SIRENE
SOCIAL INNOVATION RESPONSIVE ENVIRONMENTS NETWORK

CAPACITY-BUILDING FRAMEWORK FOR SOCIAL ENTREPRENEURS

Co-funded by the European Union

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Co-funded by the European Union

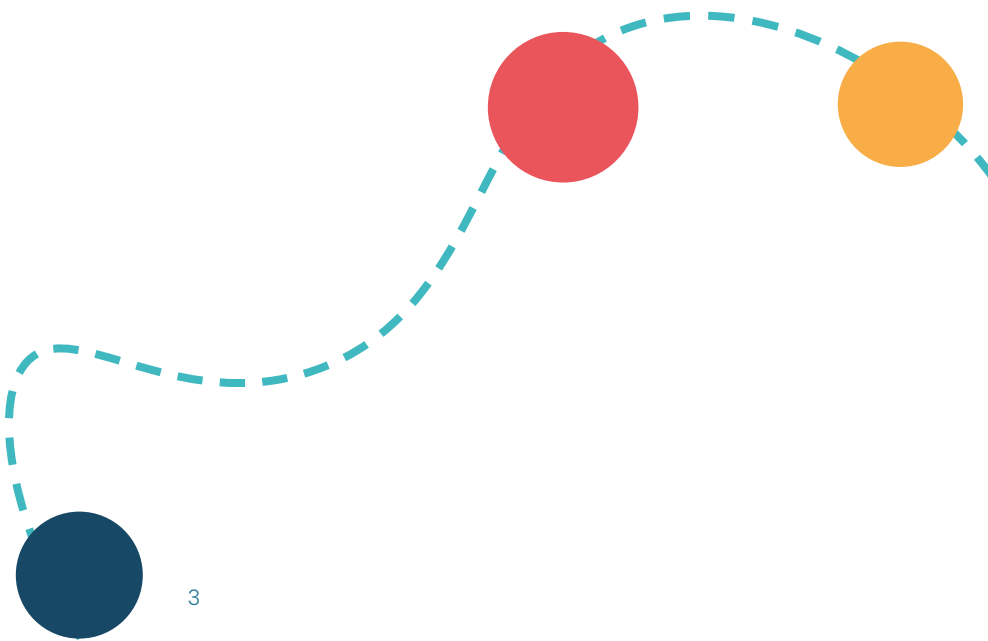
SIRENE | Social Innovation Responsive Environments Network is a Coordination and Support Action, co-funded by the European Union under Horizon Europe Programme (topic HORIZON-EIE-2022-CONNECT-01-02) through the Grant Agreement n. 101096077.

EXECUTIVE SUMMARY

The Capacity-Building Framework for Social Innovators is a key component of the Social Innovation Framework developed within the SIRENE project, a Coordination and Support Action co-funded by the European Union under the Horizon Europe Programme (Grant Agreement No. 101096077).

SIRENE aims to support the creation of inclusive, eco-friendly environments through new construction projects and the retrofitting of existing housing, addressing the needs of ageing populations. The capacity building framework is designed to empower social innovators by offering practical guidance and strategies for securing funding and building strategic partnerships. It promotes the adoption of green practices, the circular economy, and local production to build ecosystems that enable independent living and healthy ageing.

This document provides a comprehensive overview of the different pathways and outlines critical strategies for connecting social innovation with technical and business innovations. It also offers guidance on navigating the complex landscape of investment, enabling social innovators to access funding opportunities and develop sustainable business models that deliver long-term societal impact.



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1
INTRODUCTION

1.1. Background

The SIRENE project aims to support the growth of social innovation ecosystems delivering eco-friendly and sustainable community-based services for Smart Healthy Age-Friendly Environments (SHAFE) implementation in Europe, by providing a workable framework for investment and the broad adoption of high-quality smart living solutions, combining the housing sector and ICT infrastructure.

The Capacity Building Framework for social innovators is one of five core components of the SIRENE Social Innovation Framework. This component is designed to strengthen social innovation ecosystems by better connecting social innovation with technical and business innovations. It also guides social innovators on funding opportunities, sustainable business models, and investment options.

The Social Innovation Framework consists of five separately developed building blocks that are brought together and explained in this document. The blocks are:

- A manual for innovation actors on social innovation methods and concepts, especially focused on those that can be used to promote responsive, inclusive, eco-friendly environments.
- A capacity-building framework for social innovators, especially focused on funding opportunities and securing investment.
- A hands-on toolkit of networking and learning exchange initiatives.
- A sustainability strategy that includes examples of SHAFE business models and practical ideas for social innovation investments on SHAFE.
- A blueprint of good practices and social innovation initiatives in the area of SHAFE for benchmark and future twinnings.

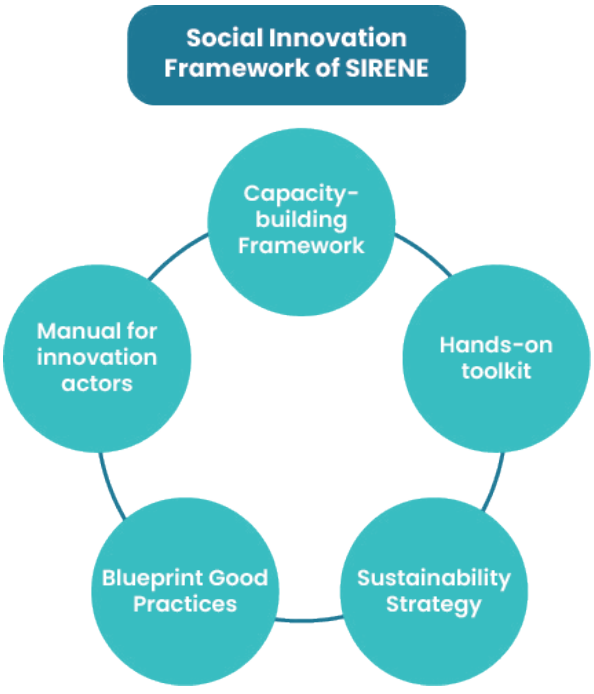


Figure 1: Social Innovation Framework

1.2. Scope and audience

The Capacity Building framework for social innovators is a critical component of the SIRENE Social Innovation Framework. It aims to strengthen social innovation ecosystems by providing clear pathways to financial support and strategic partnerships for both aspiring and established social innovators. In today's dynamic landscape, social innovators stand at the forefront of driving positive change, addressing societal challenges, and fostering sustainable development. However, navigating the complex land of funding and investment can often prove daunting.

The Capacity Building framework offers social innovators invaluable insights, practical strategies, and actionable advice to bolster their capacity. From establishing collaborations to seeking seed funding to kickstart a venture and attracting strategic investments for scaling impact, the Capacity Building framework equips social innovators with the knowledge and tools necessary for success. It explores various funding sources, including grants, impact investing, crowdfunding, and venture capital. Furthermore, it outlines key considerations for attracting investors, crafting compelling pitches, and cultivating lasting partnerships built on shared values and goals.

This module is designed to support the profile of a social innovation actor, as outlined in the **Manual for Innovation Actors**. In contrast to profit-focused entrepreneurs, social innovation innovators, work to meet societal needs and pursue inclusive, solution-oriented approaches, regardless of financial return. This role can be assumed by anyone committed to social responsibility, contributing to a more inclusive and sustainable society, in particular to:

- **Developers and Promoters** - Individuals or groups of people dedicated to advancing in creating and promoting solutions, products and services to enhance environments that support SHAFE, including real estate promoters, AI developers, tech Small and Medium Entreprises (SMEs), architecture offices, etc. The developer/provider is the person who is offering products and services to citizens. They are business providers or entrepreneurs. Products and services can be health and care, digital solutions, housing, built environments, culture or leisure.

- **Housing cooperatives** - These stakeholders rent properties for collective living with joint responsibility. They offer to independently manage the residential complex and share spaces and facilities with each other. Among other benefits, these initiatives can provide access to suitable housing by providing lower-cost housing and sharing the costs between its members.

- **Academia and Research** - This group concerns researchers, students and professors in multiple domains interested in addressing societal challenges through sustainable, ergonomic, and ethical approaches mingling social sciences, technology, design, health and care, built environments, urban planning, architecture, materials, and community engagement. Specifically, this refers to university spin-offs and departments dedicated to technological transfer.

Deep dive into SIRENE resources

The Capacity-Building Framework for Social Innovators has undergone two rounds of validation by SIRENE experts. For more information refer to the recording of the **4th Capacity-Building Workshop and the 5th Science Café**

1.3. Reading outline

The following outline aims to help readers navigate through the Capacity-building framework for social entrepreneurs, and revisit the different sections when they feel the need to do so, highlighting the key focus of each section and what readers can learn from it:

1. **Connecting social with technical and business innovation**
   A step-by-step guide to enhance collaborations and partnerships with the technical and business sector.
2. **Communication and Advocacy**
   Strategies to enhance communication and advocacy for your social and environmental goals.
3. **Technology and innovation adoption**
   Strategies to embrace digital transformation for your social enterprise.
4. **Financing, business models and performance assessment**
   I have an idea. Where can I get the funding?
5. **Essential business management skills for social innovators**
   Business management tips for starter.
6. **Social enterprise funding strategies**
   Examples of funding strategies that social enterprises could adopt, towards sustainability.

2
CONNECTING SOCIAL WITH TECHNICAL AND BUSINESS INNOVATION

Connecting social innovation with technical and business innovation bridges the gap between societal needs and technological advancements, creating comprehensive solutions that are both impactful and sustainable. This integration fosters a holistic approach, where social values drive technological developments, and business strategies ensure their scalability and economic viability. By aligning these domains, we can develop innovations that not only solve social challenges, but also thrive in competitive markets.

2.1. Enhancing collaboration and partnerships

Cross-sector collaboration between social enterprises and private sector enterprises provides mutual benefit to the organisations involved as they work in a complementary way. In other words, social enterprises benefit from the expertise, the networking, and the finance that corporations and private sector can offer to them, to achieve their social mission easier than if they were acting individually. Similarly, the private sector benefits from the knowledge regarding customer needs, access new markets where the corporation language does not apply and needs different treatment and facilitates the corporations to give back to the society by promoting Corporate Social Responsibility (CRS) policies.

