the target audience and culminates in the creation of bespoke solutions tailored to meet their specific needs.

As businesses increasingly recognize the advantages of design thinking and human-centred design, a similar trend is emerging among social enterprises. These entities are beginning to adopt these innovation frameworks to address social challenges in a more creative way. Through close collaboration with target groups and stakeholders, design thinking and human-centred design empower social enterprises to devise impactful and innovative solutions. Social innovation, facilitated by these frameworks, introduces novel approaches to addressing societal needs and challenges (Docherty, 2017).

Design thinking and human-centred design can easily be used together in the innovation process due to their iterative nature, their shared emphasis on user involvement, prototyping and testing. Nevertheless, there are distinctions between the two, outlined in Table 2 (Carey & Domboka, 2019).

Table 2. Differences between design thinking and human-centred design

Design thinking	Human-centred design
An iterative process that leads to the development of an innovative solution that will be adopted by the targeted users.	A mind-set tool that should be applied alongside design thinking in order to create a long-term impact on the targeted users.
A five-stage process, involving: 1) Empathizing; 2) Defining a problem; 3) Ideating; 4) Prototyping; and 5) Testing solutions.	A three-stage process, involving: 1) Inspiration; 2) Ideation; and 3) Implementation.

Design thinking	Human-centred design
A solution-focused process used to solve complex problems by benefitting from diverse perspectives.	A process promoting the culture of knowledge sharing and collaboration within and outside the organization (incl. Open innovation).
A process focused on experimentation and generation of a big number of innovative ideas.	A process focused on a solution that meets or exceeds the expectations of the targeted users.
A process bringing about the creativity perspective in the development of innovative solutions to social problems.	A process focused on improving the usability and user experience of a particular product or service.
The main principle of design thinking is that interdisciplinary teams are able to create outstanding innovations.	The ultimate goal of human-centred design is to embed the user perspective in the whole innovation process.

Source: Carey, Ch. & Domboka, T. (2020), "Resource Pack on Entrepreneurship and Social Entrepreneurship Education", AHEAD project (ref. no: 585919-EPP-1-2017-1-RO-EPPKA2-CBHE-JP).

Despite the differences between these two approaches, they are complementary and can be used together within the social innovation process.

Design thinking and human-centred design offer invaluable frameworks for fostering inclusive innovations by prioritizing the integration of user perspectives throughout the development process. These approaches place a profound emphasis on empathizing with end-users (in the case of inclusive innovation, with excluded and vulnerable groups), understanding their needs, and involving them iteratively in the design journey. Design thinking and human-centred design allows for involving representatives of excluded groups in the innovation process at the following levels (Heeks, 2013):

- Level of Intention: addressing the needs of the excluded groups;
- Level of Consumption: fostering adoption and absorption of innovation by excluded groups;
- Level of Process: enabling participation of excluded group in different stages of the innovation process, incl. analysing needs, defining a problem, designing and developing solutions, prototyping and testing, and afterwards, marketing and distributing innovations.
- Level of Impact: ensuring positive economic, social and/or environmental impact on excluded groups through diffusion of innovation;

By centring innovation efforts around the diverse experiences and requirements of end users (excluded groups), design thinking and human-centred design ensure that

solutions are not only relevant but also genuinely impactful and inclusive. This user-centric approach facilitates the creation of products, services, and solutions that address the specific challenges faced by marginalized or underserved communities, ultimately fostering greater inclusivity and social equity. Through design thinking and human-centred design, innovations are not just developed for users, but with them, ensuring that their voices, experiences, and needs are central to the entire innovation process.

Unit 2.3 Methods and techniques for design thinking

Various methods and techniques can be applied in different stages of the design thinking process. This unit provides an overview of several examples of such methods and techniques based on the d.school's Bootcamp Bootleg – an open source toolkit aimed to facilitate the design thinking practice.

IDENTIFYING NEEDS

Observation method "What? How? Why?"
This method allows for delving into deeper layers of observation. Its framework facilitates the transition from formal observations of a specific situation to the underlying abstract emotions and motivations involved. This method proves especially useful when examining photos captured during fieldwork, serving both the purpose of synthesizing information and guiding the team throughout the process of need finding.

Process of implementation (d.school's Bootcamp Bootleg, p. 7):
- **Set-up**: Divide a sheet into three columns: What?, How?, and Why?
- **Begin with observations (What):** In a given situation or photograph, observe and record the actions of the individual you are studying (What are they doing?). Pay attention to specific details without injecting assumptions; strive for objectivity in this initial phase.
- **Move to understanding (How):** Consider the manner in which the individual you are observing is executing their actions (How are they doing it?). Evaluate whether it demands exertion, if they seem hurried or distressed. Assess whether the activity or situation seems to influence the user's emotional or physical state, whether positively or negatively. Employ vivid, adjective-rich descriptions to capture these nuances.
- **Engage in interpretation (Why):** Consider the underlying reasons explaining why the individual observed engages in their actions and implements these actions in a particular way. Typically, this stage entails making inferences regarding their motivations and emotions. This process unveils assumptions that should be further validated with users and it frequently leads to unforeseen insights about the situation at hand.

Empathizing method "Interview"

This method allows for understanding a person's thoughts, emotions, and motivations, with a view to determining how to innovate for him or her. Through understanding the decisions and actions taken by an individual, it is possible to identify their needs and tailor designs to fulfil them.

Process of implementation (d.school's Bootcamp Bootleg, p. 9-10):

- **Prepare for the interview**: Compile a comprehensive list of potential questions to be asked during the interview. Identify common themes or subject areas among these questions. Once themes are recognized, arrange the questions in an order that facilitates a natural flow of conversation. Structuring the interview flow in this manner reduces the likelihood of hosting a disjointed interaction with the user. After organizing questions by theme and order, assess for any redundant topics or misplaced questions. Allocate time in your planning to incorporate a good number of "why?" questions, questions prompting the user to recount specific experiences and their emotions (How do you feel…?").
- **Conduct interview:** Ask "Why?" questions, i.e. why people do to say certain things. Do not generalize by using "usually" in your questions; ask about specific instances such as "Tell me about the time you …? Encourage the interviewee to tell stories, because stories – whether they are true or not – reveal how they feel about the world. Look for inconsistences, i.e. instances where "what people say" differ from "what they do". Understanding such inconsistences may provide valuable insights. Learn to tolerate silence, as the interviewee may need time to reflect on the question to reveal something deeper. Ask questions in a neutral manner, not presupposing any particular answer. Avoid yes-no questions, because they do not encourage storytelling and can hardly help in understanding the views and thoughts of the interviewee. Record the interview to facilitate the analysis.

DEFINING A PROBLEM

Point-of-View Madlib

A point-of-view (POV) is a technique that helps to develop an actionable problem statement, serving as a catalyst for ideation. A well-defined POV enables focused ideation through the formulation of How-Might-We (HMW) questions derived from it. Ultimately, the POV encapsulates your design vision, emphasizing your role as a designer to uncover and articulate the meaningful challenge.

Process of implementation (d.school's Bootcamp Bootleg, p. 21):

- Utilize the following madlib template to capture and align three components of a POV: the user, their need, and the insight.

[USER] needs [USER'S NEED] because [SURPRISING INSIGHT].

- **Experiment** with various combinations of variables on a whiteboard or scratch paper, ensuring that the need and insight stem from the needs analysis (collecting and clustering of the needs).
- **Express the needs** as verbs, and make sure the insight not merely justify the need but represent a synthesized problem statement conducive to designing a solution.
- **Keep the POV captivating** to intrigue and inspire. For instance, instead of stating "A teenage girl needs more nutritious food because vitamins are vital to good health," consider phrasing it as "A teenage girl experiencing social isolation requires a sense of social acceptance while consuming healthy food, as in her community, social risks outweigh health risks." Note the actionable nature of the latter statement, which is more likely to spark excitement and provide direction for solution development compared to the former, which merely states a fact.

Point-of-View Want Ad

This technique is related to the previous one. It helps to effectively communicate the synthesized need-finding in an engaging manner. This format highlights a particular user and his/her main characteristics.

Process of implementation (D.school's The Bootcamp Bootleg, p. 23):
- Incorporate your user, their need, and your insights into a Want Ad format. This approach to framing a POV is typically more creative and detailed compared to the basic USER+NEED+INSIGHT form, yet it should maintain clarity in how you have redefined the problem.
- Experiment with this structure:

  Descriptive characterization of a user + "seeks" an ambiguous method to meet an implied need, + additional flavour to capture your findings.

- For example: "Adventurous foodie seeks vibrant culinary community, passionate for sustainable eating practices. The companions should be willing to swap recipes, attend food festivals, and debate the merits of organic versus conventional farming. A love for spontaneous dinner parties and late-night food adventures is a must!"

Critical Reading Checklist

The Checklist serves as a means to assess whether a team has successfully reached a significant and distinct Point of View (POV). Originally conceived by David Larabee from Stanford School of Education, the "Critical Reading Checklist" has been adapted

for the evaluation of POVs within a design process. This Checklist serves to verify that the POV is legitimate, perceptive, actionable, distinctive, focused, meaningful, and engaging. While this approach alone may not rectify all shortcomings of a POV, it proves invaluable in analysing and assessing usefulness of the POV.

Process of implementation (d.school's Bootcamp Bootleg, p. 24):
Four fundamental questions should be asked regarding your Point of View:
- **What's the point?** – What perspective does your team adopt?
  - • How does your team structure its POV?
  - • Is it centred on the user, driven by needs, and supported by insights?
- **Who says?** – How valid is your team's POV?
  - • Does your stance align with user findings?
  - • Is it a condensed version of findings applicable beyond a single interview?
- **What's new?** – What unique contribution does your POV offer?
  - • Have you presented your findings innovatively?
  - • Are they situated within a user context?
  - • If the POV lacks novelty, consider refining it to be more specific.
- **Who cares?** – Why does your POV matter?
  - • Your team should feel enthusiastic about this POV!
  - • Is this endeavour worthwhile? If not, explore why.
  - • Reframe or rephrase until it is right.

GENERATING & SELECTING IDEAS

"How Might We" Questions
This technique serves as a catalyst for brainstorming sessions, stemming from your point-of-view statement, design principles, or insights. These questions should strike a balance between breadth and specificity, encouraging a wide range of solutions while prompting the team to generate unique ideas. For instance, an HMW that is too narrow, like "HMW create a cone to eat ice cream without dripping," contrasts with one that is overly broad, such as "HMW redesign dessert." A well-scoped HMW, like "HMW redesign ice cream to be more portable," captures the essence of the problem without limiting creativity. It is important to adjust the scope of the question based on the project and its requirements.

Process of implementation (d.school's Bootcamp Bootleg, p. 26):
Start by utilizing your Point of View (POV), insights, or problem statement to formulate concise, actionable HMW questions. It is useful to brainstorm these questions before diving into solution brainstorming. For instance, look at the following POV and derived HMW statements:

- **Challenge**: Enhance the ground experience at the nearby international airport

- **POV**: Harried mother of three, rushing through the airport only to wait hours at the gate, needs to entertain her playful children because "annoying little brats" only irritate already frustrated fellow passengers.
- Amp up the good: HMW use the kids' energy to entertain fellow passenger?
- Remove the bad: HMW keep the kids separate from fellow passengers?
- Explore the opposite: HMW transform the wait into the most thrilling part of the journey?
- Question an assumption: HMW r eliminate the wait time at the airport entirely?
- Go after adjectives: HMW we make the rush refreshing instead of harrying?
- ID unexpected resources: HMW utilize the free time of fellow passengers to assist with childcare?
- Create an analogy from need or context: How might we make the airport resemble a spa? Or a playground?
- Play against the challenge: HMW make the airport a destination that kids look forward to?
- Change a status quo: HMW How might we reduce the annoyance caused by playful, loud kids?
- Break POV into pieces: HMW entertain kids? HMW slow a mom down? HMW ease the frustration of delayed passengers?

Brainstorming

Brainstorming is a powerful method for generating numerous ideas collectively, tapping into the group's diverse thinking and fostering creativity. It creates a dedicated space to boost idea generation while minimizing self-criticism. Besides generating design solutions, brainstorming can be applied to various stages of a project, from planning empathy work to developing product and service ideas.

Process of implementation (d.school's Bootcamp Bootleg, p. 28):
- **Timing:** Set aside 15-30 minutes for active engagement in brainstorming.
- **Environment:** Get in front of a whiteboard or around a table; sit upright and get closer together with your teammates.
- **Process:** Write down any idea that comes to your mind. Either appoint a Scribe to write down all ideas, or ask all team members write down their own ideas on a post-it note and stick them to a wall or a whiteboard.
- **Facilitation:** Establish clear rules for brainstorming. Keep the ideas flowing; use How Might We technique to make the group start thinking in another direction. If the process slows down, make adjustments, for example, add constraints that might spark new ideas (e.g. "How would your spouse design it" or "How would you design it with the technology of 50 years ago. Make sure the environment (room) is convenient for brainstorming. There should be plenty of vertical writing area. Each team member should be able to reach the board (where the ideas are written down and sticked).

- **Selection:** Review the generated ideas and select those which you will further develop, using one of these methods:
  - **Post-it voting** – each team member receives three votes to mark ideas they find appealing Everyone's input should be considered.
  - **The four categories method** – Choose one or two ideas for each category: rational choice; likely to delight: darling: and long shot, in order to retain both practical and innovative concepts.
  - **Bingo selection method** – Select ideas that inspire different types of prototypes: physical, digital, and experiential, in order to explore diverse forms and possibilities.
- **Moving to prototyping:** Advance several ideas into the prototyping stage. If an idea appears too unconventional to warrant testing, evaluate its appealing aspects and consider testing or incorporating those elements into a new solution.

Bodystorming

Bodystorming integrates empathy work, ideation, and prototyping by physically experiencing situations to spark new ideas. This method involves setting up immersive experiences and testing them physically, even altering your environment during idea generation. Bodystorming encourages interactions with the environment and prompts novel ideas that may not arise from traditional brainstorming methods. It fosters empathy for potential solutions and aids in overcoming ideation obstacles.

Process of implementation (d.school's Bootcamp Bootleg, p. 28):
This method is straight-forward yet effective, requiring full engagement to yield results. It encourages the team to "Get Physical". For instance, when brainstorming for hospital patient solutions, immerse yourself in their experience. Designing for the elderly? Simulate their perspective by smearing Vaseline on your glasses. Move around and immerse yourself in relevant physical environments to generate new ideas. Focus on decision-making and emotional responses tied to the environment, probing the "why" behind them.

PROTOTYPING & TESTING

Prototyping for Testing

Prototyping for testing involves iterative creation of rough drafts of the design solution. These rough models serve to examine various aspects of the design. User testing is central to this process, as it provides valuable insights from firsthand experiences and reactions. Through prototyping, you can assess your solution's effectiveness and gain a deeper understanding of user needs and perceptions.

Process of implementation (d.school's Bootcamp Bootleg, p. 34):

- Consider the key insights you aim to gain from your prototypes.
- Design rough models or scenarios that address those questions.
- Elicit user reactions on the rough model through experiences.
- Focus on refining aspects crucial to your testing objectives while minimizing effort on others.
- Consider the testing context to ensure meaningful feedback. Testing in environments resembling real-world usage, such as users' kitchens for a food storage system, uncovers nuanced issues that may not surface elsewhere.

Here are concise tips for effective prototyping:
- Begin building a prototype with whatever materials you have available, like paper, tape, or found objects, to kickstart the process.
- Avoid becoming overly attached to a single prototype by moving on to new iterations promptly.
- Keep the user in mind while prototyping, focusing on what aspects you aim to test and anticipating user behaviour to guide your design.
- Clearly identify the variable you are testing with each prototype to ensure that it addresses a specific question during testing.

Feedback Capture Grid

A feedback grid is used to efficiently capture feedback of users on the prototype. The grid structure encourages systematic feedback collection and enhances the intentional capture of thoughts across four distinct areas.

Process of implementation (d.school's Bootcamp Bootleg, p. 40):
- Divide a blank page or whiteboard into four quadrants.
- Label the quadrants as follows:
  • upper left - "plus"
  • upper right - "delta"
  • lower left - "question mark"
  • lower right - "light bulb"

- Fill each quadrant with relevant feedback:
  • positive aspects or notable points in the upper left
  • constructive criticism in the upper right
  • questions raised in the lower left, and
  • ideas inspired by the experience or presentation in the lower right.

- Aim to provide input in each quadrant, particularly focusing on "likes" and "wishes" in the upper two quadrants.

Unit 2.4 Case Study of Energy Solutions for the New Generation: Design Thinking at Innogy

Origin	Innogy was an energy company based in Essen, Germany. It was founded in 2016 as a subsidiary of the German electric utilities company RWE (Rheinisch-Westfälisches Elektrizitätswerk AG). In 2020, it was merged and integrated into German energy company E.ON.
	Innogy Innovation Hub was established in 2015, a year before Innogy was separated from RWE. Its mission was to "create a sustainable energy system for new generations to live in a world worth having". One of the focus topics of innovation for the hub was "Urban Solutions: focusing on citizen services, urban mobility, and urban energy systems".
Objective	This case study presents one of the Innogy's Social Innovations focusing on urban mobility. It aims to showcase the application of Design Thinking for finding innovative solutions that reflect customer needs and align with the company's possibilities.
Background	In Innogy's Innovation Hub, venture developers either cooperate with an existing start up – or pitch their own ideas for a viable business model. In 2015, Itai Ben-Jacob went for the latter and developed the idea for Innogy's eCarSharing project in a design thinking workshop.
	„I first came into contact with design thinking when I needed an idea", Itai Ben-Jacob explains. In 2015, he intended to explore one of Innogy's innovation focus areas, "urban mobility." Together with fellow innovation hub members he organized a series of design thinking workshops to wade through the expansive topic of urban concepts – one of them focusing on mobility: "We wanted to understand urban mobility – what does it actually entail? What type of business should we start?"

	Itai Ben-Jacob and a colleague, a trained design thinking coach, prepared and facilitated the workshops. Participants came from different backgrounds – the team consisted of Innogy employees as well as external experts from mobility businesses, researchers, representatives of the municipality, and external start-ups. Together, the participants attempted to work out the scope of "urban mobility": "We tried to understand which blocks this topic consists of, and which problems lie within these blocks. For example, public transport – which problems exist here? How big are they? Who suffers from these problems?"
Problem	The problem was defined as the "chicken and egg" dilemma of eMobility. "Energy providers don't develop the charging stations network further because there are not enough e-cars. On the other side, car manufacturers don't produce e-cars because there are not enough charging stations."
Solution	By linking the existing – but underutilized – Innogy charging stations network to the problem, Itai Ben-Jacob and his colleague Christian Uhlich developed the solution of eCar Sharing: A project in which Innogy provides local communities, local businesses and citizens access to flexible, electric mobility solutions. Users can book eCars on the internet and pick them up at the Innogy charging stations – an offer that's especially attractive for municipalities or companies that wish to provide their employees with eco-friendly eCars but are unwilling or unable to maintain their own vehicle fleet.
	In the next nine months, Itai Ben-Jacob went from pitching the idea to assembling a team to developing a minimal proof of concept (minimum viable product), which was "the moment we got someone to pay for this", he explains. The team went back to the innovation hub management with this result: "It exists, it works, somebody pays for it – now we need the resources to scale it up and integrate it into the company."
	Being closely connected to existing resources in Innogy, the eCarSharing project was established internally rather than being split up into a separate company.
	In mid-2017, Innogy's eCarSharing operated in four German communities with more than 12 eCars and had saved more than 1,5 tons of CO2 emissions by then.
	Before the merger with E.ON in 2020, this project was rolled out throughout the country. Innogy worked with 170 energy supply

	companies and offered around 6,000 charging points in 740 cities in Germany, including 440 fast-charging stations.
Questions for discussion	1. What do you think were the success factors of the Innogy's eCarSharing? 2. What do you think were the potential bottleneck is this project?
Reference	https://thisisdesignthinking.net/2017/07/innogy_energy_ecarsharing/

Summary of key points

- The Social Innovation process adheres to the problem-solving methodology and includes the following stages: understanding needs of the target groups; defining a problem; finding potential solutions; selecting most promising solutions; prototyping and testing solutions; implementing and evaluation solutions; scaling up and diffusing innovations.

- The implementation of the Social Innovation process can be facilitated by various methods and techniques aligned with the objectives of each stage of the process, for example, observation and interviews for needs analysis, divergent and convergent thinking techniques for idea generation and selection, prototyping techniques for testing ideas, and marketing techniques for scaling up and diffusing innovations.

- Design thinking and Human-centred design are complementary approaches that align with the core stages of the Social Innovation process (understanding needs, defining a problem, generating solutions, prototyping and testing). These approaches place a profound emphasis on empathizing with end-users, understanding their needs, and involving them in the innovation process, and therefore are particularly valuable for developing inclusive innovations addressing societal challenges.

- The design thinking practice should be facilitated by the use of specific design methods and techniques that allow for embarking on the design journey and moving effectively from one stage of the innovation process to another, resulting in a neat solution that resonate the users' needs and expectations.

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Useful links

Title	Short description	Link
The d.school Bootcamp Bootleg	This book represents a compilation of different methods and techniques used in the design thinking process.	METHODCARDS-v3-slim.pdf (squarespace.com)
iCreate Creativity and Innovation Handbook	This online resource represents a compilation of various creativity techniques that could be used in the innovation process.	https://icreate-project.eu/index.php?t=80

Assignment

Task
Design Thinking for Inclusive Innovation

Instruction
Based on the learning activity in Module 1 dedicated to identifying and analysing social and environmental challenges existing in your community:
1. Identify a particular need of a certain target group
2. Define a problem underlying this need
3. Generate ideas for possible solutions to the problem
4. Make a small-scale, rough model of your solution and present it to your class

Work in groups and use the design thinking methods and techniques suggested in Unit 3.

Supporting structures
Depending on the type of challenge and the target group you plan to address, you can use various techniques for each stage of the design thinking process. It will require both in-class workshops and "field work" (e.g. interviews with end users). Indicative structure of this learning activity includes:
- Workshop (part 1): discussing local challenges and selecting a certain challenge to address through the design thinking process; planning needs analysis (e.g. developing questions and guidelines for interviews).
- Field work: conducting interviews with end users and documenting them.
- Workshop (part 2): analysing the interview results, identifying and clustering needs, selecting a certain need(s) to work on further, and defining a problem statement.
- Workshop 3 (part 4): generating ideas for possible solutions, selecting a most promising one.
- Homework: creating a small-scale prototype (a sketch, diagram, model, etc. either physical or digital), preparing a presentation.
- Workshop (part 5): delivering presentation, discussion pros and cons of the developed solutions.