As in every collaboration, so that in cross-sector collaboration there are potential risks and challenges. The stakeholders have different goals and expectations from the collaboration they are establishing, and it should be clear why they are collaborating and what should be the outcomes for each side. The collaboration should be evaluated according to the balance between cost and benefit to identify if the collaboration is worth establishing and the expectations should be clear from the beginning so neither the social aim from the social enterprise's side, nor the profits and the status from the private sector's side will be harmed.
The collaboration between the private sector and social innovators varies from country to country in terms of both the form of cooperation and the motivations driving each party to collaborate. In every type of collaboration, social innovators face challenges that can be categorised into three stages:

- challenges prior to the collaboration.
- challenges in the initial stage of the collaboration.
- challenges for maintaining the collaboration.

Before establishing a collaboration, social innovators need to research and identify organisations whose goals align with theirs and create a proposal that is mutually beneficial. It is essential to understand what motivates the potential partner to collaborate. Particularly when seeking financial support, the proposal must be concrete, clear, time-bound, and offer the company more than just communication.

Social enterprises can receive a range of benefits from the private sector, depending on their needs. These benefits may include financial support, access to expertise (such as legal, marketing, or communication professionals), human resources (e.g., volunteers from the company), products (supplies needed for specific goals), or even the use of company resources (such as free access to company space for advertising).

In addition to crafting a strong proposal to approach a new organisation, it is crucial to communicate with individuals who have decision-making authority within that organisation. This ensures that social innovators can receive prompt and informed responses to their collaboration requests.

Prior collaborations with NGOs or public organisations can also enhance a social enterprise's credibility when approaching private sector partners. These existing relationships lend recognition, validity, and legitimacy to the social enterprise, which can also benefit its potential for scalability. An established partnership with the private sector further strengthens the social enterprise's reputation and can facilitate growth.

For initiating but also continuing the collaboration, the social innovators need to look and be trustworthy, maintain reliable communication and be responsible for the tasks that they need to deliver. Especially in the initial stage, the social innovators need to invest time and effort to report everything to the company regarding financing, planning, and project management. As time passes and trust is gradually gained, it is important to keep the interest up and the motivation of the company to be involved and informed about the social enterprise's progress.

Although the creation of a collaboration often follows an opportunistic, or ad hoc approach, it is helpful to use a systematic process and to structure the necessary steps. The following section presents, from a social innovator's perspective, four phases for developing collaborations and includes recommended actions for each phase to create strong, effective partnerships. This approach is based on the Meeting the collaboration challenge workbook (2002) by the Drucker Foundation[1].

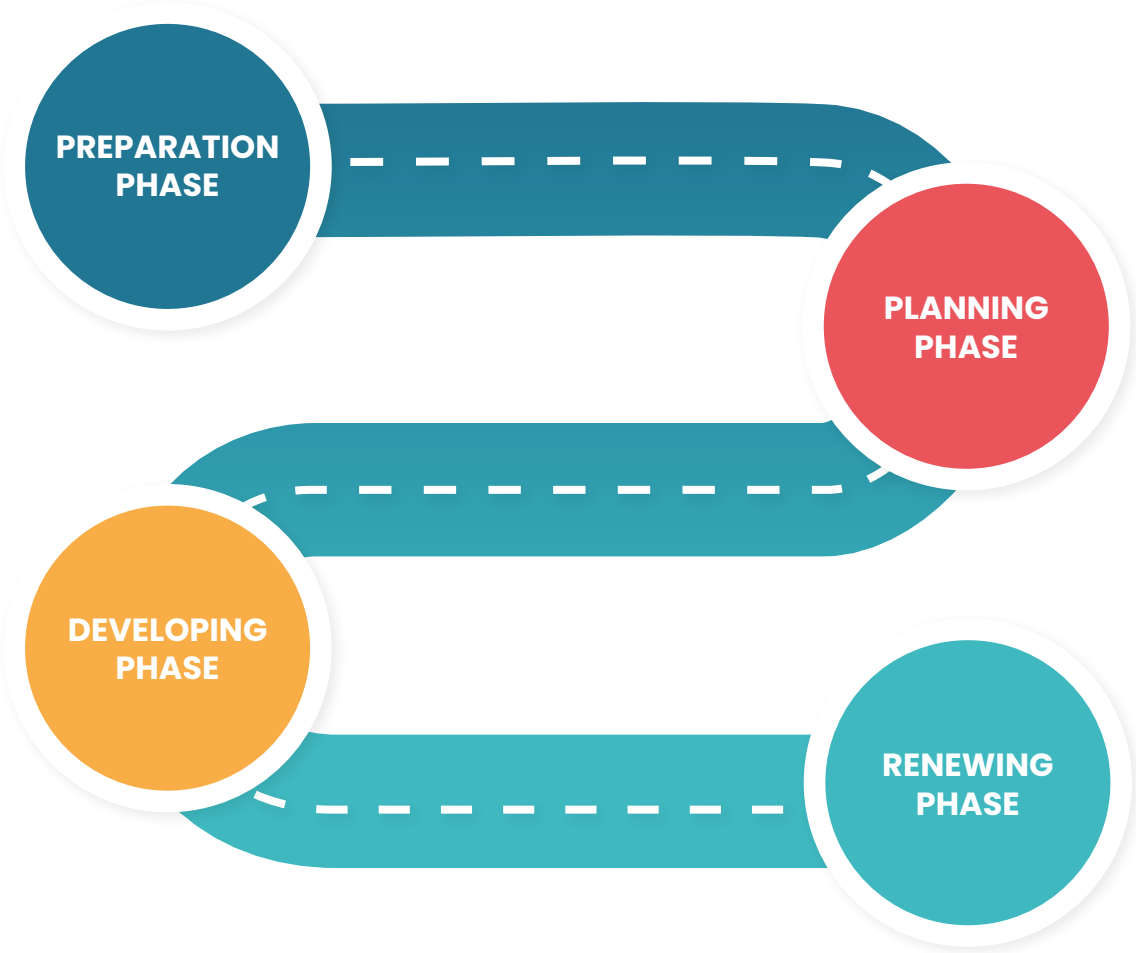


Figure 2: Phases for developing collaborations.

[1] 'Meeting the Collaboration Challenge Workbook: Developing Strategic Alliances Between Nonprofit Organizations and Businesses | Wiley', Wiley.com. Accessed: Nov. 01, 2024. [Online]. Available: https://www.wiley.com/en-es/

2.1.1. Preparation phase

Before thinking about potential collaboration partners, it is important to be clear about the strategic goal of the planned collaboration and to ascertain that it is in line with the social innovator's overall strategy, mission, and vision. Identifying one's own strengths and being clear about the resources and capabilities they can contribute to a collaboration will help to specify missing assets. From there, one can begin to define the expectations of the partner and determine the type of partner who would most likely value a collaboration (e.g., private utility companies, and charities with a focus on education).

An additional action could be the generation of a list of all relevant organisations with which a relationship already exists. For instance, identifying all current agreements with government authorities or existing commercial relationships with businesses, and including contacts from the personal networks can help to find potential partners.

Depending on the size of the social enterprise and the complexity of the collaboration, a helpful step is to prepare the social innovator's organisation for the collaboration by defining responsibilities, such as nominating a central contact person and determining their authority in negotiations. Additionally, it can be helpful to set parameters for ethical matters and determine adequate guidelines in line with one's own organisational values. Including key decision-makers and aligning the board of the social enterprise will influence the collaboration's success.

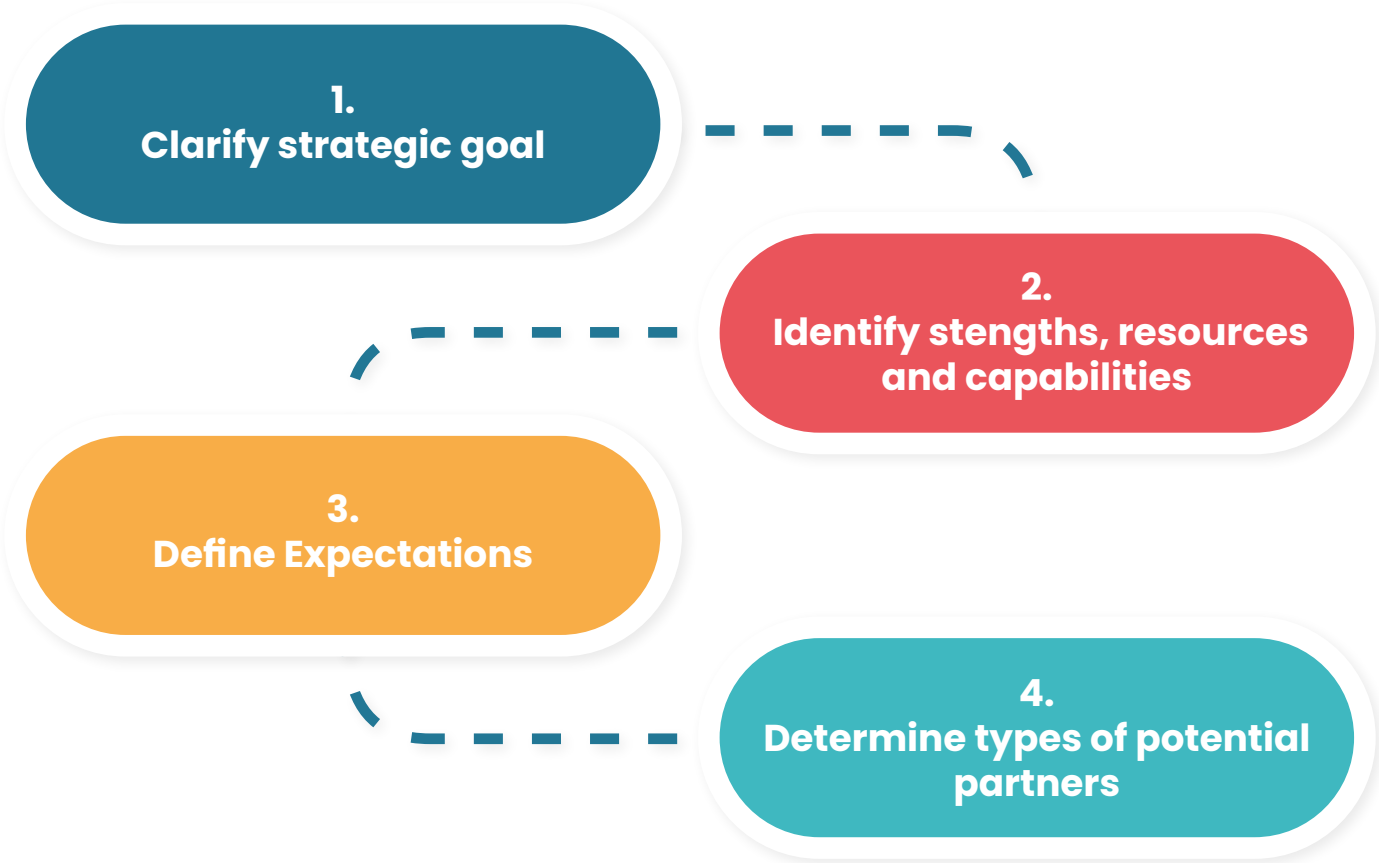


Figure 3: Preparation phase.

2.1.2. Planning phase

To determine the most promising collaboration partner it is best to use the list of existing relationships, assess each relationship and partner in depth and consider if an expansion of the relationship could be possible and valuable when considering the intended goal. Here, the strategic fit and the ability to develop mutually beneficial projects should be considered. Although it is mostly easier and faster to extend or intensify existing relationships, sometimes no promising partner can be identified from existing relationships and new partners need to be found. When searching systematically, well-defined criteria can be helpful, such as geographical regions, size, or maturity level of the partner organization, etc. Including middlepeople or using formal and informal networks can support the search.

Once potential collaboration partners are identified, the next step is to plan how a collaboration could be approached. Relevant points to consider are: how to introduce the idea to potential partners, how to initiate a first meeting, and how to follow up. When developing this approach, it helps to view potential partners as customers and to market the collaboration by addressing the other's needs and arousing interest in the joint project.

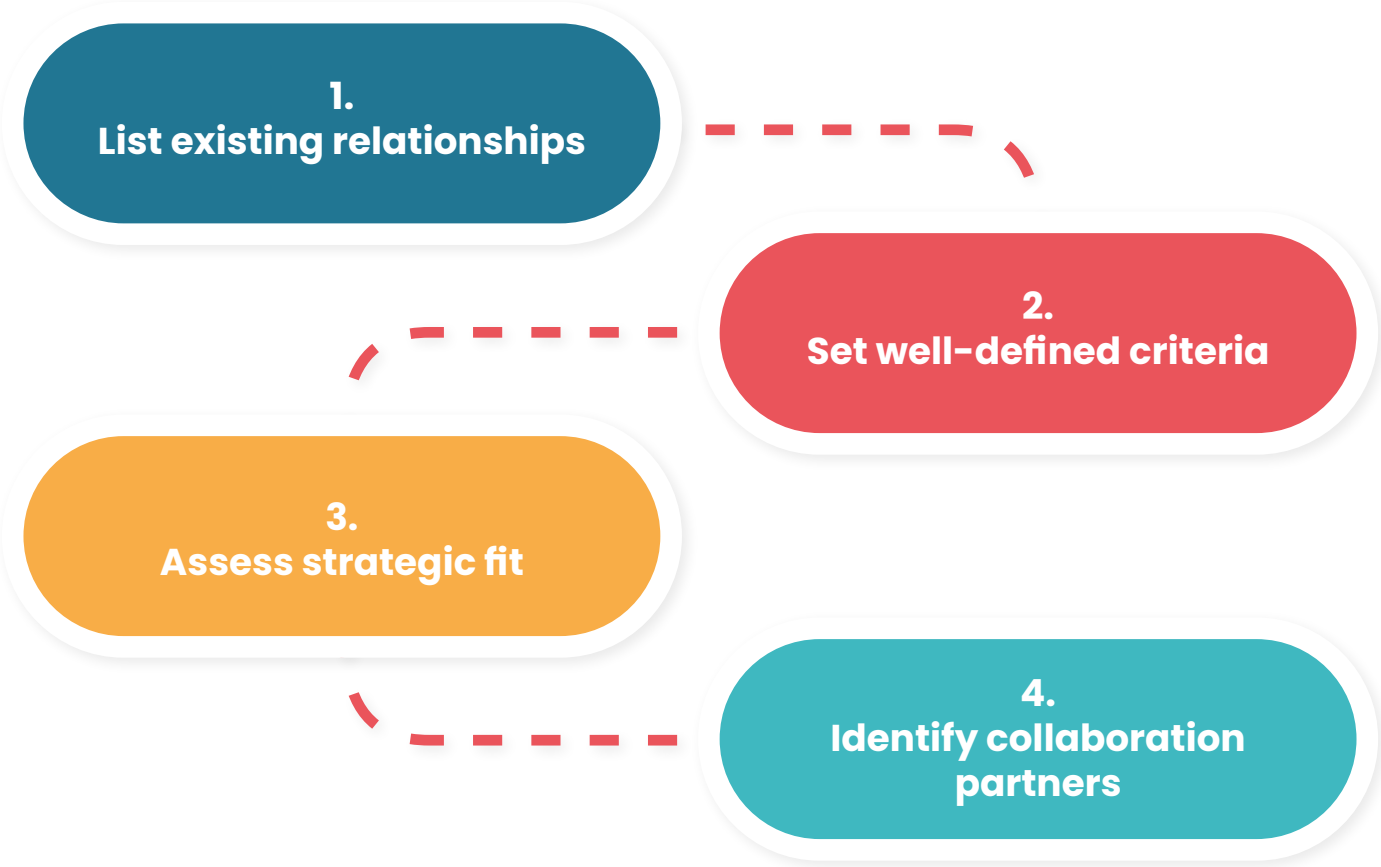


Figure 4: Planning phase.

2.1.3. Developing phase

After prioritizing these partners, which have mutual interests, closely working together is important to align goals and develop clear expectations of the collaboration. A useful action in this phase is to jointly develop a detailed implementation plan. This can include a timeline with milestones, the resources each partner is going to contribute, and a distribution of responsibilities, tasks and eventually risks.

Even though many successful collaborations are based on oral agreements, written confirmations help to clearly align agreements and avoid misunderstandings. In this phase, particular attention should also be given to the comparability of the mission and values of the partner organisation since those factors are critical for the success of the collaboration.

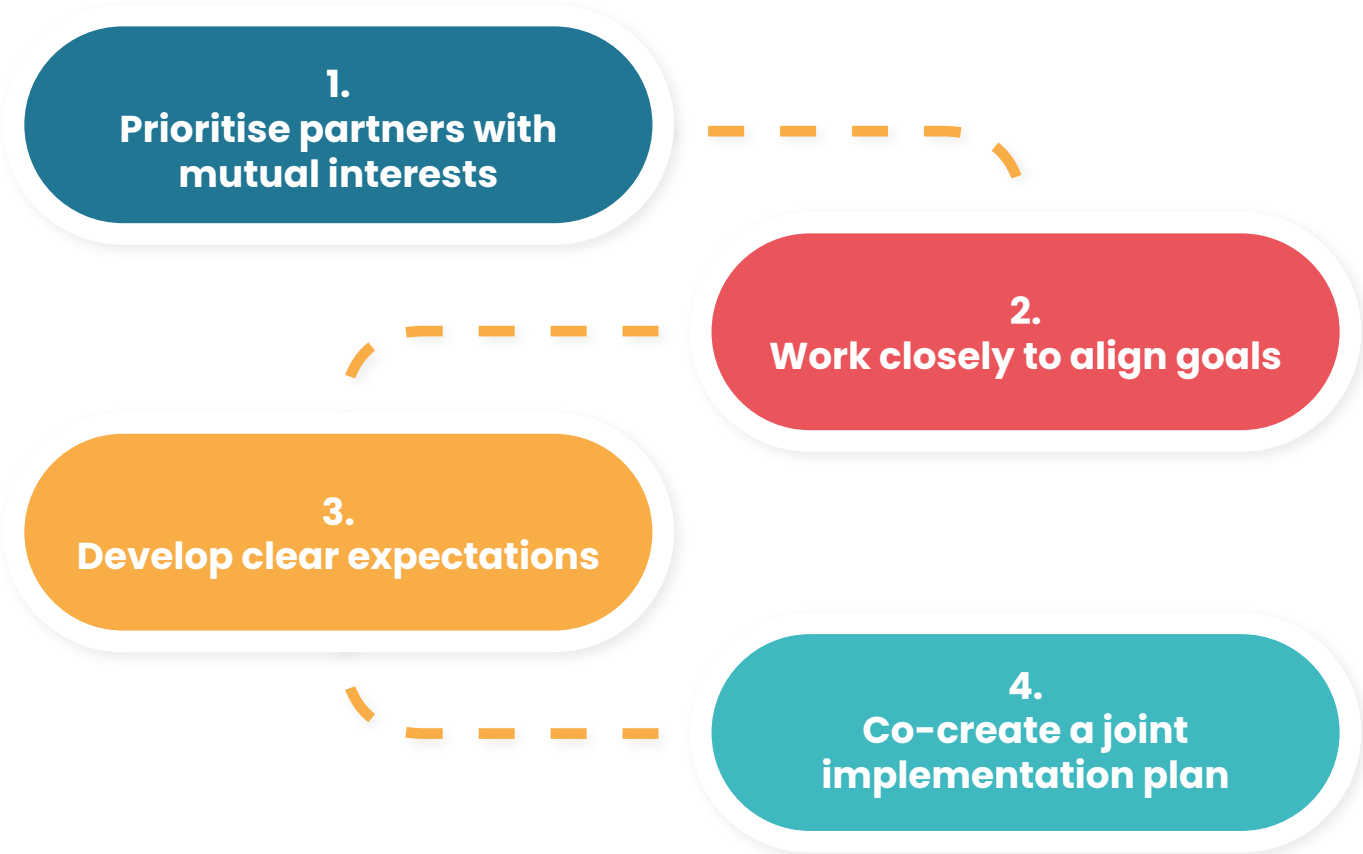


Figure 5: Developing phase.