Required materials
For group work during the workshops, you will need big sheets of paper (e.g. A2 format), post-it notes, markers, highlighters, pens or pencils.
For conducting interviews, you will need to have a voice recorder (e.g. an app in you phone to record interviews).
For making a small-scale prototype, you may need various materials, depending on what exactly you plan to create.

Assessment criteria

The evaluation will consider the following criteria:

1) Originality and Novelty: How innovative are the ideas generated during the workshop? Are you thinking out of the box and exploring new concepts?
2) Quality of Output (final result of the activity). Is there a high standard of work, attention to detail, and overall quality?
3) Effective Use of Materials: Does your work demonstrate resourcefulness and thoughtful material selection?
4) Impact and Relevance: Does the creative output resonates with the target group or context. Does it address relevant themes or issues?
5) Collaboration and Interaction: How well do you collaborate in a working group? Is there a positive exchange of perspectives?
6) Risk-Taking and Experimentation: Are you willing to step out of your comfort zone?
7) Reflection and Self-Assessment: Do they analyse their work critically and identify areas for improvement?

Tools for designing a social enterprise

Module 3. Tools for designing a social enterprise

Module structure

Unit 3.1 Macro and Micro Marketing Environment
Unit 3.2 Social Business Model
Unit 3.3 Assessment of opportunities and risks
Unit 3.4 Case study

Learning Outcomes

Knowledge	The trainee will be able to:
	● know how to use tools like PESTLE and others for macro and micro marketing environment analysis
	● understand how to design own Social Business Model;
	● understand the process of identifying, evaluating and controlling risks within a social enterprise creation;
	● know how to Use tools like SWOT analysis (to assess own strengths, weaknesses, opportunities and threats).
Skills	The trainee will be able to:
	● evaluate the factors affecting the success of new social enterprise and drivers of the innovation process;
	● use the business model canvas;
	● quickly sketch out business models for multiple ideas;
	● complete the task individually and to work collaboratively in social innovators teams;
	● create insights and synthesize information;
	● develop motivational skills arguments;
	● present arguments of identified opportunities and benefits of social business;
	● foster a risk-aware culture focused on effective risk management;
	● make evidence-informed decisions about risk management;

Attitudes	The trainee will be able to:
	● be more aware of social and environmental issues and be inspired to take responsibility for addressing these challenges;
	● deeper understand and feel empathy towards the socially affected people;
	● develop problem-solving mindset and become more proactive in addressing societal issue;
	● educate greater sense of responsibility and motivation to contribute to positive social change.

Introduction

In the realm of business innovation and societal progress, the emergence of social enterprises has been pivotal. These organizations operate at the intersection of purpose-driven initiatives and sustainable business practices, aiming not only for financial success but also to address pressing social or environmental issues. To effectively design and operate a social enterprise, it's crucial to navigate through a comprehensive set of tools and frameworks.

This module delves into the foundational aspects and essential tools required to develop a successful social enterprise. The following units are tailored to provide a holistic understanding of the strategic elements and analysis necessary for creating and sustaining a socially impactful business:

Unit 3.1: Macro and Micro Marketing Environment Understanding the market dynamics at both macro and micro levels is imperative for any enterprise, and social ventures are no exception. This unit explores how external factors, such as economic trends, cultural shifts, regulatory environments, and technological advancements, impact the market. Additionally, it delves into the micro-level analysis, focusing on consumer behaviour, market segmentation, and competitor analysis within the context of a social enterprise.

Unit 3.2: Social Business Model Creating a robust business model tailored to the unique aspects of a social enterprise is pivotal for its success. This unit delves into various business models that integrate social impact with financial sustainability.

Unit 3.3: Assessment of Opportunities and Risks The landscape of social entrepreneurship is rife with opportunities and risks. This unit focuses on evaluating and analysing these aspects comprehensively. It involves assessing potential opportunities for impact and scalability while simultaneously identifying and mitigating risks associated with social enterprises.

Unit 3.4: Case study, aiming to illustrate social business model.

Unit 3.1 Macro and Micro Marketing Environment

This unit aims to help learners to understand the market dynamics at both macro and micro levels.

Definitions:

The marketing environment is the combination of the microenvironment (internal) and macro environment (external) factors. To sum up, the marketing environment includes the actors and forces outside marketing that affect marketing management's ability to build and maintain successful relationships with customers. The marketing environment encompasses a variety of dynamic and uncontrollable factors that influence an organization's marketing activities and opportunities.

The macroenvironment in marketing refers to the broader societal forces that impact a company's ability to operate and succeed in the market. These factors are generally beyond the company's control and can include demographic, economic, technological, political, legal, and cultural forces. While we can predict some of these factors, others are unforeseeable.

The microenvironment in marketing includes factors directly related to a company's ability to serve its customers and achieve its marketing objectives. These factors are often internal to the company or closely related to the company's operations and include customers, suppliers, competitors, intermediaries, and the public. (Kotler & Armstrong, 2017).

Figure 1. Macro and Micro Marketing Environment

Source: Oxford College of Marketing, 2023

PESTLE Analysis (or PESTEL, sometimes referred to as PEST analysis) is a concept in marketing principles and is used as a tool by companies to track the environment they are operating in or are planning to launch a new project/product/service, etc. PESTLE is a handy acronym for exploring external factors. It stands for Political, Economic, Social, Technological, Legal, and Environment.

Macro Environment of Marketing analysis using PESTLE. The purpose of PESTLE (template 1): is to give a clear idea about the business environment and help to plan the business by answering the questions:
- Political Factors. What is the country's political situation, and how can it affect the industry?
- Economic Factors. What are the prevalent economic factors?
- Social Factors. How important is culture in the market, and what are its determinants?
- Technological Factors. What technological innovations are likely to pop up and affect the market structure?

- Legal Factors. Are there any current legislations regulating the industry, or can there be any change in the industry?
- Environmental Factors. What are the environmental concerns for the industry? (Makos, 2024)

Table 1 shows which areas to consider when identifying your external factors during business planning and opportunity assessment.

Table 1 PESTLE analysis example

Political	Economic	Social	Technological	Legal	Environmental
Governmental stability Government policies and laws Taxation policies, budgets International trade laws Trade restrictions Environmental laws in place Grants, and other funding	Overall economic situation (GDP) National Income Inflation Unemployment levels Exchange rates Consumer spending	Demographics: age, gender ratio, population growth, urban-rural divide, employment rates, health statistics Customer attitudes Cultural shifts Religion Education level Lifestyle	Technological access Infrastructure Level of innovation Research Patent regulations Electronic laws and regulations Technology trends	Laws and legislation Health and safety guidelines Guidelines for equality Consumer rights Ethical standards for advertisement	Ecological effects of the industry Environmental regulations Recycling Sustainability Pollution levels Green issues Plastic waste Deforestation Global warming

Source: Makos, 2024

Micro Marketing environment

The micro-environment refers to the forces that are close to the company and affect its ability to serve its customers. (Kotler & Armstrong, 2017). It influences the organization directly. It includes the company itself, its suppliers, marketing intermediaries, customer markets, competitors, and the public. 6 elements of micro-marketing environments:

1) Suppliers
Suppliers provide raw materials, services or goods to a company. The prices, service availability and product quality that a supplier offers can affect the cost and condition of products that customers purchase. Companies often consider their suppliers to be their partners and may expect suppliers to commit to delivering quality goods to customers. Researching a variety of suppliers can help the company determine which one may provide the product quality and prices your customers are seeking.

2) Distributors and resellers

Distributors help companies store and deliver their goods, often using warehouses. They also assist organizations by delivering products safely and on time. They may represent a specific brand, especially if they deliver to different outlets. Resellers may also deliver goods, but they often purchase them from a company first before selling them for a profit. For example, most retailers are resellers. To select the right reseller to work with, a company could consider which retailers best represent its brand and how that retailer might help it reach its target market. Companies often choose both distributors and resellers that have similar company values.

3) Partners

Partners are organizations that a company collaborates with to develop a product, deliver a service or provide a promotion. Typically, the members of a partnership include two or more companies that may operate in similar industries. However, a company may sometimes partner with a business from a different industry to expand its customer base. For example, a frozen food brand may partner with a soda company to offer consumers a discount when they purchase products from both brands. Each company has its own microenvironment and macroenvironment. In a partnership, the behaviour of one company can directly affect the marketing environments of the other.

4) Customers

Customers exercise a major influence on a company's marketing environment. Companies may collect information about customer behaviors and opinions to help inform future business decisions. To manage this aspect of its marketing environment, a company may monitor the changes in customer preference and behavior and adjust its offerings as needed. For example, if a company receives negative feedback about a product, it might alter its product development practices.

5) Competitors

A company's competitors are part of its microenvironment because they directly affect daily business operations. A company can determine its position in the market to decide on strategies that can help it outperform its competition. Competing businesses often share customers, so it's helpful to monitor how the competitors are succeeding to understand ways that the company you work for might improve. You can use template 2 to identify and compare your competitors.

6) The public

The public includes any person who might engage with the company. The public can also include potential investors and people who refer new customers to the business. Understanding the public as a group of potential customers can help you target new markets to increase brand awareness. (Kotler & Armstrong, 2017).

Unit 3.2 Social Business Model

This unit aims to plan, communicate and refine your business model in a simple, visual way using a tool SOCIAL BUSINESS MODEL CANVAS (Figure 2).

Figure 2. Social Business Model Canvas
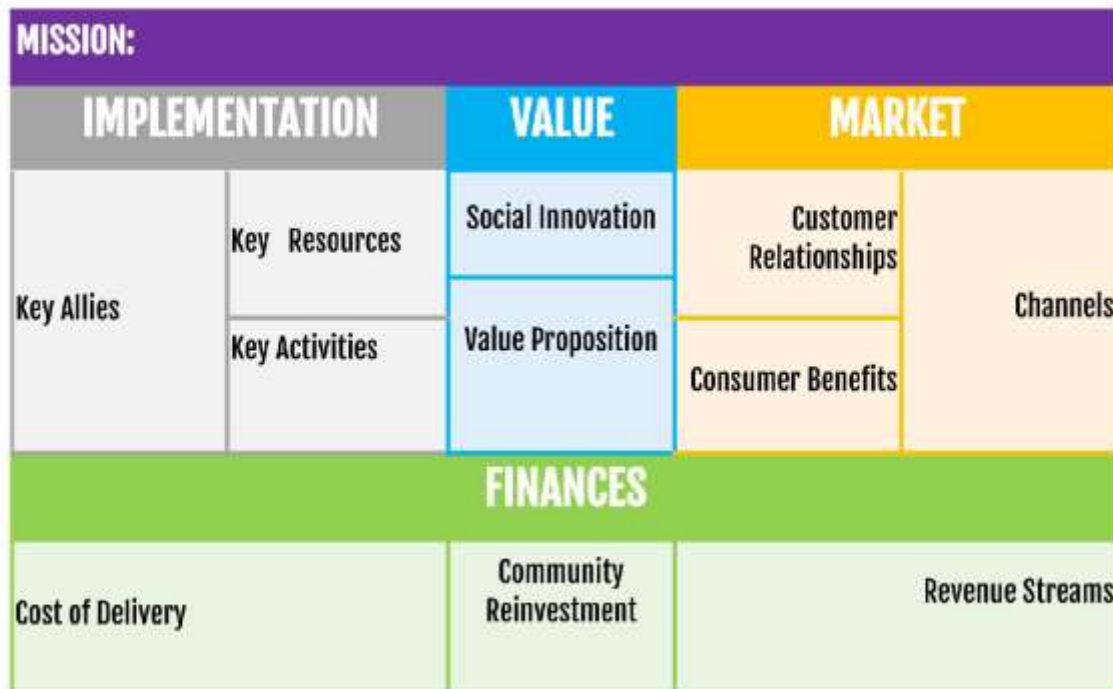
Source: Social enterprise institute.

Following definitions are "cells" in the Social business model canvas template and you have to plan your own social business idea in Template 3 according to guiding descriptions:

Mission
All social-purpose businesses are on a mission to change society for the better. What change are you planning to make in the world? Describe in broad terms how you will pursue your cause and tackle the social or environmental problems that matter.

Customer Relationships
Good businesses make a conscious decision about which customer segments to target and which to ignore. For whom are we creating value? Who are our most important customers? Focus in on your ideal customer(s) and define them clearly.

Social Innovation

You are bringing forward an important solution to a social or environmental problem. What makes your more proposed solution more likely to be effective than those that have gone before? Think about how you will apply new methods, ideas, or products to solve the problem.

Value Proposition

To be successful your social enterprise must stand out from the crowd and deliver real value to customers. What pains are you solving for your customers? What combination of benefits will you bring? Think about the things you might say to convince your customers to buy from you.

Channels

There are various communication, distribution, and sales channels that you can use. What channels will you use to reach your target customers? Which ones will be most effective? Focus initially on the channels most likely to bring success.

Consumer Benefits

Customer benefits are reasons a product or service is valuable to a customer. What benefit does your product or your service offers to potential customers? How can you solve their problems? What is important for your customers? Do they put more emphasis on a reasonable price or high quality? Do they care about a fast delivery, to have a comprehensive customer service or a high level of discretion? Question: If I solve your problem, then what would be different for you? The answer is: the customer benefits.

Key Activities

There are things that your social enterprise must do, deliver, or produce to deliver value to customers and make an impact. What are the mission-critical activities you must pursue?

Key Resources

All businesses rely on resources to carry out their work. These could be human, financial, physical, or technological. What resources do you own or will you need to acquire or develop? Which resources will be most important to achieving success?

Key Allies

It's unlikely that your social enterprise will succeed by going it alone. Who are the people and groups that you must involve to achieve success? What value will they bring? Think about the funders, partners, suppliers and others that will influence your success and how you will work with them.

Cost of Delivery

Everything costs money, and sometimes much more than you think. What are the major elements of cost involved in delivering your work and meeting needs? What resources and activities are most expensive? How will you control your main costs?

Revenue Streams

Most social enterprises rely on a mix of revenue streams to become financially sustainable. What are the main sources of earned income, grants, and donations that you will generate to support our work? Ideally, how much would each source contribute to our overall income? Think about how you will achieve a sustainable balance.

Community Reinvestment

All social enterprises must make a surplus (profit) in order to remain afloat and deliver on their mission. How much surplus do you hope to generate annually and what proportion will be reinvested? In what ways will you reinvest this surplus in support of your organization and in service to your community?

Figure 3 presents the example of Social Business model of TOM'S SHOES company

Figure 3. Example of social business model canvas - TOM'S SHOES.

Source: Social enterprise institute. Social business model canvas.

Unit 3.3 Assessment of opportunities and risks

This unit aims to help learners evaluate their social business ideas with the use of two main tools: SWOT analysis (template 4) and risk assessment (template 5).

Definitions:

SWOT Analysis is a tool used for strategic planning and strategic management in organizations (Gürel, 2017). In our case SWOT analysis is a situational analysis used to assess four different factors related to own social business idea. A SWOT analysis is a tool for documenting internal strengths (S) and weaknesses (W) in your business, as well as external opportunities (O) and threats (T).

Risk – The chance of something happening that will have an impact on your social business idea and its implementation.

Risk management – The overall process of risk identification, risk analysis and risk evaluation, prioritization, reduction and risk monitoring (Valis D., Koucky M., 2009).

How to conduct SWOT analysis. The process includes several stages:

Step	Description	Results
1. Identification of the aim	You need to determine the purpose of the SWOT analysis, because the tool can be used for existing company evaluation for strategic planning, employee work evaluation, for one department activities evaluation, etc.	In our case the main aim is to evaluate strengths, weaknesses, opportunities and threats of new social business idea.
2. Research	Before you begin the SWOT analysis you need to do some research to understand your business and market	Interviewing and talking with the potential clients, business partners Macro and micro marketing analysis (PESTLE, competitors' analysis)
3. Listing the strengths	You need to identify and list as statements - what you think are your social business strengths, including your employees, financial resources, business location, cost advantages and competitiveness.	List of strengths for starting your own social business.

Step	Description	Results
4. Listing the weaknesses	List the things in your business that you consider to be weaknesses (i.e., that put your business at a disadvantage compared to others), including an absence of some new products or clients, staff absenteeism, a lack…	List of weaknesses showing areas for the improvement - how your business could grow in the future
5. Listing potential opportunities	External opportunities for the business growth, for example new technology, training programs, partnerships…	List of opportunities, as the areas to grow
6. Listing potential threats	List of external factors that could be a threat or cause a problem for your business, for example rising unemployment, increasing competition, higher interest rates, etc.	List of threats you have to watch continuously
7. Establishing priorities	You have completed the abovementioned steps and have 4 separate lists. Now you have to revise the SWOT by asking and answering the questions: How can you use the strengths to take advantage of the opportunities identified? How can you use the strengths to overcome the threats identified? What do you need to do to overcome the identified weaknesses in order to take advantage of the opportunities? How will you minimise the weaknesses and overcome/avoid the identified threats?	Finalized SWOT and created a synthesized view of your new social business idea, helping to understand where you are today.

The business plan identifies the main risk factors that can affect the success of the project idea and the overall performance of the company.

How to manage risks. The process includes several stages:

Step	Description	Results
1. Identification	What do you know about risk? List the main threats, fears you should take into consideration when evaluating a business idea. Group all threats into risks. The name itself states that at this stage, the specific risk of your business idea is first identified. For this, you have to know types of risks: financial, social, etc.	A list of all possible risks that can negatively affect the project and lead to its unsuccessful completion is made.
2. Analysis	At the risk analysis stage, the probability that the relevant risk will occur is assessed. It also evaluates the impact of the risk on the project. Firstly, risks are assessed using a qualitative rating of the likelihood of the event occurring. Second evaluation - using a qualitative rating to assess the scale of the possible consequences.	Evaluated level of risk opportunity and impact of the risk if it does happen: Evaluation of probability of risks according to the scale from 1 till 5: 1 - rare; 2 – unexpected; 3 – possible; 4 – probable; 5 - very likely. Evaluation of possible consequences according to the scale from 1 till 5: 1 -insignificant; 2 – small; 3 – average; 4 – large; 5 - catastrophic.

Step	Description	Results
3. Prioritizing	Certain measures are used to reduce the impact of risks or the probability of occurrence of risks. Each of these tools has a cost, and often very expensive. Therefore, it is appropriate to prioritize each risk from the list created in the identification phase.	Prioritization of all risks, focusing on types of risks, your assessment, size and complexity of your social business.
4. Reduction	This stage involves de-risking. If it is not possible to completely eliminate the risk, then at this stage plans are made that allow to reduce the probability of a specific risk. There are four common ways to treat risks: risk avoidance, risk mitigation, risk acceptance, and risk transference. (Explanation of these risk management approaches is provided under the table).	Risk management measures identified and clearly described. Name specifically what will need to be done, who will have to implement it, when and how often, how much funds will be needed to reduce this risk.
5. Monitoring	The last stage of risk management is risk monitoring. The essence of the risk itself, its importance and impact on the project, as well as the probability of the risk occurrence may change during the project implementation. Therefore, in order to achieve effective project success, it is necessary to carry out continuous monitoring of the project.	Planned the process in which new and ongoing risks will be continually identified, assessed, managed, and monitored.

Risk avoidance involves eliminating the possibility of a risk manifesting or posing a threat, often leading to decisions against investing in products, services, or regions with excessive risks, though it should be periodically reassessed for sustainable alternatives.

Risk mitigation entails addressing real threats or problems with a comprehensive plan to minimize negative impacts, particularly when avoidance or acceptance is insufficient, through identification, assessment, action, and ongoing monitoring of solutions.

Risk acceptance occurs when it's impractical to avoid them, especially if they're unlikely or have minimal impact, necessitating periodic re-evaluation of their significance to the company's strategic goals, such as anticipated vendor price changes.

Risk transference involves outsourcing or shifting risks to other parties, such as those with expertise or insurance companies, when internal capabilities are inadequate, allowing organizations to manage challenges they cannot avoid, accept, or mitigate independently. (Vicente, 2023)

Unit 3.4 Case Study

Title	Transforming Lives through Ethical Commercial Cleaning
Origin	https://www.upbeatclean.co.uk/
Objective	The aim of the case study to illustrate social business model.
Background	Upbeat Clean was established by Upbeat Communities who have served the refugee communities in Derby for over 15 years, seeking to help people who have fled their countries rebuild their lives here in Derby. https://www.upbeatclean.co.uk/
Problem	Analize the company according to Social Business Model Canvas and provide the solution how to find new opportunities for their business and added value for the clients
Solution	Business Model Canvas Overview: Customer Segments: Upbeat Clean targets commercial clients in Derby, offering services such as contract cleaning, office cleaning, and restaurant cleaning. The focus is on providing top-notch cleaning services to businesses that value ethical employment practices and social impact.
	Value Propositions: The unique selling proposition of Upbeat Clean lies in its commitment to not only deliver excellent cleaning services but also to create a positive impact on the lives of its employees. The company aims to differentiate itself by paying a real living wage, providing mentoring opportunities, and supporting work-life balance for its staff.
	Channels: To reach its target customers, Upbeat Clean utilizes various channels, including direct sales, partnerships with over 25 organizations across Derby, and a strong online presence. The company actively communicates its commitment to ethical employment and the positive impact of choosing Upbeat Clean as a cleaning service provider.
	Customer Relationships: Upbeat Clean prioritizes building strong customer relationships by assigning a designated account manager to each customer. Regular visits from account managers ensure

	that clients not only receive high-quality cleaning services but also experience the joy of having their premises cleaned exactly as they desire. The focus is on creating a positive customer experience while highlighting the social impact of their choice.
	Revenue Streams: The primary revenue stream for Upbeat Clean comes from its commercial cleaning services. The company positions itself as a premium service provider, charging competitive rates for its top-quality and socially responsible cleaning services.
	Key Resources: Key resources for Upbeat Clean include a dedicated and motivated workforce, partnerships with local organizations, and a robust customer relationship management system. The company's success relies on the synergy between providing excellent cleaning services and creating a positive impact on the community.
	Key Activities: The key activities for Upbeat Clean involve delivering high-quality cleaning services to commercial clients, actively engaging with the community through partnerships, and implementing ethical employment practices. The company's commitment to changing lives is embedded in its day-to-day operations.
	Key Partnerships: Upbeat Clean has formed partnerships with over 25 organizations across Derby, establishing a network that supports its mission to combine excellent cleaning with life-changing employment. These partnerships contribute to the company's client base and provide additional avenues for social impact.
	Cost Structure: The cost structure of Upbeat Clean includes expenses related to wages, mentorship programs, employee benefits, marketing, and operational costs associated with providing top-tier cleaning services. The company views these costs not just as financial investments but as essential components of its social business model.
	Conclusion: Upbeat Clean's success as a social enterprise demonstrates that businesses can thrive while making a positive impact on society. One of the solutions: Collaborating to increase impact – how five cleaning social enterprises are working together - https://www.socialenterprise.org.uk/case-studies/collaborating-to-increase-impact-how-five-cleaning-social-enterprises-are-working-together/
Questions for discussion	What challenges and criticisms does the cleaning sector typically face regarding employment practices, and why is there a need for social enterprises like Upbeat Clean?
	Customer Segments: How does Upbeat Clean identify and target its customer segments in the commercial cleaning market?