2.1.4. Renewing phase

Once a collaboration is established and realised, frequent reviews and appraisals are helpful to actively manage the development and evolution of a relationship.

An appraisal of an individual collaboration can include reviewing the strategic fit, analysing inputs and outcomes of the collaboration, and identifying unexpected benefits or side effects. Based on the appraisal, the partners can jointly decide how to renew the collaboration, e.g., by maintaining, expanding, optimising certain areas, or abandoning it. Changes should then be translated into a new or adjusted implementation plan. Such appraisal can lead to collaborations that develop and expand over time. A series of examples exist, where loose arrangements between non- and for-profit organizations with limited resource sharing have evolved over time into important joint ventures with major strategic value for both partners [1].

In addition to assessing individual collaboration, it is helpful to also analyse the collaborations' portfolio. Comparing different collaborations, their outcomes and their contribution to the social innovator's mission and overall strategy can help to decide on individual collaboration investments. Only relatively few resources should be invested in collaborations focusing on peripheral activities or showing only minor outcomes; significantly greater investments can be made in collaborations with high importance to the social mission.

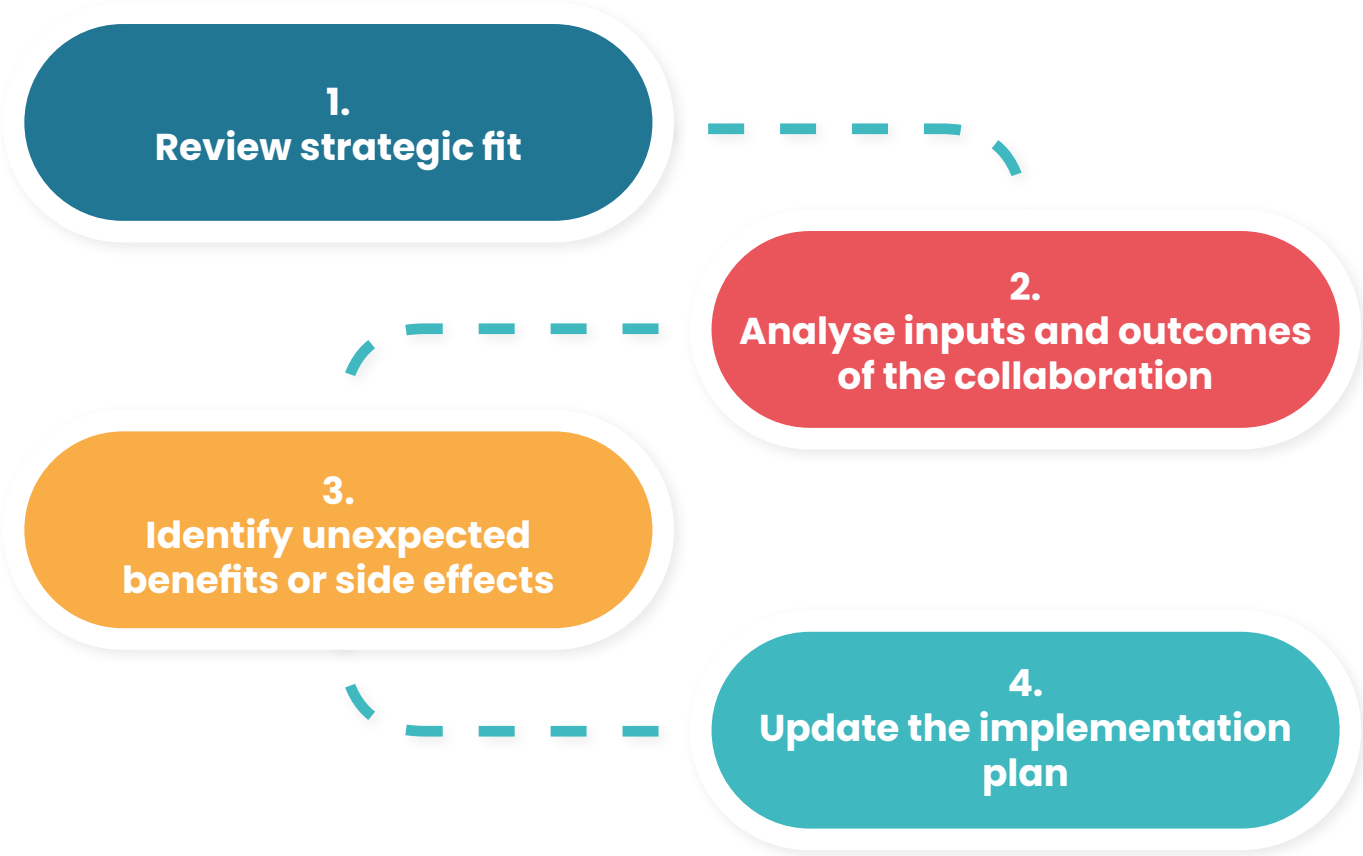


Figure 6: Renewing phase.

3
COMMUNICATION AND ADVOCACY

Social enterprises are organisations that aim to achieve social or environmental goals while generating revenue through market-based activities. They typically operate in sectors like health, education, energy, agriculture, and microfinance, providing innovative solutions to meet the needs of marginalised and underserved communities. However, these enterprises often face significant challenges, such as limited access to finance, markets, talent, and supportive policies. To overcome these barriers and expand their impact, social enterprise advocacy plays a crucial role in empowering social innovators.

According to Faster Capital [2], social enterprise advocacy involves influencing and engaging key stakeholders—such as policymakers, media, investors, customers, and peers—to create a more supportive environment for social enterprises to thrive. This advocacy can have several goals and benefits, including:

Raising awareness and recognition of the social enterprise sector and its contribution to society and the economy.

Building trust and legitimacy for social enterprises and their products and services among potential customers and investors.

Creating and improving legal and regulatory frameworks that support and incentivize social enterprises and their activities.

Accessing and mobilizing resources and opportunities for social enterprises, such as funding, partnerships, networks, and markets.

Sharing and learning from best practices and experiences of other social enterprises and advocates across different contexts and sectors.

Fostering collaboration and solidarity among social enterprises and other actors in the social innovation ecosystem.

[2] https://fastercapital.com/content/Social-enterprise-advocacy--Empowering-Social-Entrepreneurs--Advocacy-Strategies-for-Success.html

3.1. Strategies for Advocacy and Lobbying

In the field of social innovation, effective advocacy and lobbying are crucial for shaping policies that create a supportive environment for social impact. This section explores strategies for influencing policy in the context of social innovation, offering insights from diverse perspectives on how to drive change and create favourable conditions for social enterprises to thrive.

Figure 7: Strategies for Advocacy and Lobbying.

In the field of social innovation, effective advocacy and lobbying are crucial for shaping policies that create a supportive environment for social impact. This section explores strategies for influencing policy in the context of social innovation, offering insights from diverse perspectives on how to drive change and create favourable conditions for social enterprises to thrive.
Let's explore these strategies in detail:

1. Understanding the Landscape:

Before initiating advocacy efforts, it's essential to grasp the full scope of the policy environment. A detailed understanding of current policies and the specific needs of social innovators allows for targeted, effective action. Key approaches include:

- **Research and Analysis:** Conduct in-depth research on existing policies, their outcomes, and the stakeholders involved. Engage with subject matter experts, practitioners, and academics to gather comprehensive insights and build a strong foundation for advocacy.

- **Mapping Stakeholders:** Identify critical players such as government bodies, NGOs, private sector entities, and civil society organisations. Understanding their interests, influence, and potential alignment with your goals will help establish valuable connections.

2. Building Alliances:

Advocacy efforts are strengthened through collaboration. Building strong relationships with like-minded organizations and individuals can create a unified front to drive change. Strategies include:

- **Coalitions:** Join or create coalitions focused on specific policy goals, such as tax incentives for social enterprises or simplified registration procedures. A collective voice can amplify the impact of your advocacy.

- **Cross-sector partnerships:** Engage with businesses, academic institutions, and philanthropic foundations. Cross-sector collaboration brings diverse perspectives, resources, and networks that can boost the influence of social innovators.

3. Crafting a Compelling Narrative:

Storytelling plays a vital role in advocacy. A persuasive narrative showcases the positive impact of social enterprises, inspiring policymakers and the public. Key elements include:

- **Case Studies:** Use real-world examples of social enterprises making a difference. For instance, a case study of a microfinance initiative that empowered women entrepreneurs can highlight the societal value of supporting such efforts.

- **Data and Evidence:** Reinforce your narrative with both quantitative data and qualitative anecdotes. Metrics on job creation, improved living standards, or environmental benefits can demonstrate the tangible results of social enterprises.

4. Engaging Policymakers:

Direct engagement with policymakers is essential for effective advocacy. To do this:

- **Meetings and briefings:** Arrange meetings with legislators and government officials to present well-researched, evidence-based arguments. Propose specific policy changes and illustrate their potential impact.

- **Policy Briefs:** Develop concise, compelling policy briefs that clearly explain the issues at hand, suggest solutions, and demonstrate the benefits of supporting social enterprises. Use visuals to make the message more engaging.

- **Public Hearings and Consultations:** Participate in public forums or consultations where policies are discussed. These venues provide opportunities to voice support for policies that enable social entrepreneurship.

5. Leveraging media and public opinion:

Public support is a powerful tool for influencing policy. Using media channels to raise awareness and build momentum can help sway policymakers. Consider the following tactics:

- **Op-Eds and Articles:** Publish opinion pieces in mainstream and niche media outlets to highlight the importance of social entrepreneurship and advocate for specific reforms.

- **Social Media campaigns:** Launch targeted social media campaigns to raise awareness about policy issues. Mobilize the public to engage with policymakers through petitions, hashtags, or online discussions.

6. Monitoring and Evaluation:

Advocacy efforts need ongoing assessment to ensure they are delivering the desired outcomes. Regular evaluation helps maintain momentum and refine strategies. Key approaches include:

- **Tracking progress:** Continuously monitor the impact of policy changes on social innovators. If the changes fall short, adjust your advocacy to push for further improvements.

- **Learning from failures:** Not all efforts will succeed immediately. Analyse setbacks, learn from them and adapt your strategies to overcome challenges in future advocacy.

Successful advocacy and lobbying require persistence, adaptability, and a deep commitment to achieving social impact. By strategically navigating the policy landscape, social innovators can influence meaningful change and help build an ecosystem that fosters innovation and drives positive transformation.

4
TECHNOLOGY AND INNOVATION ADOPTION

According to the World Economic Forum [3], the trajectory of social innovation is clear. Digital methods of working will become increasingly critical as social innovators adopt new technologies to deliver services ranging from smart healthcare to microfinance and resource management. For many, this shift is not just about enhancing the resilience of their enterprises; it's also about preparing the communities they serve for the Fourth Industrial Revolution and the decarbonization of the economy. This ensures that vulnerable populations aren't left behind as traditional industries evolve.

Two major factors have brought the world to a crucial inflexion point:

1. **The urgent need for digital solutions,** is driven by the pace of global changes.

2. **The decreasing barriers to deploying these solutions,** notably the widespread ownership of mobile phones, which act as the foundational tools of digital communication in the 21st century.

This "prime time" for the democratization of the information technology revolution means billions more people can now be connected. But digital transformation is about more than just expanding reach—it is a tool for empowerment, providing individuals with greater access to information and control over their lives. From farmers in remote areas checking crop prices to students across Asia, Africa, and Latin America accessing educational resources online, digital tools are opening new doors.

Digital transformation for social enterprises

Social enterprises, too, stand to benefit significantly from digital transformation in several ways:

1. **Reaching new audiences:** Digital tools like social media, search engine optimization, and email marketing help social enterprises expand their reach to new, previously untapped audiences.

2. **Improving operational efficiency:** Cloud-based solutions, automation, and data analytics streamline operations reduce costs, and improve overall efficiency, allowing social enterprises to do more with fewer resources.

3. **Increasing transparency and accountability:** By providing real-time access to data, digital technologies can increase transparency and ensure accountability for stakeholders, building trust in the enterprise's mission.

4. **Engaging stakeholders:** Tools such as social media platforms, online communities, and crowdfunding sites foster engagement with stakeholders, helping social enterprises build relationships with their supporters.

5. **Innovating new business models:** Digital technologies enable social enterprises to create new business models and revenue streams, such as through e-commerce, digital products, and subscription services.

[3]https://www.weforum.org/agenda/2022/05/how-digital-tech-turbo-charge-social-enterprises/

Challenges of digital transformation for social enterprises

While the potential benefits of digital transformation are immense, social enterprises face unique challenges due to their focus on social impact:

1. **Limited resources:** Many social enterprises operate on tight budgets, making it difficult to invest in digital transformation. They may lack the financial resources to hire experts or invest in advanced technologies, which can make digital transformation seem unattainable.

2. **Lack of awareness:** Some social enterprises may not fully understand the benefits of digital transformation or how to go about implementing it. A lack of knowledge about available technologies can hinder their ability to integrate these tools effectively.

3. **Resistance to change:** Social enterprises are often deeply focused on their social mission, and this intense focus can lead to resistance to change. Digital transformation may be seen as a distraction or a challenge to their core objectives, making it difficult to embrace new technologies.

4. **Limited access to technology:** Many social enterprises operate in areas where access to technology and internet connectivity is limited, creating additional hurdles in implementing digital transformation initiatives and expanding their reach.

Strategies for overcoming digital transformation challenges

To successfully navigate the digital transformation journey, social enterprises must adopt a strategic approach. Here are some key strategies:

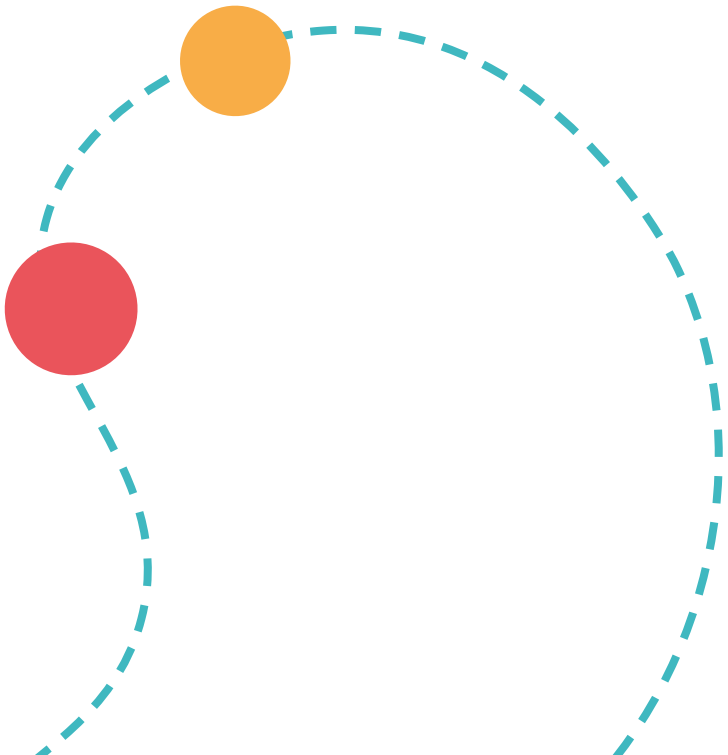
1. **Develop a digital transformation strategy:** The first step is to create a clear strategy that outlines the organization's digital goals and how to achieve them. This plan should align with the social mission of the enterprise and address the unique challenges faced by social innovators.

2. **Invest in training and education:** Providing employees with training on new technologies, such as digital marketing and cloud-based solutions, can help the organization integrate digital tools and improve operations.

3. **Leverage existing technology:** Social enterprises don't need to reinvent the wheel. They can use readily available technologies like social media or cloud platforms to begin their digital transformation journey, allowing them to improve efficiency and reach at minimal cost.

4. **Partner with technology providers:** Partnerships with tech providers, including software companies and IT service firms, can help social enterprises access the tools and expertise they need for digital transformation without a large upfront investment.

5. **Embrace innovation:** Social enterprises should foster a culture of innovation, experimenting with new approaches to achieve their social goals. Overcoming resistance to change and embracing new technologies can unlock new opportunities for impact.



5
INSPIRING EXAMPLES

Exploring inspiring examples of social enterprise networks and advocacy initiatives reveals the transformative power of collaborative efforts in driving social change. These stories highlight how strategic alliances and passionate advocacy can amplify impact, fostering resilient communities and promoting sustainable development. By showcasing these successes, we can inspire and guide future social innovators on their path to making a difference.

5.1. Networks and advocacy

Inspiring examples of social enterprise networks and advocacy initiatives:

- Fair Trade Movement [4] is a global network of organisations that promotes fair trade standards and practices for producers and consumers of agricultural and handicraft products. The movement advocates for better prices, working conditions, and environmental sustainability for farmers and artisans in developing countries, and educates consumers about the social and environmental impacts of their purchasing decisions. The movement has influenced policies and regulations at national and international levels and has created a niche market for ethical products that benefits millions of producers and consumers worldwide.

- Grameen Bank [5] is a microfinance institution that provides loans and other financial services to poor and marginalized people, especially women, in Bangladesh and other countries. The bank promotes the recognition and empowerment of the poor as active agents of change and development, challenging the traditional banking system that often excludes them. The bank has inspired the creation of thousands of similar organisations around the world and has contributed to the reduction of poverty and the empowerment of women in many communities.

- Ashoka Networ [6] is a global organisation that supports and connects social innovator who are solving social and environmental problems in innovative ways. The network advocates for the recognition and support of social entrepreneurship as a key driver of social change, and creates platforms and opportunities for social innovators to share their ideas, learn from each other, and collaborate with other sectors. The network has cultivated a culture of social innovation and entrepreneurship in numerous countries, facilitating the scaling and replication of many successful social ventures.

- Social Enterprise World Forum (SEWF) [7], which is an annual global event that brings together social innovators, supporters, and policymakers from more than 70 countries to share, learn, and collaborate on social enterprise development and advocacy.

- British Council's Global Social Enterprise Program [8], which supports social enterprise policy dialogue, research, education, and exchange in more than 30 countries, and also organizes the Social Enterprise Policy and Practice Awards to recognize and celebrate the achievements of social enterprise

[4] https://fairtrade-advocacy.org/the-fair-trade-movement-2/#:~:text=The%20Fair%20Trade%20movement%20shares,develop%20their%20full%20human%20potential.

[5] https://grameenbank.org.bd/

[6] https://www.ashoka.org/en-us

[7] https://sewfonline.com/

[8] https://www.britishcouncil.org/sites/default/files/global_social_enterprise_booklet_final_web.pdf

advocates and policymakers.

- Aspen Network of Development Entrepreneurs (ANDE) [9], which is a global network of more than 300 organisations that advocates for policies and practices that support the growth of these businesses, enabling them to generate both social and environmental impact.

- B Lab [10], which is a nonprofit organisation that certifies and supports businesses that meet the highest standards of social and environmental performance, accountability, and transparency, and also advocates for the establishment of a new legal structure for these businesses, known as the benefit corporation..

- Social Enterprise Alliance (SEA) [11], which is a membership organization that represents, connects, and empowers social enterprises and their supporters in the United States, and also advocates for policies and programs that support and advance the social enterprise sector.

5.2. Bringing innovation in entrepreneurship

Exploring examples of social innovation in entrepreneurship reveals how creative and impactful solutions are addressing pressing social issues. By integrating innovative approaches with business acumen, social innovators are transforming communities, fostering sustainable development, and driving positive change. These examples not only highlight the potential of entrepreneurial ventures to solve societal challenges but also inspire others to harness their innovative spirit for the greater good.