	Why is it crucial for Upbeat Clean to focus on commercial clients, and how does this align with its social impact goals?
	Value Propositions: What sets Upbeat Clean's value proposition apart from traditional commercial cleaning services?
	In what ways does Upbeat Clean prioritize both customer satisfaction and social impact in its value proposition?
	Channels: How does Upbeat Clean effectively communicate its commitment to ethical employment and social impact through various channels?
	Customer Relationships. Why does Upbeat Clean assign a designated account manager to each customer, and how does this contribute to building strong customer relationships?
	How can positive customer experiences contribute to the social impact narrative of Upbeat Clean?
	Revenue Streams: Analyze the primary revenue streams for Upbeat Clean and discuss how the company positions itself as a premium service provider.
	Key Resources: Identify the key resources that contribute to Upbeat Clean's success, and discuss how they align with the company's mission and values.
	Key Activities: How do the key activities of Upbeat Clean reflect its commitment to delivering excellent cleaning services and creating a positive impact on the community?
	Key Partnerships: Explore the significance of Upbeat Clean's partnerships with over 25 organizations across Derby. How do these partnerships contribute to the company's social impact and client base?
	Cost Structure: Discuss the elements of Upbeat Clean's cost structure, emphasizing how the company views these costs as essential components of its social business model.
	Conclusion: Reflect on the success of Upbeat Clean as a social enterprise. What lessons can other businesses, especially in challenging industries, learn from Upbeat Clean's business model and practices?
Reference	https://www.upbeatclean.co.uk/
	https://www.facebook.com/UpbeatClean/
	https://derbymuseums.org/news/derby-museums-announces-new-partnership-with-derby-social-enterprise-upbeat-clean
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Summary of key points

This module aims to equip aspiring social entrepreneurs and practitioners with the essential tools, frameworks, and analytical skills necessary to design, develop, and sustain a social enterprise that not only thrives in the market but also creates meaningful and lasting social change:

- The marketing environment of a social enterprise comprises both macro and micro elements, which significantly influence its marketing strategies.
- The macro-environment encompasses external factors, including demographic, economic, natural, technological, political, and cultural forces.
- The micro-environment involves forces closer to the company, directly influencing its ability to serve customers. Components include the internal organizational environment, marketing channels, types of markets, competition, and organizational objectives.
- Social Business model Canvas is a tool to help you sketch out your social enterprise idea.
- SWOT analysis is a framework for identifying and analyzing an organization's strengths, weaknesses, opportunities and threats for your business or even a specific project.
- There are five stages of risk management: risk identification, risk analysis, prioritization, risk reduction and risk monitoring.

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Useful links

Title	Short description	Link
Social Business Model Canvas (SBMC) online	It is based on Strategyzer's original Business Model Canvas and consists of 14 boxes.	https://socialbusinessmodelcanvas.swarthmore.edu/
How to Conduct Swot and Pestle Analysis | Talent and Skills HuB	This video explains How to Conduct Swot and Pestle Analysis	https://www.youtube.com/watch?v=bmxYKA9Lge8
7 competitive analysis templates and examples	Here is a look at seven different types of competitive analyses. Use the examples and templates as a starting point, and adjust them according to the marketing metrics that are most important to you.	https://www.wordstream.com/blog/ws/2023/09/21/competitive-analysis-templates
SAMPLE RISK MANAGEMENT PLAN	This plan was developed to assist persons in the development of a Risk Management Plan only and is therefore to be used as a guide only.	https://www.northam.wa.gov.au/Assets/Documents/Document-Centre/environmental-health/Events/SAMPLE_RISK_MANAGEMENT_PLAN.pdf

Assignment

Task

Designing a social enterprise

Instruction

1. Analyse your social enterprise Macro marketing environment.
2. Describe 6 elements of micro-marketing environments of your social enterprise.
3. Plan your social business model.
4. Identify your social business idea strengths, weaknesses, opportunities and threats.
5. Create the Risk management plan.

Templates:

1. PESTLE analysis template
2. Competitive analysis template.
3. Social business model Canva template.
4. SWOT analysis template.
5. Risk management template

Assessment criteria

The evaluation will consider the following criteria:

1. Are the individual parts of the work detailed and clearly described:

   1.1. Clearly describe all Macro marketing environment components according to the PESTLE tool.

   1.2. Clearly described 6 elements of Micro-marketing environments of the social enterprise, including competitors' analysis.

   1.3. Clearly planned social business model according to Social business model Canvas.

   1.4. Created SWOT analysis.

   1.5. Created a clear risk management plan.

2. Can you arrange thoughts briefly and clearly?

InnoSocial

1. PESTLE ANALYSIS

POLITICAL		TECHNOLOGICAL	
ECONOMIC		LEGAL	
SOCIAL		ENVIRONMENTAL	

2. COMPETITIVE ANALYSIS

Factor	My Business	Strength	Weakness	Competitor A	Competitor B	Competitor C	Importance to customer
Products							
Price							
Quality							
Selection							
Service							
Reliability							
Stability							
Expertise							
Company reputation							
Location							

Factor	My Business	Strength	Weakness	Competitor A	Competitor B	Competitor C	Importance to customer
Appearance							
Sales methods							
Credit policies							
Advertising							
Image							
Employee							
Company culture							
Market growth							
Website							
Other factors...							

3. SOCIAL BUSINESS MODEL CANVAS

MISSION:					
IMPLEMENTATION		**VALUE**		**MARKET**	
Key Allies	**Key Resources**	**Social Innovation**		**Customer Relationships**	**Channels**
	Key Activities	**Value Proposition**		**Customer Benefits**	
FINANCES					
Cost of Delivery		**Community Reinvestment**		**Revenue Streams**	

4. SWOT ANALYSIS OF SOCIAL BUSINESS IDEA

INTERNAL FACTORS	
Strengths Positive factors that must be highlighted	Weaknesses Negative factors that must be eliminated
●	●

EXTERNAL FACTORS	
Opportunities Factors that need to be exploited	Threats Factors to avoid/consider
●	●

Revised factors and synthesized view:

5. RISK MANAGEMENT

TYPES OF RISK	PROBABILITY OF OCCURRENCE OF RISK	IMPACT OF THE RISK (if it happens)	RISK MANAGEMENT MEASURES
	RISK LEVELS:		
Financial risk			
Rising of the services, costs			
Human recourses risk			
Not competent employees			
Social risk			
Conflicts			

TYPES OF RISK	PROBABILITY OF OCCURRENCE OF RISK	IMPACT OF THE RISK (if it happens)	RISK MANAGEMENT MEASURES
	RISK LEVELS:		
Reputational Risk			
Quality of services			
Other risks (*to write*)			
Strikes			

Evaluation of probability of identified risks according to the scale, for example from 1 till 5: 1 - rare; 2 – unexpected; 3 – possible; 4 – probable; 5 - very likely.

Evaluation of possible consequences of identified risks according to the scale from 1 till 5: 1 -insignificant; 2 – small; 3 – average; 4 – large; 5 - catastrophic.

Establishing a social enterprise

Mainstreaming Inclusive Innovation and Social Entrepreneurship in Higher Education

2022-1-PL01-KA220-HED-000089820

Module 4. Establishing a social enterprise

Module structure

Unit 4.1 How to set up a social enterprise
Unit 4.2 The legal forms of running a business and the legal provisions in this area
Unit 4.3 Management processes in a social enterprise development and implementing a financial strategy.
Unit 4.4 Case studies

Learning Outcomes

Knowledge	The trainee will be able to: ● set up a social enterprise ● compare the legal forms of running a business and the legal provisions in this area ● create a financial strategy and budget of the social enterprise
Skills	The trainee will be able to: ● choose the right form of running a business ● use appropriate forms of management in a social enterprise ● understand management processes in a social enterprise ● develop and implement a financial strategy.
Attitudes	The trainee will be able to: ● run a business in market conditions ● expand his knowledge of the subject

Introduction

Social entrepreneurship is one of the tools for bridging social gaps, rebuilding a spirit of cooperation and trust between people, and contributing to economic recovery on the continent. Such an approach responds to the challenges facing the Union, which have already been identified in the Europe 2020 strategy. In the second half of 2011, the Commission began to translate the general demands formulated in this document into proposals for specific actions aimed at creating a comprehensive system of support for the social economy in Europe. Provision was made for both systemic measures (aimed at building a legal and institutional environment), the inclusion of the social economy in the existing EU budget lines, and the establishment of separate financial mechanisms dedicated to supporting social enterprises, with the involvement of private funds for this purpose as well.

Setting up and running a social enterprise is an interesting form of business, which also makes it possible to benefit from various forms of financial and operational support.

Unit 4.1 presents the legal regulations for social enterprises. The legal regulations of the European Union, as well as that of a selected member state, with regard to the formal conditions for the creation of social enterprises, are presented. The conditions for the creation of social enterprises are formulated quite generally by the bodies of the European Union, leaving a great deal of freedom to the member states in this regard. Moreover, social enterprise is understood and regulated differently in non-EU countries.

Unit 4.2 includes a presentation of selected legal forms of operating in a social enterprise format. Choosing the right form at the outset of the enterprise's creation is of the utmost importance, as it enables the enterprise to benefit from financing, subsidies or simply the effective and simple operation of the enterprise.

Unit 4.3 presents the financial aspects to be taken into account when setting up a company. A social enterprise primarily performs social functions, but it must acquire and dispose of the financial resources needed to function and achieve its goals. This requires planning of income, expenditure, analysis of clients and the services or goods that will be in demand. Proper market research is one of the prerequisites for the survival of the company, especially in the first phase of its existence.

Unit 4.4 contains case studies illustrating the content of units 41-4.3 respectively. The companies described in the case studies are still in operation and the cases described have been taken from their practice and consulted directly with the owners of these companies.

Unit 4.1 How to start up a social enterprise

European Union regulations

One of the first documents to clarify the previous general provisions on the social aspects of business was the Communication 'Social Business Initiative', issued by the European Commission in 201[12]1. Already at the outset, it recognized the scale to which the market for social entrepreneurship market in Europe. It emphasizes that its members employ more than 11 million people across the EU, more than 6% of the EU's population. more than 11 million people, more than 6% of the total workforce, and one in four European enterprises is of a social nature[13].

The entities categorised as social economy/entrepreneurship vary enormously from country to country. This is why the Commission, in the communication mentioned at the beginning, did not choose to formulate a uniform definition of social enterprise. Instead, it identified a number of general criteria that such entities should meet:

- those for which the social or societal objective of the common good is the reason for
- the commercial activity, often in the form of a high level of social innovation,
- those where profits are mainly reinvested with a view to achieving this social objective,
- and where the method of organisation or ownership system reflects their mission.

At the same time, the Commission noted that two types of entities could fall into this category. On the one hand, it includes enterprises providing social services or goods and services to vulnerable (excluded) groups in society. On the other, those where a way of producing goods and services, allowing for the inclusion of people belonging to excluded social groups (e.g. people with disabled, long-term unemployed or those with fewer opportunities on the labour market due to other life circumstances). The approach adopted by the Commission is also sufficiently general to be adapted to the many very different types of business and organizational structures operating in Europe. At the same time as this Communication, the Commission has published a Communication on Corporate Social Responsibility[14], which is seen as complementary to it. It attempts to draw a distinction between the socially responsible activities of

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[12] https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8373&furtherPubs=yes

[13] https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52011DC0682

[14] A renewed EU strategy 2011-14 for Corporate Social Responsibility, COM (2011) 681,https://www.europarl.europa.eu/meetdocs/2009_2014/documents/com/com_com(2011)0681_/com_com(2011)0681_en.pdf

individual companies (in line with so-called CSR) and the pursuit of activities in which the achievement of social benefits is the primary objective.

Figure 1. Social enterprise

Source:https://corporatefinanceinstitute.com/resources/esg/social-enterprise/

A social enterprise is a specific type of business entity whose activities are not focused on profits and their maximization, but on social objectives. Social enterprises operate in various legal forms: social cooperatives, associations, foundations, non-profit companies. They all have one thing in common - any surpluses generated by their activities are invested in such organisations to achieve their goals, such as the social and professional integration of their members or activities for the benefit of the local community.

Conditions for setting up and creating social enterprises vary from country to country (also within the European Union). For the purposes of this paper, the conditions for setting up a social enterprise in Poland will be presented as an example (the students' task will be to formulate the conditions for setting up social enterprises in their countries).

Despite these differences, they share a common basis for functioning - as social economy entities they operate both socially and for profit (economically or for a fee).

This differentiates them from ordinary social organisations, which do not operate on a paid or economic basis, and enterprises, which maximise their profit. Social economy entities allocate income from profit-making activities to social (statutory) activities.
The key to establishing a social enterprise is the idea for its activities. An idea that can make the world a better place and can also make money. Therefore, the question remains: How to transform an idea into a real business.

In the previous chapters, social entrepreneurship was widely described, in this subchapter attention will be paid to several important issues:

Potential market: Social enterprises are businesses that sell a service or product to make money. You can have an idea that will solve a social problem, but the company will not survive if it cannot cover its costs. Therefore, we should consider whether there are customers ready to buy our product or service, and recognize the competition and their offer. Potential customers are buyers of services and products, so the market that the company intends to enter should be carefully examined and whether there is a gap that can be filled.

Mission: A social enterprise should define its mission. This is what sets them apart and allows customers to see how different you are from less ethical alternatives. Additionally, if you want to set up your company as a social interest company (a common type of social enterprise), in many countries you must specify a social purpose in the documents submitted when registering your company.

Finances should be carefully planned: - expenses related to running the business - materials, rent of office space, as well as what revenues the company can expect from its activities.

Presentation: In the digital world, having a website is the obvious place to start. Social media also provides a free way to find customers. Social enterprises have great stories to tell because they are about creating positive change, and various social media platforms offer many ways to showcase them.

Business plan: One of the first steps that should be taken is to prepare a business plan - a plan for the establishment and development of a future company - it shows how to achieve the goals that the company is to achieve. It also allows you to verify whether your business idea has a chance of success and plan further activities.

The legal forms of a social enterprise may influence the remuneration that can be paid (in the form of dividends if the company is structured as a shareholding), the type of investment the company can receive, and responsibility.(this will be discussed in detail in Unit 2). Some of the factors influencing the choice of legal structure are outlined below.

Depending on the business and scale, these will be of different relevance to your particular case:

Table 1: Aspects to bear in mind when choosing a legal structure for the social enterprise

Do you need to incorporate?	Are you ready to incorporate yet? Are you taking on land or contracts?
Do you have a social purpose?	Is it charitable in law?
How will you raise your income?	Grants? Equity finance? Trading?
Who do you want to have control or ownership?	Do you want to have firm control over the organisation? Do you want to involve others? Do you want to give employees some ownership?
What message do you want to give?	Do you want to be "branded" as a social enterprise? Do you want to be seen to be charitable? Or maybe you don't want your clients to be "charity cases"?
Getting tax benefits	Are there tax benefits that you need to access? Are they vital or just nice if you can get them? This might include how you pay yourself, reductions in corporation tax, VAT rules, and access to tax relief for donors or investors.
Ease of setting up	Are you ready to involve other people? How quickly do you need to set up? Are you able to use standard documents or do you need something bespoke?
Ongoing bureaucracy	Can you cope with the relevant bureaucracy – can you risk getting fined if you fail to?
Flexibility	Do you need to have a flexible structure that you can change later?

Source: https://www.the-sse.org/resources/starting/selecting-a-legal-structure-for-your-social-enterprise

Unit 4.2 The legal forms of running a business and the legal provisions in this area

One of the key decisions is choosing the right legal form for a social enterprise. Social enterprises are defined quite broadly, and the legal forms for running such businesses are determined autonomously by each country.

The choice of legal form should therefore be preceded by some reflection, and key issues to consider when setting up a business may include aspects such as:

Raising finance - defining how the company plans to raise money. Care should be taken when considering different options to ensure that the legal structure that best suits our social enterprise in terms of management style and mission is chosen. Be aware that some forms of grants may only be reserved for certain legal forms and types of business.

Social ownership - ensuring that community and stakeholder interests are reflected in the control and ownership of the enterprise.

Income streams and enterprise activities - what proportion of income will be generated from donations, grants, fundraising, contracts, provision of goods and services and other commercial activities.

Regulation and reporting - some legal structures have multiple regulations and may have restrictive rules. Some may require multiple annual reports to be completed, which can be a problem for smaller businesses.[15]

As there is no legal definition for what constitutes a social venture, there is considerable scope for choosing from a variety of different legal forms (although there are numerous viewpoints of what constitutes the 'best' social venture legal structure.

An individual operating a social venture without a legal structure is usually regarded as a sole trader or self-employed. Organisations that are operating as a membership body without a legal structure are typically regarded as an unincorporated association (also known as voluntary association and community groups). There are many reasons to consider a legal structure for an organisation:
- A requirement by stakeholders
- A requirement based on the type of activities you plan to undertake
- To enhance your credibility with customers, funders, suppliers and employees
- To protect individuals involved from personal liability.

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[15] https://socialenterprisetoolkit.ie/chapter-4-all-the-legal-bits/

As a sole trader, self-employed individual or unincorporated association (i.e. not recognised as a separate legal entity), the individual or management committee of the association is directly liable for any debts or legal actions affecting your organisation. Adopting a formal legal structure can protect individuals from personal liability, therefore limiting this type of risk.

The most common legal structures used in the social entrepreneurship sector are:
- Unincorporated association (which may also be a registered charity)
- Company limited by guarantee (which may also be a registered charity)
- Company limited by shares
- Industrial & provident society
- Community interest company- CIC (shares or guarantee)

The issues to consider when deciding on a legal structure for social venture include:
- Personal liability
- Ownership
- Funding, both short and long term
- Governance
- Profit distribution

Personal liability- Having a legal structure that separates the members / guarantors / owners from the venture will limit their personal liability if the venture suffers financial loss or if financial loss is caused by the enterprise. Generally, most social ventures that intend to operate long term will seek to use a legal structure that offers the owners / guarantors / members limited liability. This could be in the form of a limited liability company (including a CIC) or a co-operative structure such as an Industrial and Provident Society.

Ownership- If the structure chosen is a limited company, then the shareholder has joint or direct ownership of the company. The more shares he or she owns, the more votes and influence he or she has over the strategy, management and operations of the company (to the extent that these are not delegated to the directors). Typically, companies of this type pay out profits to owners in the form of dividends.

In a co-operative model, i.e. an industrial and savings association, ownership is shared with other co-operative members. To be recognised as a cooperative, each member usually has only one vote, regardless of how much they invest in the cooperative.

Funding- The legal structure determines the types of funding. Choosing a structure that allows you to receive grants in the short term may prevent you from accessing investment if you scale up your business. It is therefore important to first establish what is the most likely form of funding in the long term, and to choose a legal structure that allows access to it.

There are also many different types of cooperatives, and most do not have access to grants. However, there is a type of co-operative that is charitable in nature, known as a co-operative set up for the benefit of the community. Because of its charitable purposes, this type of co-operative can access grants. All types of social enterprise can access loans.

Governance- All organisations should have someone who sets the strategy, ensures that the strategy is implemented, makes sure that the organisation meets its legal obligations and operates in accordance with the law.

The co-operative may be managed collectively by all members or by a management committee, provided that the managers are appointed by the members and may be removed by them. This may largely depend on the number of members of the association.

Profit distribution- By definition, social enterprises should generate profits. How profits are used depends on the legal structure. Distribution of profits will also occur in cooperatives. Social ventures that are set up as a 'limited company' will tend to reinvest profits in the company. The idea is for the company to use profits to grow the business and increase its social impact. Registered charities and charitable co-operatives cannot distribute profits to their members, so tend to reinvest the profits in the business.

Internationally, we have seen the development of novel legal structures (notably community interest companies in the UK and low profit limited liability companies - L3C's - in the US), created to support the rapid growth of social enterprises. In Australia, there is no 'one size fits all' legal structure for social enterprises. Instead, social enterprises have turned to the well-known pre-existing legal structures used by all types of entities within Australia. These comprise for-profit company structures at one end of the spectrum and not-for-profit or charitable structures at the other end[16]. Social enterprises can be both non-profit or for-profit organizations and may take the forms of many different types of organizations. What is common in all social enterprises is the fact that they usually adopt two main goals – the first is to generate profits, while the second is to reach its social, cultural, economic, or environmental outcomes outlined in the company's mission.

It is important to note that social enterprises operate under the structure of a traditional business, and on the surface, they may seem to look, feel, and operate like any other traditional business. However, the key to understanding a social enterprise is to understand its mission, which outlines its key social objectives.

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[16] https://www.socialimpacthub.org/initiative/social-enterprise-legal-toolkit

Profit generation is still extremely important to social enterprises, as earnings are important to sustain the livelihood of the venture but the important difference is that instead of using its profit to distribute among shareholders, the profits are used to reinvest in the enterprise to help it achieve its social mission.

An important feature of social enterprises is the fact that they often employ individuals coming from at-risk backgrounds and those from disadvantaged communities, such as visible minorities or indigenous groups. Often, such groups face discrimination and prejudice in society historically.