[9] https://andeglobal.org/

[10] https://bcorporation.eu/

[11] https://socialenterprise.us/

ZanaAfrica

A social enterprise empowering women and girls through education and microfinance. ZanaAfrica Foundation is a non-profit organization based in Kenya dedicated to supporting adolescent girls in staying in school through reproductive health education and the provision of sanitary pads. Founded in 2007 by Megan White Mukuria, ZanaAfrica emerged in response to the challenges faced by millions of girls who miss school or drop out due to a lack of menstrual hygiene products and essential information. Mukuria aimed to create a holistic solution that addresses both the supply and demand sides of the issue by producing affordable, eco-friendly pads and delivering comprehensive sexual and reproductive health education to schools and communities.

Key aspects of ZanaAfrica's innovative approach:

- **Leveraging local resources and partnerships:** ZanaAfrica produces its pads locally using natural materials like banana fibre and cotton, which are abundant and affordable in Kenya. This approach not only minimizes environmental impact and production costs but also creates job opportunities for local women. Additionally, ZanaAfrica collaborates with local organizations, including the Ministry of Education, community health workers, and women's groups, to distribute its products and services to marginalized and hard-to-reach areas.

- **Combining products and services:** ZanaAfrica goes beyond providing pads by offering comprehensive, age-appropriate education on sexual and reproductive health, human rights, and life skills. This education is delivered through various channels, including school clubs, comic books, radio shows, and SMS platforms. The aim is to empower girls with the knowledge, skills, and confidence needed to make informed decisions about their bodies, health, and futures.

- **Measuring impact and learning from feedback:** Committed to evaluating the impact of its interventions, ZanaAfrica employs rigorous methods, such as randomized controlled trials, to assess the effects of its programs on key indicators like school attendance, academic performance, self-esteem, and reproductive health outcomes. The organization also gathers feedback from

beneficiaries and stakeholders through surveys, focus groups, and interviews to understand their needs, preferences, and challenges, ensuring continuous improvement of its products and services.

ZanaAfrica's innovative approach exemplifies how social enterprises can effectively address pressing social issues while empowering communities and fostering sustainable change.

The impact of ZanaAfrica's work has been truly remarkable. According to its website, the organization has reached over 10,000 girls through its pads and education programs. As a result, it has recorded significant outcomes, including a 24% increase in school attendance, a 58% rise in self-confidence, and a 76% improvement in knowledge of reproductive health among its beneficiaries.

ZanaAfrica has gained recognition as a leader and innovator in social entrepreneurship, winning several prestigious awards, such as the Skoll Award for Social Entrepreneurship, the Cartier Women's Initiative Award, and the Grand Challenges Canada Award.
Looking to the future, ZanaAfrica aims to reach one million girls in Kenya and beyond by 2025. It also seeks to inspire other social enterprises to adopt similar approaches in addressing the challenges faced by women and girls globally.

Pimp My Carroça

A Brazilian initiative that empowers waste pickers and transforms their working conditions. Known as *catadores* in Portuguese, waste pickers are informal workers who collect recyclable materials from the streets and sell them to recycling centres. They play a crucial role in reducing waste and greenhouse gas emissions but often face social stigma, low income, and health risks. Pimp My Carroça seeks to change this reality by providing catadores with the following services:

- **Carroça makeover:** The organization enhances the catadores' carts, or *carroças*, with colourful designs and messages that raise awareness about their work and its environmental impact. The makeover also includes safety equipment, such as lights, reflectors, and horns, to prevent accidents and improve visibility.

- **Access to health care:** Pimp My Carroça offers free health check-ups, dental care, vaccinations, and psychological support for catadores. It also provides personal protective equipment, such as gloves, masks, and boots.

- **Education and empowerment:** The organization conducts workshops, courses, and events that educate *catadores* about their rights, recycling techniques, and waste management. It also connects them with other social movements, networks, and organizations that advocate for their interests and recognition.

- **Technology and innovation:** Pimp My Carroça develops and implements technological solutions that facilitate *catadores*' work and income generation. This includes a mobile app that connects them with potential clients, a digital platform that tracks and rewards their recycling activities, and crowdfunding campaigns that raise funds for their needs.

Through these services, Pimp My Carroça not only enhances the quality of life and dignity of the *catadores* but also creates positive social and environmental impacts in the communities where they operate. The organization has reached over 3,000 *catadores* across 70 cities in Brazil and 10 other countries and has mobilized more than 1,500 volunteers and 200 artists. It has also inspired similar initiatives globally, such as **Pimp My Tuk Tuk** in Sri Lanka, **Pimp My Bike** in India, and **Pimp My Cart** in Colombia.

6
FINANCING, BUSINESS MODELS AND PERFORMANCE ASSESSMENT

Navigating the complex landscape of financing, business models, and performance assessment is crucial for the sustainability and impact of social enterprises. Understanding how to secure funding, develop resilient business models, and effectively measure performance is essential for driving social change while ensuring financial viability. This multifaceted landscape requires innovative approaches that balance social mission with economic sustainability, enabling social enterprises to thrive and maximize their positive impact on communities and society.

6.1. Financial management for social innovation

The social innovation view emphasises the social entrepreneur as a change agent altering systems for the provision of public goods and services [2]. Such activity requires effort and the channelling of financial resources towards ambiguous scenarios, making traditional return on investment (RoI) calculations difficult to compute. Ambiguity around RoI often impedes social innovators from accessing traditional sources of funding such as venture capital [3]. Instead, they need to garner support from a range of stakeholders outside traditional financial institutions [1]. This chapter will guide you through financing, business models, and performance assessment for social enterprises.

6.2. Capital enablers and constraints of social entrepreneurship

Social innovators can play a crucial role in transforming and combining existing resources (different forms of capital) into value, both economic and social [4]. Each new resource combination can consist of three forms of capital: financial, human, and social. These forms of capital have a prominent role in the social innovation process [5].

Human capital

The human capital of the founder entrepreneur(s) is regarded as a key input in entrepreneurial innovation [6], also in the case of social enterprises.
The development and scaling of a social innovation requires strategic investment in human capital within a social enterprise [7]. However, recruiting individuals with desirable skills and knowledge (or high levels of human capital) can be expensive and social enterprises are rarely able to pay market-rate compensation [8]. Moreover, there is reliance on volunteers to fill key functions such as board members, fundraisers or staff to deliver services on the ground [4]. This creates challenges for the social enterprise's management when looking to encourage innovative behaviour.

Social capital

Social capital comprises the bonds, bridges and linkages that hold together societal members [9]. In this way, social capital holds greater significance than both financial and human capital, as social relationships serve as a form of capital that can be converted into other types of capital. In fact, the creation of social capital is one of the key goals of social entrepreneurship. The created social capital brings innovation to social settings, especially in resource-constrained environments of inner cities and developing countries [10].

Financial capital

Social entrepreneurs involved in the initiation and development of social innovations recurrently report a lack of finance [11], [12]. In general, mainstream financial institutions are reluctant to finance start-up social

enterprises owing to the heightened risks associated with assessing both social and economic potential [1]. New funding sources such as impact investments, venture philanthropy or Developmental Venture Capital (DVC) are few and fund ventures aligned to their objectives only [13].

Impact investing

Financial institutions tend to marginalize social entrepreneurs and beneficiaries of social innovations. This is due to perceptions of higher risks associated with returns on social investment [11], [12]. In comparison, high-growth new ventures in commercial settings developing technological innovations have much better levels of access to equity financing from venture capitalists and other financiers [14].

The persisting financing gap for social enterprises is slowly being remedied by the rapidly developing "impact investing" community. Impact investments intentionally target ventures that have a specific social and/or environmental objective along with a business model that can generate financial returns [15]. The sector is quite diversified with a range of prevalent models [16]. An emphasis is placed on non-financial impact - which must not be merely intentional [17] and "measurable" [18]. There appears to be no limitation regarding the types of mechanisms or instruments available for impact investing. It occurs across various asset classes including debt, equity, guarantees and deposits, and newer structures such as social impact bonds [18].

Impact financing's boundaries overlap with the broader and more established field of Social Return on Investment (SROI); and on a general level, their definitions do not differ drastically. SROI is often defined as the integration of certain non-financial concerns, such as ethical, social or environmental, into the investment process [19]. This would be similar to impact investment – which involves the provision of financial resources for a return with an aim to generate a social and environmental impact [20]. Impact investing can, therefore, be considered an SROI strategy but with two differences. First, the "nature and size of investments" – while SROI funds would traditionally focus on large corporations [21], a typical impact investment structure would target small enterprises [22]. The second difference is the "expected level of financial return" – SROI investors would expect near commercial returns, impact investors on the other hand aim for a low financial return to offset inflation effects [23].

Financial intermediaries working with social enterprises

In the social impact investment framework, there are different financial institutions as well as investors, operating either as financial intermediaries or on the supply side. They focus on a social mission or include a social mission among other commercial activities.

Figure 8: Financial intermediaries working with social enterprises

In the EU most financial intermediaries[12] working with social enterprises are:

1. Venture philanthropy funds

- Applying venture capital techniques to financing social enterprises, a tailored financing strategy is combined with nonfinancial services, organisational capacity building and performance measurement.
- A multistage selection process.
- Providing grants, equity, or debt requiring a financial return in addition to the expected social return.

2. Banks

- Social-ethical banks, providing loans to companies or organisations which fit their mission.
- Commercial banks that also have a philanthropic agenda or specific product lines for social enterprises.

3. Crowdfunding platforms

- Classified by type of financial instrument on the platform (equity, loans, rewards or donations).
- Confidentiality agreements are rare given the number of individual investors.
- Control and voting rights need to be pooled and structured to simplify interaction with shareholders.

4. Charitable foundations

- Invest assets in traditional equity and bond markets and use dividends and interest payments for a social mission.
- Have significant assets.

5. Community development finance institutions

- Assist social enterprises to develop affordable housing, build community facilities, and launch or expand community programmes and community wealth building.
- Provide capital and financial services to people and communities that typically are not served by traditional financial institutions.

Financial instruments

As social is not equivalent to non-profit, social enterprises can choose from a number of legal forms ranging from non-profit to for-profit status. Moreover, there are satellite models which combine non-profit and for-profit entities. In some countries, even special legal forms for social enterprises have been set up.