The goal of employing such individuals is to allow them to earn a living wage while enabling them to create self-sufficiency and rely less on government payouts and the social safety net. Sometimes, creating employment for disadvantaged individuals form the central mission of some social enterprises.

Social enterprises are usually categorized into four main categories, although they are constantly evolving and may change over time as new areas are created. Despite their individual differences, all types of social enterprises attempt to operate while balancing both profit generation and the achievement of its social objectives. Accordingly, we can therefore distinguish:

1. Trading Enterprises

Trading enterprises refer to cooperatives, collectives, and other organizations that are worker- or employee-owned. They vary significantly in terms of size and organizational structure, but their joint ownership structure allows a higher degree of economic resiliency in comparison with other forms of enterprises.

2. Community Organizations

Community organizations refer to registered social enterprises, which may include community enterprises, community centers, housing cooperatives, community interest organizations, certain smaller shops, and sports clubs. They are typically membership organizations that exist for a particular purpose and trade commercially with the goal of operating to reinvest profits into the community. Often, the membership is quite large, and the members are supporters of the organization's mission.

3. Non-Governmental Organizations (NGOs) and Charities

NGOs and charities operate on both a large and small scales and are usually established to support a specific social, environmental, or political goal. The profits are used to further the social or environmental aims of the organization or to provide salaries for people who provide free services to specific groups of people.

4. Financial Institutions

Some types of financial institutions also fall into the social enterprise category, including organizations such as cooperative banks, and loan funds, which are membership-owned. Credit unions, for example, are structured so that members automatically become owners when they deposit money into the union as a customer and the credit union uses the deposited money to help other members. Credit unions offer higher savings rates, low interest rates, and focus less on making profits and more on helping its respective members. Cooperative banks are another institution – which, similar to traditional banks – takes deposits and provides loans to its customers but operates on a cooperative basis meaning that they are owned by their customers.

As the forms of social enterprise vary considerably from country to country, the following section will present the legal regulations in one EU member state (Poland), which can serve as a point of reference and comparison for regulations in other countries.

Legal regulations of social entrepreneurship in a selected EU country (Poland)

Social economy entities (PES) in Poland
The rules for setting up social enterprises in Poland are regulated by the Act on Social Economy[17]. which specifies also the conditions for obtaining the status of a social enterprise.
According to the Social Economy Act, art.2, point 5, a social economy entity (PES) is:
a) Social cooperative,
b) Occupational therapy workshop and vocational activity establishment,
c) Social integration centre and social integration club,
d) Work cooperative, including a cooperative of invalids and a cooperative of the blind, and a cooperative of agricultural production.

With regard to the legal form, we can divide social economy entities into:
- NGOs,
- non-profit companies and,
- social cooperatives.

Each of them functions on the basis of a different legal basis.

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[17] https://isap.sejm.gov.pl/isap.nsf/download.xsp/WDU20220001812/U/D20221812Lj.pdf

Social cooperative - an interesting example of a social enterprise

There are several forms of social enterprises in Poland, but the most popular is the social cooperative. The current legal basis for the operation of social cooperatives is the Act of 27 April 2006 on social cooperatives[18].

Members of a social cooperative must be at least 50 per cent people at risk of social exclusion. By law, the aim of a cooperative is to return to a regulated social life and activity on the labour market of its members. A social cooperative, as a type of labour cooperative, is based on the principle of personal provision of work by its members.

A social semi-cooperative may be set up by persons with full legal capacity and who at the same time fall into at least one of the following categories:
1. unemployed,
2. disabled,
3. addicted to alcohol, drugs or narcotics after completing treatment,
4. mentally ill,
5. homeless people following an individual programme to end homelessness,
6. people leaving prison who have difficulties with social reintegration,
7. refugees participating in an individual integration programme,

and other persons, provided that their number does not exceed 50% of the total number of founders.

The founders of a cooperative are 3 persons if the founders are natural persons. In this situation, there is an obligation to complete the membership of the cooperative up to 5 persons within 12 months. A social cooperative is a legal person and is subject to registration in the National Court Register (KRS) at the request of the founders.

Step 1- Idea!
A group that wants to set up a social cooperative must have an idea for an economic activity. This is the most important moment at the cooperative formation stage, as the future of the cooperative and its members depends on the right choice of the type of production or services. They should first do some research - what type of production will work in the area where the cooperative operates, what services are most in demand, e.g.: renovation and construction services, wooden toys, carpentry, establishing and maintaining communal green areas, catering for companies or producing souvenirs. There are many opportunities, but it is important to find a niche that will ensure the sale of products or the provision of services.

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[18] https://isap.sejm.gov.pl/isap.nsf/download.xsp/WDU20230000802/O/D20230802.pdf

The best way to consider the opportunities and plan a new business venture is to prepare a business plan. Those planning to set up a social cooperative should prepare such a document to analyse the potential of the planned activity and to set goals and ways to achieve them.

Step 2- Statute
If the two basic prerequisites for establishing a social cooperative are met, i.e. a group of people who can establish a social cooperative is gathered together and they have an idea for the activity, then a document defining the objectives and principles of operation of the cooperative being established should be created. This document is the statute.

Step 3- Official founding meeting
Once the preparation stage is over for the future founders of the social cooperative, the time comes to hold the official founding meeting at which the cooperative will be established. Once this meeting is over, the registration process with the court begins and only after that can the cooperative actually start to operate on the market.

Step 4- Registration of a social cooperative
The next step is entry into the Register of Entrepreneurs in the National Court Register. The registration of a cooperative in the National Court Register takes place on the basis of an application. The next step is entry into the Register of Entrepreneurs in the National Court Register. The registration takes place on the basis of an application. Once the cooperative is registered, it acquires legal personality. A few more formalities need to be completed, such as stamping, setting up a bank account, and you are ready to go!

Non-profit company
A non-profit company functions just like a limited liability company: the legal regulations, registration are the same. However, the objectives and principles of profit management are different and are laid down at the level of the articles of association. It can be established by both an individual and a legal person, e.g. an NGO (non-governmental organization). Polish law does not specify the non-profit functions of companies. It is a voluntary provision that appears in the company's articles of association. These provisions concern e.g:the appropriation of profit for social purposes, prohibition of profit distribution to members, shareholders or employees. The initial capital for a company is a minimum of PLN 5,000. in the form of funds or an in-kind contribution.

Step 1- Idea!
As in the case of a social cooperative, the most important thing is the idea and vision of the business and the preparation of a careful business plan.

Step 2- Incorporation of a company

The most important document is the Agreement of Association, drawn up in the form of a notarial deed, in which the most important provisions must be included:

- the act of incorporation - who establishes the company and what management board is appointed
- general provisions - concerning the name, registered office, company objectives, legal form, manner and area of activity
- subject of activity – (in Poland-PKD)
- share capital - the amount, information on shares and who takes them up
- the company's authorities - a description of their operation and role.

Step 3- Structure of the Company

A non-profit company should have the following bodies:

- shareholders' assembly (decides, appoints the board of directors, adopts the annual report, grants discharge)
- management board (appointed to represent the company, conducts day-to-day business)
- other bodies: consultative-advisory or internal control bodies; for example, if the company is to operate as a social enterprise, it should have a consultative-advisory body in the form of a supervisory board or an audit committee (appropriate provision in the articles of association)

Step 4- Company registration

Company registration involves the following stages:

- drawing up the articles of association - as a notarial deed,
- filing documents with the National Court Register,
- payment to the National Court Register,
- registration and waiting for entry.

Once our company is registered, the only thing left to do (as in the case of a social cooperative) is to complete a few formalities such as setting up a bank account, getting a stamp and we're good to go!

Unit 4.3 Management processes in a social enterprise development and implementing a financial strategy

Financial management in a social enterprise

Social enterprises are organisations that have a social mission but also sell products and services and make a profit. This may seem contradictory but it is not; an enterprise needs funds to cover its own costs and to fulfil the mission it has set itself. After all, even charities make a profit. So it is quite complicated - on the one hand, social enterprises are not profit-oriented, but when they are not profitable, they will not be able to fulfil their social goals or social mission.

Therefore, a social enterprise should be sustainable and profitable, aware of the investments needed and the potential sources of these investments. When organising and running a social enterprise, the following terms must be properly distinguished:

Fixed assets - By law, fixed assets are corporate assets intended to be used for more than one year. They can be, for example, machinery, office equipment, means of transport or real estate. An entrepreneur may include as fixed assets items that he already owned before setting up the business or items that he has specifically purchased for the company's needs.

Variable costs are costs that change with the volume of production or services provided by the business. The greater the volume of business activity, the greater the variable costs generated - influenced, for example, by increased demand for raw materials, more energy used, overtime, or the use of human resources other than just employees in an employment relationship.

Variable costs may relate to short-term decisions, as they may result from a one-off order or undertaking a particular project. These costs will be generated during the course of implementation, but will cease to accrue once the implementation is complete.

Fixed costs differ from variable costs in that their amount does not depend on the volume of activity of the company - its decrease or increase will not affect the amount of fixed costs. This does not mean that fixed costs do not change. They may vary, but they are influenced by economic conditions and not by the volume of production or service provision. Fixed costs can be affected by, for example, an increase in the basic wages of employees or the replacement of equipment with energy-efficient equipment, resulting in lower energy costs even though the volume of production or services remains constant.

Examples of types of fixed assets, fixed and variable costs can be found in the table 2 below.

Table 2: Examples of types of fixed assets, fixed and variable costs

Fixed assets	Variable costs	Fixed costs
Equipment Vehicles Computers Office furniture Buildings	Fuel Packaging Temporary labour costs Advertising	Taxes Insurances Wages

Source: Own work

Despite the established definitions of fixed and variable costs, in practice it is often not easy to clearly assign a specific cost to a given definition. In order to determine the division between fixed and variable costs, specific methods are used to facilitate proper classification. A wide variety of cost allocation methods are used in practice, but the most commonly used methods include accounting, engineering and statistical methods.

It is therefore worth asking yourself what costs a social enterprise will have (has), even before deciding to run it. Of course, this is not easy because you need to make some hypothetical assumptions about the scale of operation, the structure of the enterprise. You should start by listing the actual costs of running the enterprise (Assignment 3). When preparing such statements, one should be aware of the real costs and estimate them objectively (not based, e.g. on temporary exceptionally favourable opportunities to purchase a particular raw material).

In addition to determining the actual cost, it is also important to determine the unit cost of producing a specific product or service. For an accurate calculation, however, it will be necessary to assume the potential quantity of goods (pieces of products or, for example, hours of services performed).

With the calculation of fixed and variable costs, it is already possible to estimate the cost of running a social enterprise, which will also make it possible to set a price for our services that will allow us to reach the so-called break-even point. Assuming a real volume of goods produced and estimating the unit cost for the assumed volume is therefore- necessary.

In simplest terms, **the break-even point** is the situation in which the revenue from the activity covers all the costs of the company. Thus, if a company reaches the break-even point, it will mean that the company is neither profitable nor loss-making. Only when the break-even point is crossed, i.e. when the company's revenues are higher

than the costs incurred, will the business start to make a profit. If, on the other hand, revenues are less than costs - the business will make a loss.

Obviously, the lower the break-even point is, the better for the business, because then the company will have to sell fewer products to come out at zero, i.e. it will start making money sooner.

The break-even point is one of the key parameters to consider when managing a business. It allows you to assess whether the business is profitable at all. A well-calculated break-even point is the best indicator of whether a business is profitable, and it also facilitates financial management. A correctly determined break-even point, allows the company's finances to be controlled. It also helps to determine the product pricing strategy. Knowing how much revenue the company needs to generate to cover its costs makes it easier to determine the optimum product price that will allow the company to generate the specified revenue as soon as possible.

Knowing the variable and fixed costs that a company incurs in a given period, a break-even point can be calculated. This can be done in 2 ways: **quantitative and value-based.**

1. **The break-even point in quantitative terms** gives the answer to the question of how many products/services need to be sold for the company to come out at zero. It is calculated using the following formula:

 Break-even point = Fixed costs / (Price - variable costs)

So, for example, assuming that the price of a product is €1,000, the monthly fixed costs are €2,000 and the variable costs per product are €500. In this situation, the break-even point is 4, because:

2000€ / (1000€- 500€) = 2000€/ 500€ = 4

This means that the company will not make a loss if it sells 4 products in a month. But for the company to make a profit, 5 products must be sold in a month.

2. **The break-even point in value terms**, on the other hand, answers the question of how much revenue a company needs to generate to cover its total operating costs (i.e. fixed and variable costs).

Here is the formula for the break-even point in value terms:

 Break-even point = Price x [Fixed costs / (Price - variable costs)]

In the example we are considering, the break-even point is therefore €4,000 because:

€1,000 x [€2,000 / (€1,000 - €500)] = €1,000 x 4 = €4,000.

This, in turn, means that the company would have to generate revenues of at least €4,000 to cover its losses, and it will start to make money when it earns even one euro more on sales.

Setting a break-even point can be difficult, but it certainly needs to be done on a regular basis to answer many important business questions[19].

Social enterprise budgeting

Social enterprises trade largely the same as normal companies. They manage budgets and file returns like all other company types. But social enterprises do more. They provide social value. It is important that the cost of that social impact is measured and is recorded financially too.

Social impact can happen in many ways, including by donating profits or spending extra time and money on training. Recording a monetary value will help with proving social impact. If the social enterprise spends time then it is a labour cost and the value of the time spent should be recorded at an appropriate rate. The same goes for giving a room for free to a charity group or some other donation in kind or expense.

If the social enterprise gives a percentage of its profit to a particular cause, it would be good to know this in advance to help with planning.

Setting a budget for a social enterprise also makes it possible to predict and forecast cash flows, which is different from estimating profit and loss. An enterprise may be profitable, but in a given period it may have to incur expenses that exceed its capacity, some income may be seasonal and only be realised in the last 3 months of the year. You should be prepared for this, just as you should be prepared for the fact that the largest costs (organisation, equipment) are often incurred in the first period of operation of a company and that revenues will only appear later.

A cash flow forecast or budget shows the actual financial situation of a social enterprise at a given point in time. Usually, a cash flow forecast is prepared for a period of three years to make sure that the social enterprise will be able to make money in the long term. The budget accurately updates the information and divides it into months by sales and expenses. In a functioning enterprise, two columns should be drawn up - one for the expenses and income projected for the month and the other for the actual picture (already known after the end of the month). Payments for expenses and receipts from customers should be scheduled when financial transactions actually

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[19] https://www.corazlepszafirma.pl/prog-rentownosci

take place. It is also important to understand what the opening balance and closing balance are.

Opening Balance: the opening amount of bank statement is written in as the opening balance. The cashflow forecast is structured monthly so all income and expenditure in that month will come and go in company account.

Closing balance: At the end of that month, company should have and amount of money left. This monthly closing balance will be the money left in company account on the last day of the month. This then becomes the opening balance for the next month.

All transactions recorded during the month should be input into the budget. If they are forecasted correctly then we will be able to compare what was forecasted versus what really happened in that month and to find that company has made a profit or loss for that given year.

Funding

Whether the business is starting out or looking to expand, it will probably need access to some form of funding. Funding options will depend on the form of business and the status of the company (this is governed by regulations in each country). The necessary support can be obtained from:

● **lending banks** -this will most often be available from the bank where your business has a bank account,
● in some countries there are **community lenders** that offer financing focused on a social return for the community. Social lenders finance social enterprises. Funding is provided in the form of loans (often on preferential terms),
● **incubators and accelerators** -Social business incubator and accelerator programmes are specifically designed to help social entrepreneurs and social enterprises create and grow sustainable businesses,
● there are many **crowdfunding initiatives** that can be used through innovative crowdfunding platforms. It is possible to receive a significant amount of income from people who are committed to our idea. However, there is a process for setting up a crowdfunding campaign,
● **self-funding** is possible if the entrepreneur is able to fund their own social enterprise. Keeping a lean organisation and starting small and simple can allow a social enterprise to grow with its own money. Self-funding also shows investment and commitment and can increase your chances of external funding,
● **subsidies and grants** for social enterprises and social impact organisations more generally are also on the rise. As mentioned, these vary from country to country and their availability is either time-limited or until the available funds are exhausted.

The following section presents particular funding opportunities in a selected EU country for specific forms of social enterprise.

Possible forms of support for the activities of social economy enterprises (on the example of a selected European Union country)

Both a social cooperative and a non-profit company are engaged in economic activities, but their purpose is not to make a profit. The economic activity serves the cooperative to to achieve its social and professional reintegration objectives, and the non-profit company to achieve its statutory objectives, which are identified with social objectives (in the case of the company - a social enterprise - it will also be a reintegration activity for the employees). Both a social cooperative and a non-profit company may also carry out social and educational/cultural activities for the benefit of their members, employees and their local environment, as well as public benefit activities.

As a general rule, the distribution of profit of a limited company is decided by its shareholders. However, in the case of **a non-profit company**, the distribution of profit follows the principle provided for non-governmental organisations, according to which the entire income must be used to achieve its statutory objectives. The law introduces 3 categories to which the balance surplus may be allocated:

1. increase of the resource fund (in general, funds that are retained in the cooperative) - not less than 20%
2. purposes pursuant to Article 2(2) of the Act - this includes social and professional reintegration of cooperative members and social, educational and cultural activities for the benefit of its members and their local environment, as well as socially useful activities in the sphere of public tasks as defined in the Act of 24 April 2003 on public benefit activity and voluntary work - not less than 30%; it can be said that this part of the surplus can be used to finance activities for the benefit of cooperative members and their environment,
3. investment fund - the remaining part.

Obtaining the status of a social economy enterprise

The previously mentioned Social Economy Act, regulates, among other things, the issue of obtaining **social economy enterprise status**. The Act provides for support instruments that encourage the application for status:

1. Subsidies for contributions to pension, disability and sickness insurance on salaries of employees at risk of social exclusion - Article 21.
2. Subsidies for the creation of a job and the financing of salary costs - Article 22.
3. Subsidies for interest on loans - Article 24.
4. Reimbursement of costs incurred for additional costs of a social enterprise related to the employment of persons with disabilities - Article 24.
5. Reduction of payments to PFRON for entities purchasing products or services from social enterprises - Article 25.
6. Possibility of limiting public procurement to social enterprises only - Article 26.
7. Tax exemption of income intended for the social and professional reintegration of employees - Article 67.

Other potential benefits:

- Benefits related to access to public procurement

Social enterprises will be able to be given preference in procurements of public finance units with a net value of less than PLN 130,000. In such procurements, it will be possible to limit the circle of contractors to social enterprises.

- Other support

Among other solutions that the Act introduces is a departmental programme for supporting social economy and financing its implementation. Such a programme may be addressed to social economy entities or local government units. Examples of such programmes are:

1. Resilience and Development of Social Economy and Social Entrepreneurship for 2022-2025
2. Social PLUS enterprise for 2023 - 2025.

In addition, the Social Economy Act creates the possibility of **financing activities** for social enterprises from the Solidarity Fund. This fund may support measures for the development of social economy, in particular social and professional reintegration measures undertaken by a social enterprise for its employees who are persons at risk of social exclusion.

The main criteria to be met by an entity applying for Social Enterprise status:
- Carrying out economic or paid activities
- Lack of control by the local authority

- Conducting activities in the field of social and professional reintegration of persons at risk of social exclusion or the provision of social services.
- Employment of a minimum of 3 employees.
- At least 30% of persons employed are persons at risk of social exclusion.
- A social enterprise does not earmark profit from its activities for distribution among its members, shareholders and persons employed in it.

In accordance with the Act on ES, the process of granting SE-status is as follows:

The status of a social enterprise is obtained at the request of a social economy entity or a unit creating a social economy entity, by means of a decision of the voivode competent for the seat of the entity or the unit.

The application to obtain the status of a social enterprise includes:

1) name and legal form of the applicant;

2) Address of the registered office of the applicant and the place of conducting the planned activity;

3) Tax identification number (NIP), statistical identification number (REGON) and the number in the National Court Register, other register or other record;

4) definition of the purpose of the activity,

5) the planned subject of the predominant activity.

Important! - **Social enterprise status** is granted in perpetuity (however, status holders are required to submit annual reports - by 31 March for the previous year)

It is important to remember that a social enterprise is still a company. This means that it needs to find its place in the market and be able to sustain itself. Assuming it employs a minimum of three people, this means that it needs to generate revenue to be able to pay salaries, as well as to cover the running costs. The most common source of funding for social enterprise jobs is EU funds. Their distribution is handled by the so-called Social Economy Support Centres (OWES). There is one such centre in each sub-region of the voivodeship. The most common support available in OWES is:

1. substantive support, e.g. assistance in preparing a business plan, legal or accounting advice, training, including vocational training for disadvantaged persons who will be employed in a social enterprise,
2. financial support connected with creation of workplaces for disadvantaged persons (most often in the amount of PLN 21,000 to PLN 25,000 per one workplace),
3. bridging support intended to cover monthly costs of the social enterprise, e.g. rent or accountancy (maximum amount of bridging support is the amount of minimum remuneration per disadvantaged person per month) - maximum period of such support is one year from the creation of the workplace.

However, details, including e.g. the real available amounts of funding, will generally depend on the OWES in question (on the solutions / rates adopted at the level of the specific project).

For example, within the OWES TŁOK 3[20] project it is possible to receive financial support for creating jobs in social enterprises, non-profit companies, social cooperatives.

The amount of financial support:
unit rate for creating one full-time job - PLN 31,229.00.
unit rate for maintenance of one full-time job in the NP for 12 months - PLN 32,400.00.

OWES can provide one entity with a maximum of 10 unit rates for 10 jobs.
The support is one-off, non-refundable and intended to finance the expenses necessary to start or run a business within the PS.
In addition to the financial support for the creation of a workplace (which can be spent on equipment, preparation of the workplace, purchase of equipment, renovation and adaptation of premises, means of transport, etc. - depending on what is stated in the business plan), newly created social enterprises can also apply for support for job maintenance.
Within the framework of the support for job maintenance, it is possible to finance in particular:
- Social security costs.
- Salaries of employees.
- Rent or rent/lease payments for premises.
- Operating costs of the premises, e.g. energy, heating, water, sewage.
- Costs of telecommunications charges.
- Costs related to insurance.
- Costs of small office supplies.
- Costs of bookkeeping, photocopying services.
- Costs of compulsory medical examinations, compulsory health and safety training, purchase of protective clothing and working shoes.
- Costs related to the operation of official cars (fuel, maintenance, minor repairs).

However, as mentioned several times, all forms of support only help the business. The most important thing is to have a good idea, a good business plan, commitment and perseverance, and to believe in the success of the project. Examples of social enterprises and social enterprise ideas are plentiful[21], but it is important to do some research into the needs of the market we will be operating in.

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[20] https://owies.eu/468/dotacje-2
[21] https://marketplace.draggingproject.eu/

Unit 4.4 Case studies

Title	How to set up a social enterprise?
Origin	The PANATO Wielobranzowa Spółdzielnia Socjalna from Wrocław is a leading Polish manufacturer of bags and backpacks, a model social enterprise and a winner of many awards and distinctions. The PANATO Bag brand's products, which are primarily characterised by their unique design, are sold on the domestic and foreign markets.
Objective	Setting up a social enterprise first and foremost requires a careful and well-thought-out action plan and business idea. Practice shows that a well-prepared plan (and preferably a business plan) significantly increases the chances of market success. It is also worth having a vision for the further development of the company once it has reached a certain level of stability, so that it does not fall into the trap of its own success. This case study describes and demonstrates how the founders approached the establishment of the enterprise and on which values they based it, and then how they are trying to develop it.
Background	The company's mission statement is: "We are a social enterprise that creates jobs for people with disabilities. With the proceeds from sales, we can help wisely by giving jobs to those most in need. By buying our products you also support our other activities aimed at promoting and developing the social economy. "Social cooperatives, which employ people at risk of exclusion on the labour market, are a special type of workers' cooperative. These include people with disabilities or those starting a new life after serving a prison sentence. The Panato cooperative registered as a social cooperative in 2012. It was the idea of a group of people with different creative competences who wanted to pursue their passions in the form of a cooperative. The cooperative began in a special way: not by defining a sector and finding the right people, but by identifying the values that were to unite everyone involved in

the project and defining a personality profile. This made it possible to select the team in such a way that working together was effective and the flat structure was not objectionable to the employees.

Initially, the business was run in a multi-discipline formula, combining the services of a sewing studio, workshops, graphic design and photography. After some time, this form of business became exhausted; the Founders had the ambition to be a company with a business and distinctive products on the market. It was the sale of the products that was to provide financial stability, not subsidies for social economy entities. The first three years of activity were devoted to an extensive analysis of the market and competition in search of an idea for a unique offer that would have a chance of finding a wide range of business customers in a b2b cooperation formula. The first years of presence on the market allowed for insightful observations and drawing conclusions about the necessity of concentrating activities and narrowing PANATO's profile to sewing and printing related to textiles.

Currently, PANATO Bag designs and sews bags, backpacks and advertising accessories for companies as well as private label collections of streetwear products. In addition to bags and backpacks, the PANATO sewing room also produces personalised bespoke accessories (including bag accessories), in particular: kidneys, sachets, pencil cases, make-up bags, cases and even briefcases.

In its first months of operation, the Co-operative undertook the following activities:

- looking for its space, refining its offer, narrowing its field of action,

- defining its methods of operation, cottage industry attempts to reach customers by building up its contact base, networking, participation in local events,

- contacting the media in order to present yourself to a wider audience,

- observing the competition - ways of doing things, pricing of work, methods of communication,

- seconding a full-time marketing and promotion person.

In parallel, the cooperative also worked on the product - PANATO focused on personalisation - composing bags or backpacks by the customer, based on a limited catalogue of available options -

handles, straps, tummies, etc. Today personalisation is quite common, but not 10 years ago.

Reaching the customer with the product was possible thanks to the use of IT tools - the Cooperative decided to invest a considerable amount (approximately EUR 12,000) in a configurator, which, thanks to an algorithm, shortens the process of preparing an offer, negotiations and sales to the necessary minimum - the whole procedure was able to be minimised from even several days of exchanging messages to just a few hours, from interest in the offer to placing and confirming the order.

The combination of all these practices and the efforts of the team meant that the number of orders started to grow exponentially, which meant that the cooperative also had to expand (its resources were exhausted), so PANATO could either follow the classic path of business development: rent premises, employ staff and look for funding (which was difficult to come by at the time) or look - first in the region, then on a national scale - for other social economy entities that have competences and potential, but lack customers or their own products- this is what was decided.

In 2015, PANATO initiated the creation of a nationwide network of social enterprises employing people with disabilities. Under the brand PANATO Bag, the network produces fashionable and functional printed bags, backpacks and advertising accessories. The network comprises: PANATO Cooperative (Leader), JUMP Foundation!, Humanitarian Aid Association, Vocational Activity Establishment, Social Enterprise TPD City Branch in Wieruszów, Rudzki Vocational Activity Establishment, Manufaktura Dobrych Usług sp. z o.o.

Today, the aforementioned enterprises operate as a consortium bringing together 12 social economy entities across Poland and employing up to 100 people in production.

The focus of the cooperative is on the sales process and appropriate marketing of a distinctive product on the market - less on the argumentation of social activities to help people. The term 'social cooperative' has proven to be an important market advantage in practice. This is because the name is associated with a producer, not an intermediary or importer - something that is very much welcomed by PANATO's business customers.

Questions for discussion	● Do you agree with the company's original strategy, i.e. identifying the values that were to unite everyone involved in the project and defining a personality profile? What would be your vision and strategy for the creation of the enterprise? ● Panato decided at the time of the surge in orders to look for business partners to whom it could entrust production rather than to expand its own structure, why do you think? ● What reasons made the social cooperative a market success, could it have been influenced by the fact that the social entrepreneurial path was chosen from the beginning? ● In your opinion, is it more important for the survival and development of a social cooperative to choose the sector in which it will operate, or is it more important to have a clear vision and objectives to achieve?
Reference	https://ekonomiaspoleczna.pl/co-to-jest-spoldzielnia-pracy-i-czy-warto-ja-zakladac/ https://frw.pl/panato-wielobranzowa-spoldzielnia-socjalna/ https://spoldzielniasocjalnawpraktyce.pl/jak-zorganizowac-sprzedaz-w-spoldzielni-socjalnej-na-przykladzie-panato-bag/ https://spoldzielniasocjalnawpraktyce.pl/przede-wszystkim-potrzeba-biznesowa-czyli-o-konsorcjum-powolanym-przez-spoldzielnie-socjalna-panato-wywiad/ https://www.youtube.com/watch?v=LJCFxu2OPjc

TODIM

Title	The legal forms of running a business and the legal provisions in this area
Origin	Spólka Todim, based in Kowalewo Pomorskie, Poland, was founded in 2022. The company's founders decided that they would run the company as a social enterprise, because in addition to wanting to run a business, they also wanted to pursue social goals.
Objective	One of the first questions to be answered by those wishing to set up an enterprise is the choice of its legal form. In the case of the social economy, the most common choice is the form of a social cooperative, but also the form of a non-profit company. This case study presents the reasons why the entrepreneur decided to take the form of a social enterprise and why he chose one of the available forms of running this business.
Background	Due to the necessary founding capital, a nonprofit zoo was chosen as the form of operation. The founders also chose this form because of their experience: their family already had a zoo company selling second-hand goods and they knew how to set up a company. (The procedure for setting up a zoo non-profit does not differ much from setting up a normal company). In addition, one of the ideas for the company was to support another company that sold second-hand goods and furniture.
	The president of the company is a disabled person and the company also employs three people who were socially excluded (long-term unemployment). The start was difficult, but after gaining experience, the company became stronger and plans to expand its services.
	For years, the founder and CEO of 'Todim' has been passionate about the charm of 'furniture with a soul', carrying out minor repairs

	and renovations to give them new life (also in support of the business run by the aforementioned family business selling second-hand furniture). This requires a lot of time and energy to get such items back to their former glory or to take on a completely new original character. The work, which was done as an amateur, was characterised by excellent quality and attention to detail. This passion gave birth to the idea of a social enterprise that provides furniture restoration and cleaning services for wooden and metal surfaces.
	The company's services are highly valued in the local community, and new clients are mainly people "on recommendation" who, delighted with a piece of refurbished furniture they saw at a friend's house, wanted to refresh their treasures too. Todim makes restored furniture able to transform an interior in a truly Provencal style!
	TODIM is also committed to a policy of sustainability: the sodding method used by the company is environmentally neutral. The company is expanding; in addition to furniture restoration, it also offers professional cleaning of offices, houses and flats and the restoration of car rims (also using the sodding method). The owners are constantly thinking of further services with which the company can grow.
	It is a good idea to set up a non-profit company if you feel the need to help, for example, people who are socially excluded (e.g. disadvantaged due to a disability). In addition, a non-profit Ltd. is a solution that gives you a better chance of getting help from public funds.
Questions for discussion	● The founders of Todim have chosen the legal form of a limited liability company. - non-profit. In your opinion, what would be the optimal operating company for this type of business in your country? Why? ● The company's strategy is to expand the portfolio of services offered. Do you consider it appropriate? But should they concentrate on their existing services and try to specialise in them? ● The owners have consciously chosen to run their business within the social economy wanting to pursue social objectives as well (activation of people outside the labour market). What are the benefits and constraints of running a social enterprise ? (use the training material).

Reference	https://owies.eu/818/todim
	https://todim.pl/o-nas/

Title	Management processes in a social enterprise development and implementing a financial strategy
Origin	The social cooperative Grupa Alivio was established at the beginning of 2020. It is based in Zielona Góra (Poland).
	Initially there were 5 employees in the cooperative, today there are already 19 full-time employees (as of September 2023). These are people at risk of social exclusion or excluded, who are shown through appropriate training that they are suitable for this particular job in which the most important thing is empathy, kindness and a desire to help.
Objective	The main problem faced by social enterprises is to stay in business. To achieve this, they need their own income and the skilful use of aid funding (e.g. solidarity fund). At the same time, there is a certain limitation due to the formal set-up of the social enterprise, which restricts the freedom of spending. The following case study illustrates this problem.
Background	The mission of the cooperative, in addition to social welfare activities carried out in the deinstitutionalisation stream, is the social and professional reintegration of people who are excluded or at risk of social exclusion.
	"Alivio" means "respite" in Spanish. And this is exactly the kind of respite that the carers of people in need of permanent support (but also the residents themselves) are offered by the Social Cooperative Alivio Group. The cooperative provides assistance and care services on a short-term basis - when carers need someone to take care of them (for example, during holidays, hospital stays, trips away). There are also training services and accommodation facilities for people with mobility impairments.
	Sometimes carers with experience, even years of experience, show up at job interviews, but treat the job as a tick-box task, a piecework

- not actual care for another person. Such people do not have the chance to work for the Alivio Group.

Funding of activities

The activities of the Co-operative are paid for in part by the public task funds of the Disability Support Care and Personal Assistantship programme, financed by the Solidarity Fund. This source covers about 80% of expenditure. The rest is made up of commercial services offered by Alivio.

Commercial activities

A day of care offered by the Alivio Cooperative in commercial services (outside of the programmes) costs 90 EUR. This seems like a lot, but consider that the price includes transport, food provided in cooperation with a catering company, accommodation and a full care package.

Thanks to its individual, professional approach and good reputation, the Co-operative does not need to invest in marketing and advertising - new charges come by recommendation.

Challenges faced by the cooperative

The main problem, are financial issues. As the activities of the Cooperative are paid for with funds guaranteed by the programme, there can be no continuity of funding.

Lack of continuity of funding

Programmes are characterised by the fact that they end at the end of the year - three, sometimes four months pass before they start again. This is, on the one hand, time to prepare for the new year and plan activities, and on the other hand, a gap to be filled. People with disabilities who need care will not stop being sick for the duration of the programme break - they need to be cared for at the same level.

Spending constraints

Lack of continuity is not the only problem. Another is disbursement focused solely on the costs of the programme - the money cannot be used to develop cooperatives, make renovations or buy fixed assets. Sometimes this leads to a bizarre situation where there is money to care for more wards, but no money to repair the car used to transport them.

At the moment, a high demand for care services can be observed on the Polish market - this is related, for example, to demographic

	changes. Forecasts show that the demand for activities in this sector will grow - it is therefore worth starting up social economy entities and acquiring care qualifications. Profitability It is worth setting up social enterprises if you have an idea and a real passion, consistent with your values. The concept should be discussed with financial advisors, the idea and the action plan should be defined. Social economy entities are not in competition with each other - together they want to create something good, so they often cooperate, and thanks to changes in the law and changes in the market, new opportunities for action open up and you can actually create a profitable initiative.
Questions for discussion	● The organisational concept of the Alivio Social Cooperative, is based on an individual approach and a referral system as well as a careful selection of personnel, believing that this strategy allows them not to invest in advertising and marketing. Does he agree that this is the right strategy for this type of enterprise? Or should the enterprise nevertheless try to increase its reach and popularise its services? ● The financing of the Cooperative's activities is mostly based on aid funds (subsidies). Shouldn't the Cooperative, however, try to become independent from them and raise funds from its current activities (raising prices of services, increasing the number of clients, opening new branches? ● Does such a form (social enterprise) make their position in the market stronger, or on the contrary, does it make it more difficult for them to compete with enterprises that operate on general principles (not receiving external support, but not being constrained by spending restrictions?
Reference	https://spoldzielniasocjalnawpraktyce.pl/uslugi-opiekuncze-czy-moga-byc-rentowne-case-study-spn-s-grupa-alivio/ https://grupa-alivio.pl/kontakt/

Summary of key points

A social enterprise is a business that generates profits through its impact on the community in which it operates (Muhammad Yunus). It is, therefore, a specific type of business entity whose activities focus not on profits and their maximisation, but on social objectives, which are a value in themselves.

In such organisations, any surpluses generated by their activities are invested in the pursuit of objectives such as the social and professional integration of the enterprise's members or activities for the benefit of the local community, contributing to the socio-professional activation of people at risk of social exclusion, and acting for the benefit of their environment. Social enterprises can operate in the form of social cooperatives, non-profit companies and non-governmental organisations. The establishment of this type of enterprise does not require any special conditions, its operation allows the use of EU funds, but should be preceded by a careful market analysis and a detailed business plan. Successful examples of social enterprises show that this is an attractive form of activity, which also brings important social added value.

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   https://www.europarl.europa.eu/meetdocs/2009_2014/documents/com/com_c om(2011)0681_/com_com(2011)0681_en.pdf
7. European Commision, Social Business Initiative https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52011DC0682
8. Impact of the European Commission's Social Business Initiative
   https://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=8373&furth erPubs=yes

Useful links

Title	Short description	Link
Draggingproject	Examples of social enterprises and social enterprise ideas	https://marketplace.draggingproject.eu/
Euronews	A film presenting an interesting initiative in the form of a social enterprise	Social enterprise: a new business model for Europe	Euronews
The European Commission supports social enterprises	The European Commission aims to create a favourable ecosystem for social enterprises	The European Commission supports social enterprises (youtube.com)

Assignments

Task 1

How to choose the optimal legal form for a social enterprise?

Instruction

In the course material, you will find the conditions for setting up social enterprises in Poland (example: social cooperatives, non-profit companies, associations and foundations). The most popular are social cooperatives and non-profit companies, which are discussed in detail. The choice of the right form is very important for the business (possibility of obtaining support, subsidies, accounting facilities, etc.).

Your task is:
1. Characterize the acceptable legal forms of social enterprises in your country,
2. Identify their strengths and weaknesses
3. Indicate which forms are most common in practice
4. Think of an example of a social enterprise that you would like to set up and run (purpose, object of activity, area of activity, number of employees) and indicate which of the forms available in your country would be most suitable and why? Please take into account the elements relating to the establishment and running of the business and the possible benefits for the chosen form of business.
5. Choose one of the social enterprises operating in your country and describe its form and organizational structure.

Supporting structures

The task should therefore include the following elements (in the order listed):

1. List of essential legislation (European and national law)

2. Accurate description of the forms of social economy enterprises in your country

3. Presenting the advantages and disadvantages of individual forms of running a social enterprise (on the example of an invented enterprise) and the actually operating company you have chosen)

4. Describe the structure of the actually functioning enterprise you have chosen the actually operating company you have chosen

5. Recommendations for the best forms of conducting this activity in your opinion

6. Index of local institutions supporting social enterprises

Required materials

Collect available materials and legal regulations regarding permissible forms of establishing social enterprises in your country:

- European Union regulations and guidelines,
- National legislation (laws and regulations)
- Publications issued by the European Commission and organisations supporting the creation of social enterprises
- publications about the social enterprise selected for analysis

Assessment criteria

A properly performed task should include an overview of the forms of social enterprises permitted by law, include information on what form is dominant, what form you would choose for your enterprise, a description of the functioning social enterprise and the characteristics of its structure

Task 2

How to set up a social enterprise in your country?

Instruction

In the training materials you will find information on the establishment of social enterprises in the European Union. At the level of European legislation, these requirements are quite general, the details being left to the individual countries to specify. In module 4, on the example of Poland, the regulations and rules for setting up such enterprises, as well as obtaining special status for a social economy entity, are discussed.

Consequently, the forms of social enterprises as well as the conditions for their creation vary from country to country, even within the European Union.

Your task is to collect and present the following information:
1. What are the forms of social enterprises in your country?
2. Determine which of the legal forms is the best for your Social enterprise activity/idea and explain why?
3. Explain how to set a social enterprise step by step according to chosen legal form?
4. Determine whether additional conditions will have to be met in order to successfully operate (and raise funds).

Supporting structures

The task should therefore include the following elements (in the order listed):
1. List of essential legislation (European and national law)
2. Enumerate the forms of social economy enterprises in your country
3. Conditions and rules for setting up social enterprises and obtaining special status (if applicable) in your country (step by step)
4. Index of local institutions supporting the creation of social enterprises

Required materials

Collect available materials in which the formal and legal conditions for the creation of social enterprises are regulated, such as:
● European Union regulations and guidelines,
● National legislation (laws and regulations)
● Publications issued by the European Commission and organisations supporting the creation of social enterprises

Assessment criteria

The result of your work should be a comprehensive compendium on the basis of which a person interested in setting up such an enterprise would be able to do so without additional assistance.

Task 3
Obtaining sources of financing

Instruction
Running a social enterprise is slightly different from typical businesses. First of all, it is not focused only on profit, but pursues a social mission. However, like other enterprises, it must generate revenues enabling it to conduct business, cover costs, pay salaries, etc.

Therefore, the basic step is business targeting and identification of potential customers.

However, due to their specificity and social usefulness, social enterprises can count on various forms of support from government organizations or the European Union. It is possible, but it requires specific knowledge: where and how you can try to obtain financial support. Unit 4 of the training materials presents examples of forms of obtaining support.

In the second task, you were tasked with inventing a social enterprise
Now Your task is:
1. Indicate potential sources of financing for this activity
2. Indicate the financial support instruments provided for by the law of your country
3. Present a strategy for financing the activities and management of a social enterprise
4. What are your costs in your social enterprise? Write down the actual costs of running your social enterprise (table 1).
5. Create a table for needed finances to establish social enterprise and sources of financing) and planning finances for the first year (table 2).
6. Determine the break-even point (2 methods)

Supporting structures
1. The task should therefore include the following elements (in the order listed):
2. List of forms of financing and subsides (European and domestic)
3. Proposal for financing the activity (e.g. crowdfunding, credit, equity capital)
4. Precisely detailed available sources of financial support
5. Management and financing strategy of an invented enterprise
6. Index of local institutions supporting

Required materials
Collect available materials and legal regulations regarding permissible forms of financing and subsides:
● provided for by the European Union
● available from domestic sources
● list of institutions offering assistance in obtaining financial support

Assessment criteria

A properly performed task should include a proposal for financing the activity (e.g. crowdfunding, credit, equity capital), as well as precisely detailed available sources of financial support (national, EU). The proposed financial and management strategy should also be presented (for the company you have invented).

Templates

Table 1:

	What are your costs?	**Fixed amount €**
Fixed assets		
Variable costs		
Fixed Costs		
	Total	€

Table 2:

	Jan.	Feb.	Mar.	Apr.	May	Jun.	Jul.	etc
Opening Balance								
INCOME								
Sales								
Bank Loan								
Grants								
Others								
Total Monthly Income								
EXPENDITURE								
Salaries								
Rent								
Utilities								
Raw Materials								
Marketing								
Insurance								
Others								
Total Monthly Expenditure								
Total Monthly Balance								
Closing Balance								

Ensuring social enterprise sustainability and measuring social impact

Mainstreaming Inclusive Innovation and Social Entrepreneurship in Higher Education

2022-1-PL01-KA220-HED-000089820

Module 5. Ensuring social enterprise sustainability and measuring social impact

Module structure

Unit 5.1 Business sustainability and integration of social and environmental issues in the company's strategic plan (Development and scaling)
Unit 5.2 Measuring the social impact of a social enterprise
Unit 5.3 Case studies

Learning Outcomes

Knowledge	The trainee will be able to: - know the key assumptions to ensure the continued operation and development of the social enterprise; - identify the risk factors limiting the continued functioning and development of the social business idea; - define objectives, activities and outcomes for the sustainable development of the social enterprise; - know the principles of scaling a business as the next stage of its development; - identify tools for measuring the social impact of a social enterprise.
Skills	The trainee will be able to: - develop a plan for the operation and development of a social enterprise; - measure the impact of its activities on the environment and solving social problems; - present their idea synthetically in the form of a social enterprise business plan; - identify the production, staffing and financial needs necessary to ensure the development of the enterprise.
Attitudes	The trainee will be able to: - understand the need to develop the business not only financially but also to address social and environmental needs; - develop management and analytical skills; - adopt an attitude of responsibility for the implementation of a social business idea and for tackling social problems.

Introduction

Unit 5.1 of the following module introduces the concept of a social enterprise operating in accordance with the principles of sustainable development and developing in an economically and socially efficient manner. The chapter describes:

- sustainable development goals;
- examples of defining the goals of a social enterprise in line with the strategy of sustainable development;
- activities in support of the sustainable development goals;
- examples of the use of sustainable development strategies in a social enterprise;
- the strategy for the development of the social enterprise;
- key areas of the social enterprise;
- measuring the status of implementation of the social enterprise development strategy;
- investment plan creation;
- ways to scale the business in the case of a social enterprise.