That explains why social enterprises have access to the same financing instruments as traditional companies. These financing instruments are equity, debt and mezzanine capital which can be modified according to the needs of social enterprises. One of the key modifications is the amount of interest or dividends a social enterprise has to pay. Equity capital can be provided as “patient capital” without dividends being paid. Debt capital can be provided as an interest-free loan with no interest payment requirements.

Additionally, social enterprises have access to donations and hybrid capital. Both forms are described below in more detail.

Donations

The traditional model of financing in the social sector relies heavily on donations, which are typically provided by foundations or individuals in either monetary or non-monetary forms. Donations are appealing because they do not require repayment and do not grant donors any enforceable control or voting rights. This allows

[12] The financial intermediaries and key features are based on W. Spiess-Knalf and S.A.Jansen “Imperfections in the social investment market and options on how to address them” on behalf of the European Commission (2013).

social enterprises the freedom to pursue activities that may not generate income, particularly for vulnerable populations such as victims of domestic violence, undocumented immigrants, or culturally engaged teenagers from low-income families—groups that often struggle to afford services. Additionally, public authorities tend to shy away from funding innovative or experimental concepts, making donations a crucial source of support in the social sector.

However, despite their significance, donations come with several limitations. They are generally restricted to project-specific costs, as donors often hesitate to cover a significant portion of administrative expenses or any investment in organizational development. Furthermore, donations tend to be short-term and incur considerable fundraising costs. Some capital providers are addressing these challenges by offering stipends or adopting a venture philanthropy approach to better support social enterprises.

Equity capital

The limitations of donations have prompted the exploration of alternative financing instruments within the funding structure of social enterprises. Equity capital is used to finance working capital, long-term investments or to cover temporary negative operating cash flows.

Equity capital can be provided by informal sources such as the founder himself or friends and family (often referred to as 4F meaning “founders, friends, family and fools”) as well as more formal sources such as social business angels and venture philanthropy funds. In exchange for providing capital, a certain percentage of the shares is transferred to the investor. A share of the enterprise gives the social investor control and voting rights. Those ownership rights can be executed through a supervisory board or an advisory board. The final governance structure depends upon the legal requirements and the articles of association.

Equity capital is the financing form with the highest risk as the investor participates from profits as well as possible losses. The distribution of profits depends upon the philosophy and the legal form of the social enterprise.

Debt capital

Debt capital can be used to finance working capital as well as long-term investments which promise stable and predictable cash flows. Those long-term investments include equipment or buildings. Debt capital receives regular interest payments but no share of the profits. Debt capital can be provided by traditional debt capital providers such as banks as well as social investors. Therefore, the interest rate can be variable ranging from 0% (interest-free loan) to normal market return rates. Debt capital must be repaid at the end of the payment period. The social enterprise can either repay the debt or refinance the loan with another capital provider. In case of financial distress, the debt capital can be converted into equity capital giving the investor a share of the company. If the continuation of the operations is not promising the investor can institute bankruptcy proceedings and recover part of the invested capital through the liquidation of the enterprise.

Mezzanine capital

Mezzanine capital combines elements of debt capital and equity capital and can be structured flexibly according to the needs and requirements of the social enterprise. Usually, there is a fixed interest rate and a repayment obligation (debt capital character) as well as an additional variable performance-related interest rate or an equity kicker (equity capital character). An equity kicker allows the investor to receive a share of the increase in the equity value of the enterprise.
This financing form is especially attractive for social investors as the investment is repaid like a loan with the option of performance-related compensation in case of financial success. Thus, mezzanine capital is a suitable financing instrument for social investors aiming at a market-rate return.

Hybrid capital

Hybrid capital combines elements of debt capital, equity capital and donations. Hybrid capital can be an attractive financing instrument as it addresses the specific business models of social enterprises. The grant character can be explained through the fact that there are no interest rate costs, and the financing is converted into a donation in certain pre-agreed scenarios.

Financing instruments which can be classified as hybrid capital are:

- Recoverable grants
- Convertible grants
- Forgivable loans
- Revenue share agreements

A recoverable grant is attractive when the project is likely to be income-generating. It is a loan which has only to be repaid in case of success (e.g., sustainable income generation and positive earnings). If the project is not able to repay the loan, the recoverable grant is converted into a grant. However, the investor has to consider the structure as the social enterprise can have an incentive to be unsuccessful as there is then no need to repay the loan. A convertible grant uses the same mechanism with the difference that the investment is converted into equity if the project proves to be successful.

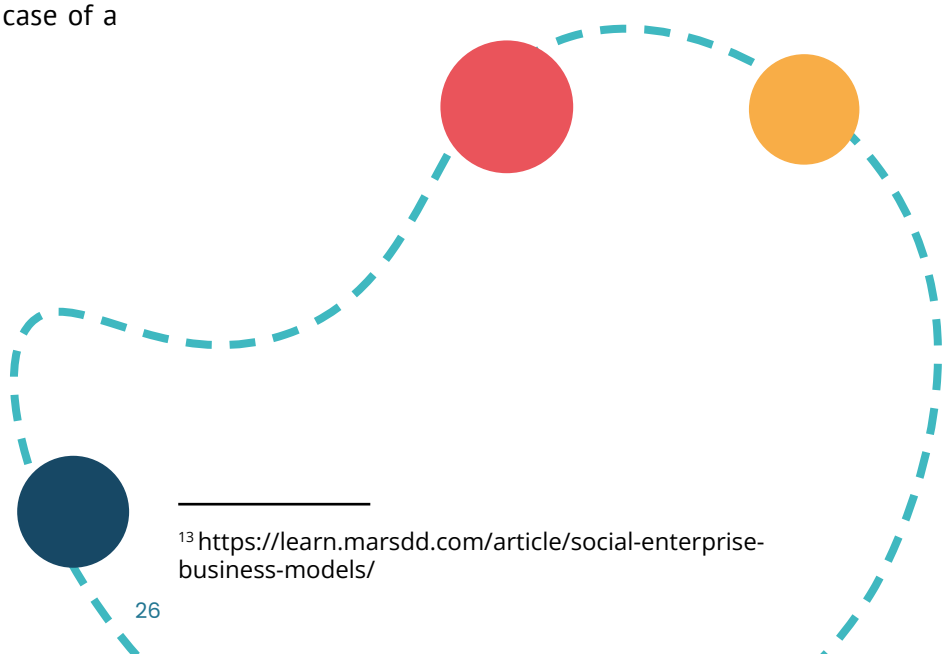
A forgivable loan uses the opposite mechanism as the loan is forgiven if certain pre-agreed milestones are reached. This structure can be attractive for public authorities who want to finance a project and secure the long-term pursuit of the social goal. It can also be used as a conditional stipend which forgives a portion of the loan each year.

Revenue share agreements are financing instruments where the investor funds a project and receives a share of the future revenues. This approach looks promising as the social investor and the social enterprise share the risk of a project and there are no exit issues as the investor receives a share of the revenues on a regular basis. Projects in countries with high political risks can be financed through such an arrangement as the social enterprise is not facing bankruptcy in case of a write-off caused by political changes.

6.3. Social enterprise business models

According to the MaRS Startup Toolkit[13], the rise of revenue-generating activities for non-profits has led to the development of a new operational model in which business principles, market characteristics, and values—such as competition, diversification, entrepreneurship, innovation, and a focus on the bottom line—coexist with traditional public sector values like community responsiveness and public interest service. A crucial factor in the success of a social enterprise is its effective business model.

As part of the SIRENE Social Innovation Framework, the **Sustainability Strategy** provides an overview of helpful tools for developing successful business initiatives within SHAFE. This strategy outlines methods for conducting stakeholder analyses and market studies and offers examples of business models that innovators can consider.



[13] https://learn.marsdd.com/article/social-enterprise-business-models/

7
ESSENTIAL BUSINESS MANAGEMENT SKILLS FOR SOCIAL INNOVATORS

According to UNSW[14], creating a successful social enterprise requires a unique blend of business expertise and a strong commitment to social impact. Here are the essential business and management skills that social innovators need to thrive:

1. Understanding business models

Social enterprises, like traditional businesses, must be profitable to sustain themselves. However, the difference lies in their mission: social enterprises use profits to support social causes. Social entrepreneurs need to understand how to balance **value propositions**, **operational models**, and **value capture mechanisms** while dedicating resources to their social missions. They must skillfully manage the balance between **revenue generation and donations** to ensure both business growth and social impact. **The Sustainability Strategy component of SIRENE guides how to design business models for SHAFE.**

2. Creating an impactful vision and mission

A compelling **vision and mission** are critical for unifying the team and driving the social enterprise forward. Social entrepreneurs need to develop a vision that prioritizes **people and the planet** over profit. This mission should permeate every aspect of the organization, from production processes to culture and customer relationships. They must also be skilled in identifying social and environmental issues and strategizing how their business can create measurable impact.

3. Understanding business opportunities

Recognizing and leveraging profitable **business opportunities** while aligning them with the social mission is key. Entrepreneurs must identify new markets, innovate in product or service offerings, and develop strategies for production, marketing, and distribution. Understanding **market dynamics** ensures they can make informed decisions that balance profitability with social impact.

4. Inspiring change

The primary goal of a social enterprise is to drive change, whether in terms of equality, environmental outcomes, or social justice. Social entrepreneurs must be able to **communicate their mission** effectively and **inspire others**—employees, partners, and the public—to join their cause. Setting up systems to create long-lasting change is essential.

5. Being resilient

Social entrepreneurship comes with its own set of challenges, particularly in balancing profitability and social impact. Many social issues are complex and cannot be solved quickly, so **resilience** is crucial. Entrepreneurs must prepare for potential disruptions and remain committed to their mission, even when resources are scarce.

6. Being creative and innovative

Social enterprises often require unconventional solutions to complex problems. **Creativity and innovation** are vital for developing unique approaches to address their focus issue while ensuring financial viability. Thinking outside the box can help social innovators design new products, services, or processes that align with their mission.