Measuring the social impact of a social enterprise is described in Unit 5.2 of this module. In this part, assumptions are made on how to create social impact measurement indicators and how to measure and evaluate them. Unit 5.3 includes the case study, presenting the social impact of the various activities carried out by enterprises.

Unit 5.1 Business sustainability and integration of social and environmental issues in the company's strategic plan (Growth and scaling)

The term sustainable development was introduced by H. C. von Carlowitz and later spread by the environmental movement. A change in the approach to management processes, related to the consideration of environmental issues, took place in the late 1960s and early 1970s[22] . According to the definition developed, sustainable development is an approach that takes into account the simultaneous fulfillment of economic, social and environmental goals. It is a long-term strategy that assumes that businesses should act responsibly and with future generations in mind.

As mentioned in Module 1, Chapter 1 in 2015, the United Nations (UN) of 193 countries adopted a document called "Transforming Our World: the 2030 Agenda for Sustainable Development," also known as Agenda 2030. This is an agenda of unprecedented scope and importance, defining a model for sustainable development at the global level. According to Agenda 2030, today's modernization effort should focus on eradicating poverty in all its forms, while achieving a range of economic, social and environmental goals. The 2030 Agenda is universal, horizontal and highly ambitious. It includes 17 Sustainable Development Goals (SDGs) and associated 169 tasks that reflect the three dimensions of sustainable development - economic, social and environmental.[23]

Figure 1: Sustainable Development Goals (SDGs)

Source: https://agenda2030lac.org/estadisticas/prioritized-set-indicators-regional-statistical-follow-up-sdg.html
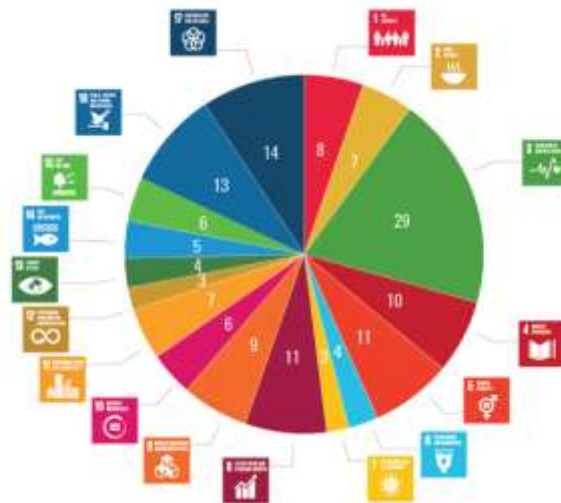
Economic goals are about making profits and financial growth, which is integral to the operation and success of a business, both commercially and socially.

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[22] Anna Misztal, Corporate sustainability and the degree of socio-economic development, University of Lodz, 2019

[23] UNIC Warsaw, Sustainable Development and the Sustainable Development Goals, 2015

Sustainability implies that economic goals should be achieved ethically and with respect for the community in which the company operates and the environment.

Social goals include caring for the well-being of employees, creating quality jobs, promoting diversity, equality and fairness in the workplace, and engaging with local communities. Companies should also consider the impact of their activities on customers and society, aiming to provide valuable products and services that meet the needs and respect the rights of consumers. Above all, however, the activities of a social enterprise aim to counter specific problems identified locally or identified as global challenges. By acting for smaller communities, they can contribute, for example, to the fight against the global problem of poverty.

Environmental goals, on the other hand, are concerned with minimizing the company's negative impact on the environment. Companies should strive to reduce greenhouse gas emissions, use resources efficiently, protect biodiversity, reduce waste and pollution, and promote sustainable energy and water management. Social enterprises should maintain the above-mentioned operating principles in their activities, as well as focus on countering one or more of the above-mentioned problems by treating this as their main activity.

Sustainable development goals are:
1. Eliminate poverty in all its forms around the world;

2. Eliminate hunger, achieve food security and better nutrition, and promote sustainable agriculture;

3. Ensuring a healthy life for all people of all ages and promoting prosperity;

4. Ensuring quality education for all and promoting lifelong learning;

5. Achieve gender equality and empower women and girls;

6. Ensure access to water and sanitation for all people through sustainable water resource management;

7. Provide affordable access to sources of stable, sustainable and modern energy for all;

8. Promoting stable, sustainable and inclusive economic growth, full and productive employment and decent work for all people;

9. Building stable infrastructure, promoting sustainable industrialization, and fostering innovation;

10. Reduce inequality within and between countries

11. Making cities and human settlements safe, stable, sustainable and inclusive;

12. Ensuring sustainable consumption and production patterns;

13. Take urgent action to address climate change and its impacts;

14. Protecting the oceans, seas and marine resources and using them in a sustainable manner;

15. Protect, restore, and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation, and halt biodiversity loss;

16. Promoting a peaceful and inclusive society, ensuring access to justice for all, and building inclusive, effective and accountable institutions at all levels;

17. Strengthening the means of implementing and revitalizing the Global Partnership for Sustainable Development[24] .

Implementing green practices in a company can include using renewable energy, reducing the consumption of raw materials, recycling, investing in clean transportation technologies and many other measures.[25]

In line with the idea of sustainable development, two ideas have emerged: ESG and CSR. ESG (Environmental, Social, Governance) refers to the category of factors that are considered in evaluating and monitoring the performance of companies. ESG focuses on three main areas - environmental, social and governance. The premise of the idea is to provide measurable indicators to measure business responsibility.

CSR (Corporate Social Responsibility) refers to voluntary activities and initiatives undertaken by companies, contributing to the well-being of society and the protection of the environment. The origin of ESG was the desire to measure, evaluate and analyse CSR. CSR is often considered as part of a business strategy to benefit both the company, employees, the environment, consumers, local communities or the public sphere.

The path to sustainability is not only to define a vision, mission and goals. For-profit companies are implementing ESG, CSR or other sustainability measures as activities to support their core product or service business. They are to generate profit while respecting the care of the environment or minimizing societal problems. Social enterprises, on the other hand, take elements aimed at sustainable development and solving social problems as the "core" of their business. Profit generation is then an element without which, the core social activity will not be achieved. They do not have to be non-profit organizations, but profits recede into the background of the operating strategy, being, as it were, a tool for solving social problems. Social enterprises introducing a new strategy should also focus on dialogue with stakeholders, such as employees, investors, customers or the local environment. All of this is intended to outline what activities should achieve the highest priority.[26]

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[24] Agenda 2030 for sustainable development-implementation in Poland, Ministry of Development

[25] https://www.kozminski.edu.pl/pl/review/zrownowazony-rozwoj-firm-na-czym-tak-naprawde-polega

[26] https://www.kozminski.edu.pl/pl/review/zrownowazony-rozwoj-firm-na-czym-tak-naprawde-polega

Table 1: Examples of defining social enterprise goals in line with a sustainable development strategy

1. Community	Goal: Improve the quality of life of local communities.
	Activities: Support local education, health care and economic development.
	Results: Increased access to education, improved community health, growth of local businesses.
2 Environment	Goal: Conservation and sustainable use of natural resources.
	Activities: Introduce green business practices, reduce energy and raw material consumption, reduce waste production at the company.
	Results: Reduction of ecological footprint, improvement of the environment.
3 Economy	Goal: Generate sustainable economic growth.
	Activities: creating jobs, supporting local businesses and community partnerships while respecting the environment.
	Results: Increased employment, development of the local economy, poverty reduction, minimized environmental degradation.
4 Social innovation	Goal: Develop innovative solutions for the benefit of the community.
	Activities: investing in research and development, supporting social entrepreneurship.
	Results: Introduction of innovative products or services with social benefits.

Source: Elkington, J. (1997). "Cannibals with Forks: The Triple Bottom Line of 21st, Century Business" Capstone.; Hart, S.L.,&Milstein, M. B. (2003). "Creating Sustainable Value" Academy of Management Executive; Sachs, J. D. (2015). "The Age of Sustainable Development" Columbia University Press.; Epstein, M.J.,&Buhovac, A. R. (2014). "Making Sustainability Work: Best

We can monitor the level of implementation of the aforementioned sample sustainability local leaders.

Figure 2: Activities supporting the Sustainable Development Goals
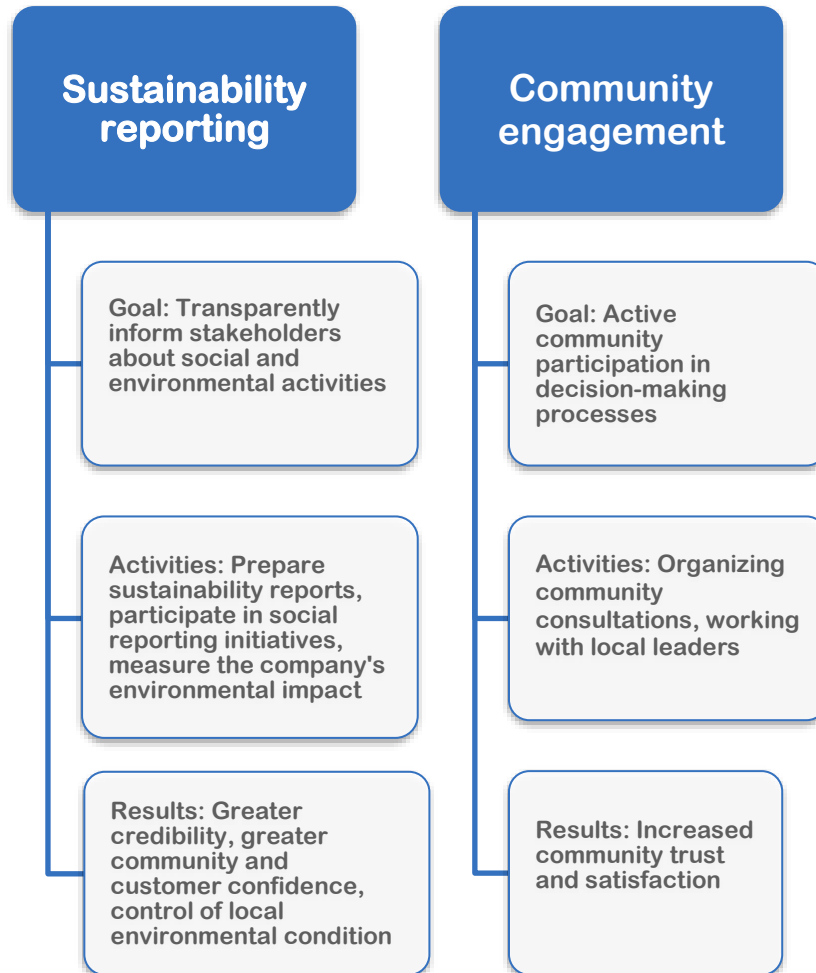
Source: Practices in Managing and Measuring Corporate Social, Environmental, and Economic Impacts" Berrett-Koehler Publishers.; Porter, M.E.,&Kramer, M. R. (2011). "Creating Shared Value"; Harvard Business Review.

The level of corporate sustainability depends on a number of factors, which can be defined as:

- **External:** macroeconomic conditions, directions of development of environmental policy, support from funds for activities aimed at the protection of natural resources, public awareness, the level of competitiveness of enterprises, the level of development of research, expenditures on innovative activities;
- **Internal,** related to the awareness of management, the financial capabilities of the company and the adopted development strategy.[27]

Examples of the use of sustainability strategies as a supporting element of the core business in a social enterprise:

- Equal opportunities for women and men, people with disabilities and people with other dysfunctions;
- Ensuring that the company's activities are properly coordinated so that employees can reconcile their work and private lives;
- Printing only the necessary documents;
- Keeping records in electronic form;
- The use of electronic delivery boxes;
- Printing essential documents in grayscale;
- Communication conducted as far as possible using electronic media;
- Reducing business travel (reducing CO2 emissions);
- Reducing the generation of excessive waste;
- Operation during hours of adequate sunlight to reduce electricity consumption.

Defining a development strategy

According to D.R. Hampton, strategy is "a unified, forward-looking and integrated plan through which the enterprise combines strategic advantages with the expectations of the environment, and which states the certainty that its primary objectives will be achieved, through proper security by the organization."[28] . In addition to the definition provided, we can point out the basic features of development strategy according to G. Gierszewska:

- The primacy of external problems over internal ones;
- The primacy of the future over current action;
- The primacy of courage of thought over correctness;
- The primacy of clear priorities over complexity;

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[27] Anna Misztal, Corporate sustainability and the degree of socio-economic development, University of Lodz, 2019

[28] J. Penc, Management strategies. Perspective thinking, systemic action, Placet, Warsaw 1994

- The primacy of continuous development of the strategy over its stability.[29]

Source: https://effectivemanagers.com/wp-content/uploads/2018/07/1.jpg

According to a study by I. Ansoff and E. McDonnell, the development strategy was divided into the following elements:

1. **Mission of the company** - defines the fundamental reason for the existence of the entity. It also allows the company to be perceived accordingly. Thus, it can be said that the mission serves to precisely express the long-range goals of the organization. The mission of an enterprise is always permanent, as it permanently sets the direction of the entity's activities, determining the general assumptions of its operation, within which the individual strategic and operational plans are developed. A social enterprise, as part of its mission, should cover a topic related to solving a local or global problem or need. A social enterprise's mission could be to increase access to renewable energy sources, increase employment among the local community, or support women in returning to the labour market after maternity leave.

2. **Domain of operation** - determining to whom and where the company intends to sell its own products. A social enterprise just like any other operates in a particular industry and offers products or services to customers. In order to function properly, it is necessary to correctly identify the needs of the target group and distribution channels in order to achieve the social and financial goals of the enterprise.

3. **Strategic (competitive) advantage**, which is to become more attractive than other companies within the boundaries of a sophisticated domain, implies a constant need for improvement and streamlining. The specifics of social enterprises often boil down to finding a social or environmental niche that

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[29] G. Gierszewska, Strategic Management, Publishing House of the University of Business and Management,
Warsaw 2000

should be developed to better society. However, it is possible to offer standard products or services that have competition in the form of commercial enterprises. In this case, the social enterprise should point out how the product or service offered meets the needs of society or the environment. Paradoxically, a social enterprise may offer similar products at a higher price, as their competitive advantages should relate to aspects other than financial.

4. **Strategic goals** - these are a continuation of choices regarding the domain of operation and strategic competitive advantage. Goals define what specifically the company intends to achieve in the next chunks of time and allow measuring whether the company is approaching success. A social enterprise should additionally define social goals, which similarly should be monitored and measurable.

5. **Functional action programs** - the translation of the concept of strategy into the proper actions of the company and the daily behaviour of each employee, refer to each area in which fragmentary elements of the strategy are implemented[30]. Examples of action programs could be the preparation of an investment plan or the definition of a business scaling strategy.

It is also worth noting here what the development strategy is not. That is, how it differs from other plans and programs implemented by a social enterprise:

- Development strategy is not an action plan, because an action plan is a short-term plan. It assumes the realization of some goals over the next few months. Development strategy is a long-term plan for the development of the company, including the implementation of a number of goals and tasks, including short-term action plans.

- Nor can the development strategy be equated with a business plan, because, as with an action plan, the planning period for the strategy is a multi-year period, while in a business plan it is usually shorter and is, for example, about one or two years.

- Development strategy is not an operational program. An operational program is the way an enterprise has adopted to reach its goal. It is more thematic. Within the Development Strategy, several operational programs are possible at the same time. Nevertheless, each operational program should support the implementation of the strategic objectives and thus the implementation of the Development Strategy of the social enterprise. It is also possible to separate operational programs into those that will support the realization of social or financial goals of the social enterprise.

- Development strategy is not a feasibility study, which is the selection of the best investment option from among many possible ones. The strategy includes the

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[30] K. Obłój, Organization strategy, PWE, Warsaw 2007

implementation of multiple tasks and development stages. A feasibility study is limited to a one-time concrete decision on the optimal option. However, this choice should in the long term support the implementation of strategic objectives, social impact and the Development Strategy[31] .

Key areas of activity of the social enterprise in determining the development strategy:

When defining an enterprise's growth strategy, **the value proposition** is one of the most important aspects of the business model, describing the products and services that create value for a particular customer. Especially for a social enterprise. It answers the question of what social needs are being met. Extending the focus on creating social value, it describes the strategy for generating social impact. The addition of social impact measurement allows for its subsequent measurement.

For a social enterprise, the second essential element of the business is to indicate financial flows, to show how the social enterprise generates revenue and to declare for what purpose any excess revenue over operating costs will be used.

The third area to pay attention to when creating a business model and development strategy is the company's market segment, including the customer segment (target audience), challenges in the environment and possible competition present in the market. This aspect of social business is similar to traditional business, with the main difference being that the goal of social business is to meet the social needs of customers, rather than treating them as a way to make a profit.

The last area covers the process of implementation, delivery and planning of resources needed to deliver the product/service offered. In addition, the scope of this area includes the necessary partners and marketing and sales.[32]

The areas described make it possible to develop a Canvas model for a social enterprise (how to prepare the Canvas model is described in Module 3 Chapter 2). For this purpose, various techniques can be used to facilitate the planning of activities and determine the circumstances of implementation of a specific venture. **Strategic SWOT analysis** (how to prepare a SWOT analysis is described in Module 3, Chapter 3) identifies the factors for implementing a venture, divided into external and internal factors, as well as factors conducive and not conducive to achieving the planned results. This tool can be effectively used both to determine the strategy for the

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[31] https://przedsiebiorstwospoleczne.pl/jak-opracowac-strategie-rozwoju-organizacji-nie-tylko-w-proo-1a/

[32] https://www.thebrokeronline.eu/doing-social-business-right/

development of a social enterprise and for the implementation of individual activities or specific projects carried out in a given social enterprise.

In addition to the SWOT analysis, it is worth preparing **a risk analysis** presented in the form of **a Risk Register** (the preparation of the risk register is described in Module 3 Chapter 3). After the initial identification of opportunities and risks, they should be parameterized. In the basic version of risk analysis, each event/situation is described by two parameters - the probability of occurrence and the consequences of the event/situation materializing.

The use of the indicated techniques can significantly facilitate the definition of the company's development strategy and, at the same time, when cyclically updating the developed documents, can also directly affect the implementation of the action plans, projects or entire operational programs defined within the development strategy.

The Canvas model allows for the preparation of an aggregate operating diagram of a social enterprise, which summarizes the most important areas of activity and how to achieve the basic objectives of a social enterprise's operation, i.e. to generate revenue and achieve social goals. SWOT analysis allows a critical look at the value proposition offered by a social enterprise, which is the most important area of consideration within the Canvas model. The identification of strengths and weaknesses answers management's questions about what might constitute a competitive advantage and what distinguishes a given social enterprise from its competitors, while also taking a critical look at internal constraints, barriers or deficiencies that need to be properly managed. The preparation of these two areas of SWOT analysis alone should direct management on the direction the enterprise should take in order to achieve the enterprise's mission as part of its development strategy. Next, the identification of opportunities allows the identification of actors, funds, legal changes or any other local, national or global factors that, if properly utilized, can positively affect the implementation of the strategic goals of the social enterprise, and thus the implementation of the enterprise's development strategy. Threats, on the other hand, indicate all macroeconomic factors or stakeholder groups that, to a greater or lesser extent, can interfere with the realization of the organization's goals. The summary of the previous considerations should be a risk matrix, which presents all opportunities and threats (among others identified in the SWOT analysis) divided into business areas presented in the Canvas model. The risk analysis will allow monitoring and appropriate management of the social enterprise in such a way that the opportunities of the enterprise are properly exploited while the threats, depending on the chosen strategy, can be reduced, avoided, transferred, shared or accepted.

The essence of a company's development strategy is to develop the organization's capabilities so that what is impossible today will be possible in the future. The most

important point in the strategy is the vision. It is a plan for the next few or several years. The key assumptions of the strategy are unchangeable, regardless of the situation.[33]

When delineating a strategy, an important element is the order of activities, in which we identify the various components in order of priority, such as:
- Define the mission of the enterprise (why are we here, why were we established, what motivated us to establish the organization?);
- Defining the vision of the enterprise (how should it work someday, where do we want to get to?);
- Determine the goals of the company (what do we want to achieve?);
- Diagnosis of the current state (what do we have?);
- Diagnosis of the desired state (what do we need?).

Ultimately, the activities carried out should result in the definition of strategic objectives, in this case those relating to solving social problems, along with their description and the definition of activities that should be carried out to achieve them. The activities should be assigned a timetable for implementation and the assignment of responsibility to the appropriate human resources.

Measuring the status of strategy implementation

To check the status of strategy implementation, the method of strategic controlling is used to measure the goals that have already been achieved. Strategic controlling is designed to provide the organization's management with assistance in selecting and implementing long-term goals.

The essence of strategic controlling can be put as follows:
- involves continuous monitoring of the external and internal conditions of operations and progress in achieving strategic goals and implementing the social enterprise strategy;
- includes the entire social enterprise, considered as an organizational system, as well as the strategic units, the main functions of the enterprise (marketing, finance, production, logistics, research and development), the operating markets and the basic processes occurring in the social enterprise;
- is aimed at evaluating the course and results of activities, but also at detecting and interpreting signals of impending changes (emerging opportunities and threats) before they have an impact on the company and responding appropriately to these changes;

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[33] https://przedsiebiorstwospoleczne.pl/jak-opracowac-strategie-rozwoju-organizacji-nie-tylko-w-proo-1a/

- is implemented using information systems and impact instruments that provide flexible responses from the organization;
- is linked to strategic planning; control activities and instruments are built into planning procedures, and strategic controlling is an important tool for strategy implementation and execution.

The main function of strategic controlling, therefore, is the continuous review and updating of strategic decisions on goals and ways to achieve them. Consequently, it is possible to create and use mechanisms for correcting and harmonizing activities within the framework of implemented strategies in order to increase the degree of their effectiveness and efficiency.

In the above context, the main **functions of strategic controlling** are:
- Sensitizing managers and other implementers of activities to emerging opportunities and threats or symptoms preceding their emergence by providing managers with information about phenomena and events or conditions that are occurring or may occur before they create significant threats to the organization;
- Continuously reviewing and updating strategic decisions on goals and ways to achieve them;
- Ensuring adequate organizational flexibility through the creation and use of information systems and self-regulatory instruments;
- Motivating function: to make people aware of deviations between the actual state of affairs and the plan's assumptions, to stimulate action aimed at identifying the sources of deviations and taking appropriate responses;
- Creation and use of mechanisms for correcting and harmonizing activities within the framework of implemented strategies to increase the degree of their effectiveness and efficiency.

As a result of the analysis, it is possible to identify sample elements of the development strategy that include social impact of the social enterprise for further monitoring. In the long term, appropriate monitoring and measurement of social impact will allow the business to be scaled appropriately and thus to pursue a specific development strategy for the enterprise.

Source: http://haighandmartino.com/ecommerce-tips/unique-value-proposition/

Example

An example of a social enterprise value proposition: increasing connectivity between community representatives to reduce waste of building resources - a neighbourhood rental shop or providing new jobs for a target group (women, people with disabilities, people excluded or at risk of social exclusion, low-skilled people).

The determination of the value proposition must be followed by the creation of an appropriate financial model for the proper operation and further development of the social enterprise (based on the Canvas model). An example of a financial model could be: commission on sales, remuneration for a particular service or product, subscription for the use of the enterprise's services, government or local government subsidies.

A social enterprise should also strive to maximize the utility of products and resources and minimize the loss of value. Examples of such activities could be the creation of supply circles instead of supply chains, or the recyclability of the products offered. As part of assessing the utility of the value of a product or service, the use of SWOT analysis can help.

All the previously described activities should be measurable as much as possible by measuring social value. In addition to maintaining an adequate financial model for a social enterprise, it is necessary to achieve adequate social impact at the same time. In this way, not only financial income can be critically evaluated, but also social impact and the implementation process. It should be remembered that for a social enterprise, the main value is positive social impact and not profit making.[34] In order to realize the social and economic goals of the enterprise, a helpful tool is to create and periodically update a risk analysis with its graphical representation in the form of a risk matrix. Social entrepreneurship aims to achieve broad social, cultural and environmental

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[34] https://www.thebrokeronline.eu/doing-social-business-right/

goals. These are often linked to the voluntary sector in areas such as poverty alleviation, renewable energy, housing, health care and community development.[35]

Creation of an investment plan

The business objectives of a social enterprise are not only revenue generation issues, but primarily social objectives. Any surpluses associated with the conduct of business are invested in such organizations to achieve social goals. This means primarily:
- Social and professional integration of enterprise members;
- Community activities.

As for social and professional integration, the principle here is to provide a place of professional activity for members of the organization. Given that in order to speak of a social economy entity, part of the employees of such an organization must be at risk of social exclusion, the very operation of such an enterprise already ensures professional integration.

As for the social enterprise in local development, the activity depends on the needs and is most often related to the provision of services in the open local market (e.g., tourism services), manufacturing and commercial activities, the provision of public services (including social services - such as education).[36]

One of the most important elements of a social enterprise's development strategy is the creation of an investment plan. This is a necessary action to ensure that the organization adequately supplies itself with key equipment, personnel or real estate. The investment plan should respond to the real needs and development plans of the organization. It is used to determine the expenditures necessary to achieve the goals and development directions of the enterprise. The Multi-Year Investment Plan, called MIP for short, is a tool for systematizing the process of implementing the most important investment tasks. This document makes it possible to realize the goals, set within the framework of the development strategy. MIP is drawn up in the form of lists of planned projects, which are systematized according to the priorities given to them. Each undertaking takes into account the deadline for implementation and the amount of financial outlays needed for its execution. MIPs should be prepared at least in a two-year perspective[37] .Creating an investment plan for a social enterprise requires considering both business and social aspects. The following is a general outline of the investment plan with attribution to social objectives:

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[35] https://nextgeneration.co.za/what-we-do/key-concepts/social-enterprise-entrepreneurship-strategies/

[36] https://www.praca.pl/poradniki/rynek-pracy/przedsiebiorstwo-spoleczne-definicja,cele,ustawa_pr-3317.html

[37] https://saveinvest.pl/czym-jest-wieloletni-plan-inwestycyjny/

Table 2: Investment Plan

Investment plan	**I. Introduction**	**A. Description of the social enterprise**	**Mission and values of a social enterprise**
			Area of social action to be resolved
		B. Market analysis	**Identification of the target group**
			Competitor analysis
			Market trends related to social purpose
	II. Social Objective	**A. Selection of a specific social objective**	**A description of why the chosen goal is important to the community**
			Relationship between the chosen social goal and the company's activities
		B. Measurability and evaluation of progress	**Identify measures of progress toward the social goal**
			Monitoring and performance reporting plan
	III. Operational Plan	**A. Organizational structure**	**Management team**
			Operational structure
		B. Products or services	**Description of the products or services offered by the company**
			How the products/services offered contribute to the social goal
		C. Operational processes	**Detailed description of business processes**
			The concept of production, delivery and/or provision of services
	IV. Marketing Plan	**A. Marketing strategy**	**Market segmentation**
			Marketing communication, taking into account the social message
		B. Sales strategy	**Sales and distribution plan**
			Business partnerships in support of social goals
	V. Financial Plan	**A. Financial forecast**	**Forecast of revenues and costs**
			Profitability analysis
		B. Capital structure	**Sources of funding (e.g., social investors, grants, loans)**
			Social and operational capital allocation plan
	VI. Monitoring and Evaluation	**A. Progress monitoring system**	**Determining the frequency of monitoring**
			Internal and external communication channels
		B. Evaluation of effectiveness	**Methods for evaluating the effectiveness of social activities**
			Modifications to the plan in response to the results of the evaluation
	VII. Sustainable Development	**A. Integrated approach**	**How the investment plan contributes to sustainable development policy**
			Risk management and adaptation in the context of sustainable development

Source: Own work

When creating an investment plan, it is important to keep in mind the company's specific social mission and stakeholder involvement. In addition, the plan should be flexible, allowing activities to adapt to changing market and social conditions. It is also necessary to constantly respond to the changing needs of the local environment. That is why it is so important to constantly check the timeliness of social needs, among other things, as part of strategic controlling.

As in classical enterprises, investment in a social enterprise is used to develop resources. These resources are related, for example, to the capabilities of the organization, the volume of production, the quality of the products or the cost of making them. Investing is therefore directly linked to the development of the company - achieving hitherto unavailable results, improving production and sales processes. Developing assets, however, means making financial outlays. The basic question that every social enterprise should answer is what does it really need? This is crucial in terms of planning expenditures and setting investment targets. In order for a social enterprise's assets to develop adequately without the occurrence of unnecessary purchases, proper identification should be made before investment. The following activities can help to properly identify needs:

1. **Defining the vision and strategy** for the development of the company - answering the questions: what do we want to achieve? What are the strategic goals? Why do we need the investment? Allow easier planning of purchases necessary to realize the vision of the enterprise in accordance with the defined development strategy.

2. **Verification of the assumptions of the business model** - optimization of costs in terms of, for example, the possibility of renting the necessary equipment instead of purchasing analogous equipment.

3. **Conducting a SWOT analysis** - will strengths allow opportunities to be exploited? will weaknesses negatively impact the ability to exploit opportunities? will strengths allow threats to be overcome? will weaknesses enhance the impact of threats?

   For example, if, during the analysis, the identification of a company's weakness points to outdated, energy-intensive equipment, plus the threat of rising electricity prices, the obvious investment should be new equipment that will save money in the long run.

4. **Verification of processes and bottlenecks** - in this case, processes are analyzed, within which bottlenecks, or problem areas, are sought. Verification seeks to clarify, for example, the reason for order delays, reduced quality or increased production costs.

5. **Adequate Purchase Planning** - Every purchase should respond to a problem and benefit the investment. The Investment Plan should be well thought out and efficient. It is always a good idea to compare offers from different vendors, also taking into account their additional services such as extended warranty or returnability.

What factors should be considered when planning corporate purchases:
   a. Physical characteristics - size, weight, dimension, area;

   b. The number of people at the workstation we want to equip or develop, locating it in the room;

   c. How much space is needed to make work comfortable;

   d. Additional costs arising from the use of equipment (e.g., the cost of buying ink or toner for the printer);

   e. Cost and availability of mandatory services, inspections, insurance, spare parts;

   f. The need to purchase accessories;

   g. Reliability;

   h. Ease of use (e.g., menus in Polish, intuitive operation);

   i. Availability of software updates;

   j. Extras - instalment purchases, free service, access to additional services at a price, loyalty program;

   k. Warranty, which is our assurance that for a certain period of time the equipment will be usable;

   l. In the case of real estate - parking at the building, access, facilitating access, surroundings.

Scaling the business

The next step in realizing the mission of a social enterprise is to scale the business accordingly. After preparing a strategy for business development and preparing an investment plan, it is time to develop a strategy for scaling your organization.

Every social enterprise seeks solutions that can increase the efficiency of its operation to achieve social goals. Efficient functioning of social enterprises translates into realization of planned economic and social effects. Social enterprises benefit from the experience and solutions developed by commercial enterprises. However, due to the need for appropriate adaptation of solutions, it is necessary to take an innovative

approach to the already developed patterns of operation.[38] It should be noted that the use of business solutions for social enterprises is also called scaling.[39]

Business scaling is increasing a company's sales revenue using operating leverage, i.e. without increasing core operating costs, most often fixed costs.[40] Among other things, leverage is used to implement business scaling. With proper planning, such an action in the long term ensures an increase in revenue, which can help the company grow and meet planned social goals. Scaling a company also positively affects its position in the market. Usually such action ends up with more customers. In many cases, scaling involves reducing customer acquisition costs and business expenses. The peculiarity and difficulty of scaling a business within a social enterprise is that a positive social and environmental impact is more important than economic performance (necessary for the continued operation of the enterprise). Nevertheless, in the case of a commercial enterprise and a social enterprise, the goal is growth. In the case of commercial entities, the priority is development, understood as increasing revenue, expanding sales reach, developing products and services and all with the aim of maximizing profit. A social enterprise within development focuses on increasing social impact, positive impact on the environment, improving the quality of life of the local community, reducing unemployment or increasing the skills of women returning to the labour market after maternity leave. In a nutshell, the social enterprise is trying to fulfil its mission as much as possible as part of its development. In order to grow further, of course, it is still necessary to increase the company's revenue, but in this case the revenue is used to increase employment, increase the reach of social impact or develop new products or services to meet the next needs of the target group. At first glance, scaling a business in both cases is the same. According to the premise, business scaling is, in simple terms, the development of a business. The main difference is that in one case the development is aimed at increasing profit while maintaining as much as possible the goals of integrated development, while in the other it is exclusively aimed at increasing social or environmental impact while maintaining the profitability of the business.

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[38] Kurleto M. Innovation in social entrepreneurship and the statutory scope of philanthropy and charity, Economic Studies. University of Economics in Katowice 2014

[39] Kayser O., Budinich M.V., Scaling up Business Solutions to Social Problems. A Practical Guide for Social and Corporate Entreprise. UK, Palgrave Macmill, 2015

[40] https://www.finansowo.pl/blog/czym-jest-skalowanie-biznesu-i-jak-wykorzystac-je-w-firmie/

Source: https://www.kredx.com/blog/7-tips-to-successfully-scale-up-your-business/

When using social enterprise scaling, the following conditions should be met:
- A focus on long-term growth;
- Preparation of an appropriate financial plan (including an investment plan);
- Development of a comprehensive business model;
- Building long-term interactions and relationships with customers and stakeholders;
- Very good knowledge of the market and competitors.[41]

Regardless of the type of business, in simple terms, **three areas** can be outlined **that should be developed as part of scaling the company:**

1. **Organization** - planning the development of the workforce. It should be noted that an increase in employment should occur at a time when the current staff is not able to cope with all tasks in the enterprise. An exception may be the hiring of people in the case of a social enterprise, which directs its activities to enhance the experience of the local community or increase their skills. In this case, it may be possible to hire a new employee or employees and train them for the position and then support their employment in another enterprise.

2. **Customers** - It is necessary to analyse the customers of the products or services offered. Regardless of the type of business, responding to customer needs is a key element to success.

3. **Revenues** - should not only be related to customer growth. They should also include revenue from the customer. The offer should be updated and appropriately adapted to the current needs of the target group[42] . In the case

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[41] https://semcore.pl/skalowanie-biznesu/

[42] https://harbingers.io/blog/co-to-jest-skalowanie-biznesu

of social enterprises, in addition to increasing profit from the sale of services or products, it is also possible to respond to the demand of local authorities or interregional operational programs, which, with the appropriate business profiles, can use national or international funds to run a social enterprise. However, it should be remembered that while in a profit-oriented enterprise, the financial result is the primary determinant of development, in the case of a social enterprise it is to ensure the appropriate scale of action to solve social problems.

Scaling the business allows the company to grow in many directions:
- Implementing a product or service into a new market;
- Building a competitive advantage in the current market;
- Designing new solutions for customers;
- Improving current customer solutions;
- Comprehensive redesign of the business model;
- re-branding.

Another important element regardless of the type of business is marketing. During development, it is worthwhile to implement appropriate advertising activities and target the right group. Promoting a company's brand or products and services positively affects their perception. Even with a properly constructed development strategy and action plans, the key element is to reach the audience. Therefore, it is important to prepare a marketing strategy, not just a financial one.[43] In the framework of running a social enterprise, marketing still has a second key task. Informing all stakeholders about the activities carried out in response to the needs of local society or the environment. As noted earlier, the most important task of a social enterprise is to realize positive social impact. Marketing activities can and should be the driving force behind a growing social enterprise, both on the level of reaching the target group and on increasing public awareness of the particular social problem the social enterprise is addressing.

The following are the assumptions for scaling a social enterprise:
1. Business Model:

   - Assumption: An optimal business model that is scalable and generates value for customers, society and the environment. It is now important to meet the sustainability objectives discussed at the beginning of the chapter.
   - Description: Ensure that the business model is flexible and can handle higher loads while delivering adequate value to customers.

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[43] https://semcore.pl/skalowanie-biznesu/

The business model of a social enterprise most often consists of two basic elements. The operational strategy to make the intended impact includes the internal structure of the organization, as well as external partnerships. Since every organization needs resources to operate (both human and financial), the business model must include a resource strategy that defines where and under what conditions the organization can obtain them. The listed elements can also be separately developed scaling assumptions according to the methodology described below.

2. Operational Processes:

- Assumption: Efficient and optimized operational processes.
- Description: Customize and improve processes to increase efficiency while growing business and increasing social impact.

3. Human Resources:

- Assumption: Having the right number and competence of employees.
- Description: Hiring, training and retaining a team of employees capable of handling more tasks.

4. Technology:

- Assumption: Effective IT tools and systems.
- Description: Investment in technology to effectively manage growing volumes of data and processes.

5. Financial Capital:

- Assumption: Access to sufficient capital.
- Description: secure the financing needed to expand operations, including investment needs, working capital, a reserve for the organization's operations, and the funds needed to meet community goals.

6. Marketing Strategy:

- Assumption: An effective marketing strategy.
- Description: Develop marketing campaigns that will reach a wider audience, increase brand recognition and raise awareness in the local community.

Based on their experience in helping more than 900 social enterprises around the world scale their operations, MovingWorlds experts have proposed nine steps for scaling a social enterprise:

1. **Getting to know the ecosystem**

The problems of new social enterprises are systemic and require systems thinking. The first step in scaling a business should be to know the ecosystem in which the enterprise operates. The simplest and most effective way to get the necessary information is to gather a diverse group of stakeholders from across the system and map it. This will allow you to better understand the local market and make available a product with the right value proposition.

2. **Using design thinking to find a scalable product**

After familiarizing yourself with the ecosystem in which the social enterprise is to operate, it is essential to properly prepare the concept of the product or service itself. At the very beginning of development, possible growth opportunities should be analysed. This will allow you to better define strategic goals or milestones on the way to scaling the business. It is the users who decide what products will be adopted, not the entrepreneurs. The key, therefore, is to make available a product or service that meets the needs of the target audience. Repeating design thinking processes multiple times is proving to be a better way to create solutions for social enterprises than brainstorming. While there are many models for implementing design thinking (such as lean startup) one of the more effective methods is a combination of human-centered design and business model generation. There are 5 stages of the design thinking process.

- Understanding the needs of society
- Defining the problem
- Creating a solution
- Prototype development
- Test the solution before it is deployed and begins to scale

1. Verify the business model

Creating a social enterprise solution that works in one community or for one customer segment is very different from creating a scalable social enterprise. Scaling means that there is a repeatable sales and delivery model that becomes more efficient with more customers. After determining whether a social enterprise can be scaled, the next step is to determine the best/easiest way to scale. For social enterprises, the advantage over commercial entities is the ability to scale through partnerships, grants, affiliate programs, service models or licenses driven more by impact than profits.

2. Scaling the idea and raising investment capital

According to MovingWorld's report, only after a company has started scaling should it look into raising the necessary funds. Today, there are more investment tools than ever before, including crowdfunding, angel investors, impact investors, venture capitalists, philanthropists, government funds, gas pedals, entrepreneur support organizations, EU grants and others. However, even with many options, getting financing is still very time-consuming and difficult. Thus, it distracts employees from the core business of the company. A better option than raising external capital is to base your growth on revenue and preserve equity for the team, focusing on customers. However, if you need to reach for investment funds, it is suggested to use the following decision-making process first.

3. **Building the right team and developing its skills**

People are responsible for the success or failure of an organization. When forming a team, attention should be paid to the competence and personality of employees. They should fit into the organizational culture and, together with other people, form a cohesive team. An important aspect of the team is the ability to maintain it. Salary is not the only element to retain employees in a social enterprise. Equally valuable is the provision of development opportunities for the employee. It is necessary to increase the competence, skills and motivation of employees. This also works the other way around. If an employee gets in the way of the company's goals or fails to perform the tasks assigned to him, it is necessary to replace him with someone who will meet the goals set before him. The following is a brief diagram of team building:

- Building a culture of growth with shared values;
- Finding, hiring and rewarding top talent;
- Building an inclusive environment that enables personal learning and development.

4. **Team management**

The following are the layers of team management that increase the chances of realizing the potential of the team whose formation was described in an earlier section:

- Self-management: An essential element of team management is a focus on individual management. This is especially true with regard to management. It is necessary to know oneself what slowly to better manage others. This also applies to project team leaders and lower level management.
- Systems management: it is necessary to build agile management systems that can grow and evolve with the business model. Most importantly, these systems need to align team members with the development strategy, ensure effective measurement of progress, enable the team to make autonomous decisions and continuously improve to provide a better customer experience

- Team management: The last and also the most difficult element is managing people. Leaders must have the right aptitude, which cannot always be learned. It can also be helpful to use external consulting in the management sphere to properly manage the team.

5. Building partnerships for development

Social entrepreneurs cannot solve all the problems identified in the community. In addition, there may be commercial entities in the ecosystem that will compete with the proposed solution. There may also be deeply entrenched local organizations within the ecosystem. In order to scale the business especially in running a social enterprise, it may be helpful to establish partnerships with other market players.

6. Impact reporting (real-time)

This is another of the most difficult parts of managing a social enterprise. However, as mentioned earlier, it is also crucial in running a social enterprise. The impact of an enterprise is an important differentiator from other existing companies in the ecosystem. In addition to reporting its finances to the board of directors, it is also necessary to report impact to all stakeholders. Measurements of this type are time-consuming, costly. They also need to address relevant indicators, which is why identifying them is so important.

Keep in mind that the goal of measurement is not to measure but to improve. Even taking a small step to measure one small indicator begins the journey to continuous improvement.

7. Impact on the industry

How can a social enterprise influence the industry in which it operates?

- Referencing success in customer acquisition influences the development of the industry. Responding to the needs of the public will increase the awareness of others to the needs of the target group. This can drive the industry or affect the opening or development of other industries. This is the process of the industry adapting to the needs of customers.
- The creation of publications, the conduct of studies and the presentation of their results will help to raise awareness of both the public and the actors in the ecosystem. An important element of such activities is the ability to direct the attention of stakeholders to a particular aspect of the business. Increasing public awareness can also significantly impact industries.
- The previously mentioned partnerships are, by design, changing the industry. Any joint action can positively influence the satisfaction of society's needs as well as drive the development of the industry itself. It is possible here to benefit from synergies, exchange good practices or reach a larger audience.

- effective management of the organization helps build the skills of team members, who can then pursue careers on their own based on creating more positive social enterprises for the world.

8. **Return to step 1**

A mature enterprise should not forget the fundamentals of its business. For this reason, the appropriate course of action is to verify the given scheme to confirm the path followed by the enterprise. According to many methodologies, one of the basic elements of success is repeatability. It is necessary to check the timeliness of the needs of the target group, to update the offer, to look for new products or services, or to increase one's reach to more regions. This is essential when wanting to scale a business[44] .

Examples of types of business models within a social enterprise:
- **Support for entrepreneurs** - selling business support to incumbent enterprises. Providing services such as microfinance, consulting or technical support. A key success factor is the appropriate level of services offered;
- **Market intermediary** - providing services to customers to gain access to relevant markets. Examples include supply cooperatives or craft organizations. A key success factor is low start-up cost;
- **Employment** - providing clients with employment and vocational training opportunities. Key success factors are the relevance of vocational training to community needs and commercial viability;
- **Free services** - selling social services directly to clients or to an external payer. Examples of organizations might include membership organizations, museums or clinics. A key success factor is to establish the right fee structure in relation to the benefits;
- **Low-income client** - focusing on providing access to services for those most in need. This is a scheme analogous to free services but targeted at those in the worst financial situation. Examples: health care, public utility programs, food programs. Key success factors are creative distribution systems, lower production and marketing costs, high operational efficiency;
- **Cooperative** - providing benefits to members through collective services. Examples: bulk purchasing, collective bargaining (labour unions), agricultural cooperatives, credit unions. The key success factor is the common interests/needs of co-owners;
- **Market linkage** - facilitating business relationships between customers and the external market. A key success factor is to target not selling customers' products, but connecting customers to the market;

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[44] https://movingworlds.org/social-entrepreneurship-guide

- **Subsidizing services** - selling products or services on the external market to help fund other social programs. This model is integrated with a non-profit organization. Examples: counselling, guidance, employment training, leasing, printing services, etc. Key success factors are the ability to leverage tangible assets (buildings, land, employees) or intangible assets (expertise, methodology or relationships);
- **Organizational support** - a modus operandi similar to subsidizing services, but using an external model. In addition, business activities are separated from social programs.[45]

Example

An unusual example of scaling a social enterprise is the collaboration with IKEA. In this case, the initiative came from the corporate side and was adopted and is being further developed. The key to a successful partnership in this case was mutual benefit. The same is true for IKEA Social Entrepreneurship (a new division dedicated to working with social enterprises), where companies and IKEA (the commercial part of the company) gain valuable know-how from each other, resulting in unique and customer-demanded collections, products and services.

Cooperation between IKEA and social enterprises is based on knowledge sharing, mutual exchange of competence and inspiration. Social enterprises provide a diverse and unique product offering, and IKEA uses its distribution and point-of-sale network to provide enterprises with affordable, high-quality raw materials, extending its infrastructure to social enterprises. By combining the originality of social enterprises and IKEA's resources and know-how, unique and affordable products are created that are available to customers around the world. IKEA Social Entrepreneurship works with social enterprises to increase their impact, supporting them with knowledge and expertise in product development, logistics and delivery. IKEA's global sales channels enable social companies to scale up their production and impact and improve the lives of even more disadvantaged and marginalized people.

Starting in 2019, IKEA is also supporting social enterprises around the world through accelerator programs that are not directly related to IKEA's business. The aim is to

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[45] https://www.toppr.com/guides/business-management-and-entrepreneurship/social-entrepreneurship/creating-a-social-business-model/

expand ways to support social enterprises to increase their impact through grants, loans, mentoring from IKEA colleagues or business development. In 2020, 36 social enterprises were supported through accelerator programs or directly, with 77 IKEA employees acting as advisors and coaches. This has provided 1.65 million people with access to jobs, income, tools and services.[46]

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[46] https://www.ikea.com/global/en/our-business/people-planet/social-entrepreneurship/

Unit 5.2 Measuring the social impact of a social enterprise

The European Commission, seeing the need to systematize the effects of initiatives in support of the social economy, decided to give a framework organizing the most important aspects of social measures financed mainly using public programs. On the basis of the Single Market Act II and the Guidelines for the Eligibility of Expenditures under EU Funds including, in particular, the guidelines developed under the third axis of the Employment and Social Innovation Program, a European method for measuring results was agreed that could be applied to the social economy. A Social Impact Measurement Subgroup was established within the Group of Experts on Social Entrepreneurship (GECES). Its task was to develop a method for measuring the social impact of social enterprise activities in response to the needs of European funds and institutions managing their distribution to social entrepreneurship. It was necessary to develop additional criteria in order to more effectively assess and coordinate how fund managers decide to invest in a particular enterprise. Next, it was necessary to develop a way to adequately monitor the results of these investments in relation to social impact and to document it. The purpose of this was to enable fund management institutions to properly account for projects to investors and the general public. Standards for measuring social impact create qualification standards by which to assess the eligibility of a social enterprise for financial support from European Union funds, this also allows for the collection of information and preparation of appropriate reporting of activities.

The impact measurement standards developed by GECES go beyond the needs of European social enterprise funds. To date, no social impact measurement standard has yet been developed anywhere in the world. The development of such a standard has standardized reporting and provided a basis for performance management in social enterprises of all sizes. It has also helped create more informed relationships with partners, investors and public sector funders.

The following section describes:
- How to define the social goals of a social enterprise;
- How to define the goals and mission of the organization;
- type of goals in a social enterprise;
- A way to measure the social impact of a social enterprise;
- Data sources that determine the level of social impact.
- Definition of social objectives

According to the researchers' definition, an objective is defined objectively and subjectively as a future, desired state or result of an organization's action, possible and foreseen to be achieved, over a period of time that falls within the time frame covered by a short-term or long-term action plan. On the other hand, another definition

defines a goal as a state of affairs sought by the perpetrator. A special case of an objective is a task; it is an objective accepted with the knowledge that it has been "inflicted," that is, set by someone else. The task of an activity is its direct result (work), and the goal is what this result is supposed to serve[47] . There are many benefits to formulating goals for an organization. In the main, these goals are a source of information as to whether the activities undertaken are moving in the right direction. They are the substrate for evaluation and control of activities, and stimulate motivation for the actions taken. Setting goals is a very important part of the functioning of any enterprise. As previously established, setting strategic goals is an essential element on the road to scaling an enterprise. Commercial organizations set goals that will allow them to increase the volume of sales, thus allowing them to increase revenue and ultimately profit. A social enterprise must additionally set social goals, and do so in a way in which the social goal has a higher priority than the bottom line. According to the definitions cited, on the one hand, defining the short- and long-term goals helps to properly run the enterprise, and on the other hand, it allows to task-measure the social impact. Proper definition of social goals will positively affect the organization of activities within the organization.

Tasks and mission of the organization

An organization is a whole composed of various types of tangible (financial, physical, human) and intangible (market, intellectual, relational, organizational, cultural) resources. An organization in the material sense is something organized, i.e. a set of people united by a common goal of action, considered together with the resources they need to act.[48] The modern concept of goals is related to the specific tasks and mission of the organization:

- Task - this is a spatially, objectively, subjectively and temporally separated part of the goal provided for execution within a fixed period of time that falls within the time frame provided for the achievement of the goal.

- Mission - is an expression of the organization's long-range intentions as well as aspirations.

Every organization strives to achieve multiple goals simultaneously, which form what is known as a bundle of goals. The size of the bundle of objectives, its generic composition and structure depend on many factors, in particular on the object of the organization's activity, i.e. the mission that a certain category of organization has to fulfill to the participants and the environment.

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[47] Stabryła A., Basics of organization and management, Publishing House of the University of Economics, Cracow, 2012

[48] Stabryła A., Basics of organization and management, Publishing House of the University of Economics, Cracow, 2012

As a result of observations and studies of properly functioning organizations, it was found that regardless of the type as well as the specifics, some goals are repeated. These are objectives of a systemic nature, which affect the ability of organization to act in a harmonized and coordinated manner.[49]

Types of objectives

In an organization, it is possible to distinguish three basic groups of goals:

- **Economic** - these are related to the organization's activity in the market, the economic sphere of operation as well as creditworthiness.

- **Non-economic** - so-called social. Social goals are related to the impact of the organization on the region, in the area of socio-economic activation, municipal economy and environmental protection, or on the local community. In this group can be separated goals that determine the conditions and labour relations within the organization, represent the desired degree of satisfaction of the psychosocial needs of employees, social and subsistence needs, and socio-political needs related to participation in the exercise of power in the organization.

- **Production and marketing goals** are formulated in terms of value and material, projected to achieve sales volumes, specific services and goods that find social approval in the process of their purchase by customers in specific markets.

If an organization is to maintain a social and economic balance then it must keep in mind that economic, social and production-marketing goals should be pursued in parallel to a certain extent. This is also an idea that is consistent with the principle of sustainability. If the balance resulting from the external and internal conditions of the organization were to be upset, a periodic hierarchy of goals should be established to help restore the balance. This is particularly important in the case of a social enterprise, which must keep a very meticulous eye on the implementation of both economic goals to guarantee the continued operation of the organization and non-economic goals that constitute the main area and purpose of the organization's activities.

Due to the organizational levels, the following types of objectives can be distinguished:

- **Strategic objective** - is set at the highest organizational level and is part of the company's development strategy;

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[49] https://mfiles.pl/pl/index.php/Cele_organizacji

- **Tactical goal** - this is set at the middle organizational level, which focuses on how to operationalize the activities that are necessary to achieve the strategic goals;
- **Operational goal** - set at the lowest organizational level.

The target can also be divided into internal or external:

- Internal - refers to the organization itself or employees;
- External - meeting the needs of the environment.

As mentioned earlier, it is also important to distinguish systemic goals that are universal regardless of the type of activity. Examples of such activities can be:

- Striving to attract new customers and retain existing ones;
- striving to attract new markets and segments;
- striving to create favorable working conditions for its employees;
- Striving to implement action plans set by management.

Social goals

A social enterprise's social goals usually involve seeking to solve specific social or environmental problems. Below is a list of potential social goals that a social enterprise can adopt, depending on its mission and area of operation:

- **Solving social problems**: A social enterprise can aim to solve specific social problems, such as poverty, homelessness, education or public health.

- **Supporting local communities**: Focus on supporting and strengthening local communities by creating jobs, investing in social infrastructure or developing local businesses. These activities should respond to the needs of the local community diagnosed at the stage of creating an enterprise development strategy.

- **Environmental protection**: Striving for sustainable development by taking measures to protect the environment, reduce greenhouse gas emissions, or promote green practices among the local community.

- **Support for marginalized people**: Targeting activities to help marginalized social groups, people who are excluded or at risk of social exclusion such as people with disabilities, refugees, or those experiencing discrimination.

- **Education and competence development**: Provide educational or training offerings for people from the diagnosed target group to increase their competencies and employability.

- **Promoting social justice**: Working for social equality and fighting social injustices such as discrimination or economic inequality.

- **Improving quality of life**: A social enterprise can seek to improve the overall quality of life of a community, for example by providing better housing or greater access to health care.

- **Development of local culture and heritage**: Encourage the development of local culture, arts and heritage to strengthen community identity.

- **Promoting social innovation**: Promoting innovative solutions for society that can lead to lasting and positive change.

- **Ethical business practices**: Strive to conduct business in accordance with ethical values, respecting employees, customers and the environment.

A social enterprise can adopt one or more of these goals, depending on its own mission and scope of activities. The key is that the goals should be consistent with the organization's values and have measurable outcomes so that the effectiveness of the activities can be assessed.

Measuring social impact

A social enterprise, within the framework of the developed enterprise development strategy and within the framework of defining strategic goals and how to achieve them, should focus on the realization of the organization's mission. Thus, a key aspect of the business is to measure and monitor positive social or environmental impact. Social influence is the phenomenon whereby individuals in society influence each other, changing their attitudes, behaviours and beliefs. This influence can take different forms and occur at different levels of society. Here are some of the main aspects of social influence:

1. Impact of social norms: Society shapes norms, or acceptable patterns of behaviour. Individuals, in order to be accepted by society, often conform their attitudes to prevailing norms.

2. Influence of social groups: Membership in various social groups, such as family, friends, co-workers or religious groups, can have a strong influence on individuals. These groups may have their own norms, values and expectations that shape an individual's behaviour.

3. Influence of authority figures: People recognized as authorities in a particular field have the ability to influence others. These may be political leaders, scientific experts, celebrities or spiritual leaders. People often follow their example or recommendations.

4. Media influence: The media have a powerful influence on society, shaping public opinion, cultural norms and values. Advertisements, TV shows, movies

and other media content can influence the way people see themselves and the world.

5. Influence of online communities: In the age of social media, people are more exposed than ever to the opinions and influence of other online users. This can influence their attitudes, beliefs and behaviour.

6. Social impact on mental health: Society can have a significant impact on an individual's mental health. Social pressures, other people's judgments and social expectations can affect well-being and self-perception.

7. Cultural influence: Culture, or social heritage, includes values, norms, beliefs and traditions. It influences how people think, behave and communicate with each other.

Understanding social influence is important in the context of social psychology, sociology and other social science fields. Studying this phenomenon allows us to better understand why people behave in certain ways and how society influences the development of individuals.[50]

In the case of a social enterprise, the social impact is the social effect (change), both in the long term and in the short term, obtained for its target population as a result of the action taken - taking into account both positive and negative changes and adjusting them in terms of alternative attribution of effects, independent event effect, displacement and reduction.[51]

The process of measuring social impact involves five stages:
1. Identify the objectives of the various parties making the measurement and the subject being measured;

2. Identify stakeholders: who benefits? who provides resources? how?

3. Determining the right measurement: the social enterprise plans its intervention and how, through action, the outcomes and impacts most desired by beneficiaries and stakeholders will be achieved. This relationship between action and impact is the basis of the social enterprise's theory of change. The enterprise makes the appropriate decision and determines the method of measurement that will best reflect this relationship and the impacts achieved, and then agrees with key stakeholders;

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[50] Based on: Cialdini, R. B., & Goldstein, N. J. (2004). Social influence: Obedience and conformity. Psychological Review, 47(4), 385-403.; Katz, D., & Kahn, R. L. (1978). The social psychology of organizations. Warsaw: PWN.
[51] A proposed approach to measuring social impact; European Commission, Publications Office of the European Union, 2015

4. Measurement, Validation and Value Determination: assessing whether the planned results have actually been achieved, whether they are clear to the stakeholder who was to benefit from the intervention, and whether the results are valuable to that stakeholder;

5. Report submission, lessons learned and improvement: as services are provided and their effectiveness measured, regular and specific reports on these results are submitted to internal and external stakeholders.[52]

Measuring social impact makes it possible to objectively show the scale of benefits to a social enterprise in the short or long term. There are 4 types of social impact measurement:

1. Monetary - refers to the assessment of social impact through financial value. It can include an analysis of social impact on the economy, the economic benefits generated by social interactions, or the value provided by charities and social investments.

2. Non-monetary - social impact measurement focuses on assessing social outcomes that are not easily expressed in monetary terms. This can include assessing the quality of life, the level of public trust, or the level of civic participation in local initiatives.

3. Quantitative - Quantitative measurement involves collecting data that can be counted, compared and analysed quantitatively. This includes statistical approaches such as questionnaires, quantitative surveys, numerical data analysis and other techniques that allow an objective assessment of social impacts.

4. Qualitative - Qualitative measurement focuses on the subjective, descriptive aspects of social influence. These methods include interviews, content analysis, case studies, focus groups and other techniques that help understand the context, complexity and depth of social influence.

For example, if we want to study the social impact of a charity campaign, a monetary measurement could include the amount of money raised, while a non-monetary measurement could include increased public awareness of the issue the campaign addresses. Quantitative measurement could include the number of people who donated, while qualitative measurement could include descriptions of donors' emotions and experiences while participating in the campaign.

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[52] A proposed approach to measuring social impact; European Commission, Publications Office of the European Union, 2015

Another important aspect of measuring social or environmental impact is to know the results in relation to the external environment including the local community or society as a whole. Such measurement also allows for the evaluation of the effectiveness of activities and possible improvement/repair measures. It can also be a starting point for conducting dialogue with the stakeholders of the social enterprise and establishing lasting relationships. Measuring social impact makes it possible to identify areas that may, under the right conditions, be a source of social risk (such risks should be included in the risk register and continuously monitored). As part of the measurements carried out, it is worth noting two aspects:

- Effectiveness of impact, understood as the ratio of the achieved results to the incurred investment;

- Effectiveness of impact understood as the degree of achievement of the assumed goals[53] .

Social impact measurement is the process of assessing and understanding how activities, projects, organizations or individuals affect society. It is an important tool for both the public and private sectors to assess the effectiveness of activities and identify areas for improvement. Below is a description of social impact measurement and some data sources that may be useful in this context. The method outlined below is in line with the World Council for Sustainable Development (WBCSD) study. The starting point for measurement is the core activity that the organization conducts.

Description of social impact measurement:
1. **Definition of goals and indicators:** Defining the specific social goals that the organization wants to achieve, and establishing appropriate indicators to measure progress toward those goals such as geographic coverage, business area, and timing.
2. **Collection of baseline data**: Gather information on the situation prior to taking action. This will allow you to compare the current state of affairs with the situation before the changes and assess the actual impact. Here, special attention should be paid to the sources of influence that the business activity causes, the selection of indicators and the measurement itself. This stage can be carried out independently or with the involvement of measurement stakeholders.
3. **Monitoring of activities:** Continuously track the implementation process of social activities and collect data on an ongoing basis. This makes it possible to quickly adjust strategies as needed.

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[53] Measuring the social impact of businesses, Agata Rudnicka, Prace Naukowe Uniwersytetu Ekonomicznego we Wrocławiu, 2012

4. **Benchmarking:** Comparing baseline data with current data identifies differences and determines whether changes are the result of social action. Stakeholders play an important role in this phase, as recipients of activities on the one hand, and as influencers in shaping the organization's processes and activities on the other.
5. **Impact evaluation**: Evaluation of the long-term effects of social actions, both positive and negative. Impacts can be direct, indirect, intentional or unintentional.
6. **Stakeholder engagement**: Include the community, business partners and other stakeholders in the social impact measurement process. Their opinions and experiences are a valuable source of data.

The final stage is the preparation of an action plan (designation of priority areas, possible scenarios, development of a set of monitoring indicators) based on the information obtained in the earlier stages of the process of identifying and measuring social impact.

Examples of data sources for determining the level of social influence:
1. **Organization reports**: Documents issued by organizations that contain information about their social activities, goals, strategies and results. Examples include annual corporate reports, sustainability reports, etc.
2. **Social research**: Conduct social surveys, questionnaires, interviews with the community, clients or beneficiaries of social activities.
3. **Social media analysis**: Monitor and analyse social media opinions to understand how the organization is perceived by the public.
4. **Market indicators**: Analyse market indicators such as market share, customer loyalty, sales growth, which may be indirectly related to social impact.
5. **Government reports**: data published by government agencies on the areas in which the organization operates. This may include demographic data, health data, education data, etc.
6. **Academic Research**: The results of scientific and academic research can provide a deeper understanding of social impact and best practices.

Measuring social impact is a complex process that requires an integrated approach and the use of a variety of data sources. By implementing systematic research and analysis, organizations can more effectively manage their social impact and adapt their activities to the changing needs of society.[54]

A social enterprise is a company whose main purpose is to generate social or environmental benefits, with profits reinvested in the social mission. The social impact

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[54] Smith, J., & Johnson, A. (2018). "Measuring Social Impact: A Guide for Corporations, NGOs, and Social Entrepreneurs." Harvard Business Review. Own elaboration

on this type of enterprise can be deeply rooted in the activities it undertakes for the community or the environment.

Example. A social enterprise working to educate children from poor families:
Suppose there is a social enterprise that operates in the field of education. Its mission is to provide quality education for children from low-income families. The social impact on this enterprise could include:

1. Increased access to education: A social enterprise can impact society by increasing access to education for children who would normally have limited educational opportunities due to poverty.

2. Reducing educational inequality: The company's efforts can target the reduction of educational inequality by providing quality educational services where they are needed most.

3. Raising the skill level of the local community: By focusing on specific areas, the company can help raise the skill level and education of the local community, which in turn can translate into better life prospects.

4. Reducing generational poverty: Social impact can also manifest itself in the long term by reducing generational poverty. Children from families that have benefited from the educational services of a social enterprise may have better future prospects.

In this example, the social impact of the social enterprise is directly related to its social mission, and its activities are aimed at improving the living conditions of the community by providing education.

Unit 5.3 Case Study

Title	"Help Measured by kilometres" T-Mobile campaign
Origin	The campaign was the result of cooperation between the T-Mobile mobile network and the company providing the Endomondo platform for running and cycling.
Objective	The purpose of the case study is to explore and understand the idea of social impact of the various activities carried out by enterprises. This is a key element in the functioning of a social enterprise, as it is necessary to constantly monitor the level of social impact and possibly correct the enterprise's actions.
Background	Kilometres run as part of the campaign were converted into money. These, in turn, were used for the rehabilitation of physically disabled children. During the 5 years of the campaign, more than 1,400 children benefited from the support.
Problem	How to measure the social impact of the enterprise? What problems did the enterprise respond to? What value did the social activity bring to the companies?
Solution	Addressing problems: - activity among the population - subsidising medical services Ways of reporting social impact: 1. number of people who took part in the action 2. number of kilometres travelled by participants 3. number of children supported by the programme 4. amount of funding transferred to the target
Questions for discussion	1. Why does a properly prepared Mission Statement help in determining social impact?

	2. Why should social impact be considered in both the short and long term?
	3. What could be an example of monetary social impact?
Reference	https://www.freedomes.com/references/t-mobile-beach-tents-for-charity-help-measured-in-kilometers-2014
	https://www.telepolis.pl/wiadomosci/wydarzenia/t-mobile-podsumowuje-akcje-pomoc-mierzona-kilometrami

Summary of key points

The module covers how to develop a social enterprise and how to measure its social impact. When running a social enterprise, it is important to keep in mind the need to fulfil the basic premise of the entity, i.e. precisely the social impact. Module 5 focuses on the creation of the enterprise's social objectives, the enterprise's investment plan and the proper identification of areas of social or environmental impact and the selection of the correct way to calculate it. The key elements of the enterprise development strategy and social impact measurement are the following:

- Definition of the Mission of the social enterprise
- Definition of the Vision of the social enterprise
- Identification of the area of activity
- Analysis of competitive advantages
- Definition of the social objectives of the enterprise
- Identification of the value proposition

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Useful links

Title	Short description	Link
Danone Social project „share your meal" and FoodCycle	An example of a regional social initiative led by a global food company.	https://1000i.pl/en/portfolio/danone/ https://www.danone.co.uk/media/articles-list/Danone-announces-a-UK-wide-partnership-with-community-dining-champion-FoodCycle.html
Scaling up social enterprise	A guide to growing a social enterprise and how to scale it up	https://movingworlds.org/social-entrepreneurship-guide

Assignment

Task

Verification of the business idea in terms of positive social impact and give ways to measure it

Instruction

1. Analyse the Mission and Vision of the company as defined in the CANVAS model in terms of positive social impact.
2. Verify the Business Model:
    a. Verify the objectives identified in the PESTLE analysis and the CANVAS model for the idea in terms of positive social impact;
    b. If you have not identified any social objective using the Design Thinking tools outlined in Module 2 complete the Business Model with social objectives;
    c. The social objectives identified in the Business Model must fit into one of the 17 social objectives identified in Agenda 2030.
3. Group the identified objectives into economic, non-economic and production/marketing objectives.
4. Identify how social will be measured by each objective
5. Prepare a Social Impact Measurement Analysis.

Supporting structures

Model documents:

1. Design Thinking tools

2. SWOT analysis

3. CANVAS analysis

4. Business model

5. Social impact measurement analysis

Required materials

1. Organization reports

2. Social research

3. Social media analysis

4.Market indicators

5. Government reports

6. Academic research

Assessment criteria

1. Correctness of the definition of social objectives
2. Correct grouping of social enterprise objectives
3. The correct definition of how to measure social impact

Templates

Table 1: Analysis of social impact measurement

Objective	Type of objective	Influence area	Background documents	Type of measurement	Measuring method	Result
Objective 1	1. economic 2. non-economic 3. production and marketing	E.g. local community	E.g. Satisfaction Survey	1. Monetary 2. Non-monetary 3. Quantitative 4. Qualitative	Describe how you will calculate social impact	Determination of positive, neutral or negative social impact
Objective 2						
Objective 3						
…						

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