[14] https://studyonline.unsw.edu.au/blog/social-enterprise-management-skills

7. Having high levels of social and emotional intelligence

Building meaningful relationships is crucial for social enterprises. **Social and emotional intelligence** helps entrepreneurs connect with internal teams and external stakeholders, fostering trust and cooperation. These networks can be essential in furthering the enterprise's mission and enhancing its profitability.

8. Being a strong and inspiring leader

Effective **leadership** is critical in guiding the social enterprise toward achieving its goals. Social innovators must inspire others—employees, investors, and customers—to support both the business and its mission. Leading by example helps build a culture of commitment and purpose.

9. Exhibiting optimism

While not a traditional business skill, **optimism** is fundamental for social innovators. Optimistic leaders can inspire their teams and partners to overcome challenges and remain focused on their mission. This belief in success encourages persistence and attracts others to the cause.

10. Having grit

Grit is the perseverance to keep going despite setbacks. Social innovators face the dual challenge of running a profitable business while solving complex social issues. **Passion, hard work,** and an unwavering commitment to the cause are necessary for sustaining long-term efforts, even when results aren't immediate.
Incorporating these skills into the foundation of a social enterprise helps ensure both **business success and social impact**, creating a sustainable path for positive change.

Figure 9: Important business and managing skills for social enterpreneurs. https://studyonline.unsw.edu.au/blog/social-enterprise-management-skills

7.1. Performance assessment

Most participants in the social enterprise sector have, at some point, faced the challenge of performance measurement, with a general consensus that effectiveness should be evaluated in terms of outcomes linked to the organization's mission. Success is considered achieved once the mission's goals are met [24]. Traditionally, performance measurement in social initiatives involves examining four key elements: inputs, activities or processes, outputs, and outcomes. Assessing social performance in a managerial environment can often feel overwhelming, given the complexities involved in aligning mission-driven goals with measurable results. To navigate this challenge, we employ a straightforward Performance Assessment Chain framework [24]. This approach helps to clarify key variables and smart practices observed in real-world cases, offering practical guidance for evaluation.

At its core, this framework is rooted in a shared understanding within the social enterprise sector: performance is best measured in terms of an organization's effectiveness in achieving its mission-driven outcomes. Success is defined by the accomplishment of the goals outlined in the mission.

Traditionally, the assessment of social performance focuses on four fundamental elements: **inputs, activities or processes, outputs, and outcomes.** These components provide a structured way to trace how resources are transformed into meaningful results. The framework introduced here extends this traditional approach by integrating the overarching strategy, emphasizing the interconnectedness of mission, strategy, and outcomes. This holistic perspective ensures that every step, from resource allocation to impact realization, aligns with the organization's mission, creating a clear path for evaluating success.

The core issue in the Performance Assessment Chain lies in distinguishing between outputs and outcomes [24]. Performance evaluations often focus on the initial stages—inputs, activities, and outputs, such as the amount of money spent, the volume of services provided, or the number of beneficiaries reached—considering this sufficient to gauge an organization's or initiative's impact. However, best practices require a focus on measuring outcomes, which involves demonstrating observable changes in the lives of actual beneficiaries or clients. Defining and assessing outcomes poses a significant challenge for nonprofits and private businesses that lack systematic processes for such evaluation. For performance measurement to be effective, it must be integrated into the organization's management system.

An outcomes assessment model is shaped by the processes that influence each component of the Performance Assessment Chain and their connections. To properly implement an outcomes assessment framework, those responsible must develop indicators that capture the full range of organizational goals, emphasizing stakeholder needs. The mission outlines the desired destination; inputs are the resources required to reach it; operating indicators assess the efficiency and processes involved in executing the strategy; output measures reflect intermediate results; and outcome indicators gauge overall success or failure. The coherence of the Performance Assessment Chain is grounded in a theory of change, which suggests how the mobilization of inputs and operational processes will lead to outputs that drive the mission's transformative outcomes.

Outcome indicators, tied to specific mission goals and stakeholder needs, originate from the mission and stakeholder analysis. Performance measurement, however, should not be isolated but integrated into the broader management process to provide feedback that helps evaluate the organization's overall strategy. When performance measurement is detached from management, an organization may be well-run and create value, but risk losing sight of its core justification.

An integrated performance measurement and management system involves collecting data across all elements of the chain, with particular emphasis on operating and outcome indicators. Operating indicators evaluate how well the organization's processes align with its mission and strategy, while outcome indicators measure progress toward achieving the mission. Developing both types of indicators, along with input and output measures, is essential for monitoring progress. This data provides valuable insights that help refine internal processes and strengthen alignment with the organization's mission.

8
SOCIAL ENTERPRISE FUNDING STRATEGIES

Bootstrapping

This refers to the practice of using one's own resources or generating revenue from the early stages of the venture to fund its growth. Bootstrapping allows social innovators to maintain control of their mission and vision, test their assumptions, validate their market, and prove their viability and credibility to potential investors. For example, TOMS Shoes[15] , a social enterprise that donates a pair of shoes to a child in need for every pair sold, started with a $200,000 investment from its founder, Blake Mycoskie, and used the revenue from its first sales to fund its operations and expansion. Bootstrapping can also be combined with other funding sources, such as grants, donations, or crowdfunding, to supplement the capital needs of the venture.

Grants and Donations

These are non-repayable funds that are given by individuals, foundations, corporations, or governments to support social causes or initiatives. Grants and donations offer social Innovators seed funding, operational support, or project-specific financing, depending on their work's scope and nature. They also help entrepreneurs amplify their social impact, grow their network, and enhance their reputation, making it easier to attract other forms of funding. For example, Kiva [16] , a social enterprise that facilitates microloans to low-income entrepreneurs around the world, received a $1 million grant from the Skoll Foundation in 2006, which enabled it to expand its reach and scale its platform. Grants and donations can also be solicited through online platforms, such as GlobalGiving [17] , DonorsChoose [18], or GiveDirectly [19] , which connect social innovatos with donors who are interested in their cause or project.

Crowdfunding

This refers to the practice of raising small amounts of money from a large number of people, usually through the internet, to fund a project or a venture. Crowdfunding enables social innovatos to harness the collective power and enthusiasm of their supporters, customers, or beneficiaries, fostering a sense of community and shared ownership around their mission and vision. It also helps them validate their idea, gather valuable feedback, and generate awareness and excitement for their venture. For example, Watsi [20] , a social enterprise that enables people to fund healthcare for patients in need, raised over $1.2 million from more than 20,000 donors through a crowdfunding campaign on Indiegogo in 2013, which helped it launch its platform and grow its impact. Crowdfunding can also be done through specialized platforms, such as Kickstarter [21], Indiegogo [22], or GoFundMe [23], which cater to different types of projects, goals, and rewards.

Debt financing

This refers to the practice of borrowing money from lenders, such as banks, microfinance institutions, or peer-to-peer platforms, to fund a venture or a project. Debt financing offers social innovators access to flexible,

[15] https://www.toms.com/

[16] https://www.kiva.org/

[17] https://www.globalgiving.org/

[18] https://www.donorschoose.org/

[19] https://www.givedirectly.org/

[20] https://watsi.org/

[21] https://www.kickstarter.com/

[22] https://www.indiegogo.com/

[23] https://www.gofundme.com/

scalable, and relatively low-cost capital compared to equity financing. It allows them to maintain control over their mission and vision, while also encouraging a focus on generating revenue and profits to meet loan repayment obligations. For example, delight [24], a social enterprise that provides affordable solar energy solutions to low-income households, raised over $50 million in debt financing from various sources, such as Shell Foundation [25], Omidyar Network [26], or responsibility [27], which helped it expand its distribution and reach over 100 million customers. Debt financing can also be done through innovative models, such as social impact bonds, pay-for-success contracts, or revenue-based financing, which link the repayment of the loan to the achievement of certain social or financial outcomes.

Equity Financing

This refers to the practice of selling a share of ownership in a venture to investors, such as angel investors, venture capitalists, or impact investors, to fund its growth and development. Equity financing enables social innovators to obtain capital that is patient, risk-tolerant, and aligned with their long-term vision and objectives. Equity financing can also help social innovators benefit from the expertise, network, and mentorship of their investors, and increase their valuation and attractiveness for future funding rounds. For example, Bridge International Academies [28], a social enterprise that operates low-cost private schools in Africa and Asia, raised over $100 million in equity financing from various investors, such as Bill & Melinda Gates Foundation [29], Chan Zuckerberg Initiative [30], or International Finance Corporation [31], which helped it scale its operations and reach over 500,000 students. Equity financing can also be done through platforms, such as AngelList [32], Gust [33], or ImpactSpace [34], which connect social innovators with investors who are interested in their sector or stage.

Financing social enterprises

Andreas Heinecke started the concept “Dialogue in the Dark” in 1988 and has been a serial social entrepreneur since 1995. Andreas was honoured as the first Ashoka Fellow in Western Europe and named Outstanding Social Entrepreneur by the Schwab Foundation for Social Entrepreneurship.

Dialogue Social Enterprise and its subsidiaries (hereinafter DSE) seek to overcome barriers between “us” and “them” and to redefine “disability” as “ability,” and “otherness” as “likeness” [35]. To reach this goal, DSE runs exhibitions in which blind guides lead visitors through a complete dark environment to experience the daily routine of blind persons. The visitors are led through a real-life environment which includes supermarkets, a city theme or a café. Based on this concept, the social enterprise has also developed “Dialogue in Silence” and workshops for corporate clients. Since the foundation, 7 million visitors have experienced the exhibition and 7,000 blind persons have gained access to the employment market through their work with DSE.

The social enterprise has two revenue streams. The concept is scaled globally using a franchise system which provides DSE with income to provide for planning and development support. Additionally, DSE operates permanent exhibitions in Frankfurt and Hamburg and conducts workshops with corporate clients on all continents. The annual revenues amount to around €5 million without dependence on federal funding or donations and the stable business model makes DSE suitable for financing through Venture Philanthropy funds.

[24] https://www.dlight.com/

[25] https://shellfoundation.org/

[26] https://omidyar.com/

[27] https://www.responsability.com/

[28] https://www.bridgeinternationalacademies.com/

[29] https://www.gatesfoundation.org/

[30] https://chanzuckerberg.com/

[31] https://www.ifc.org/en/home

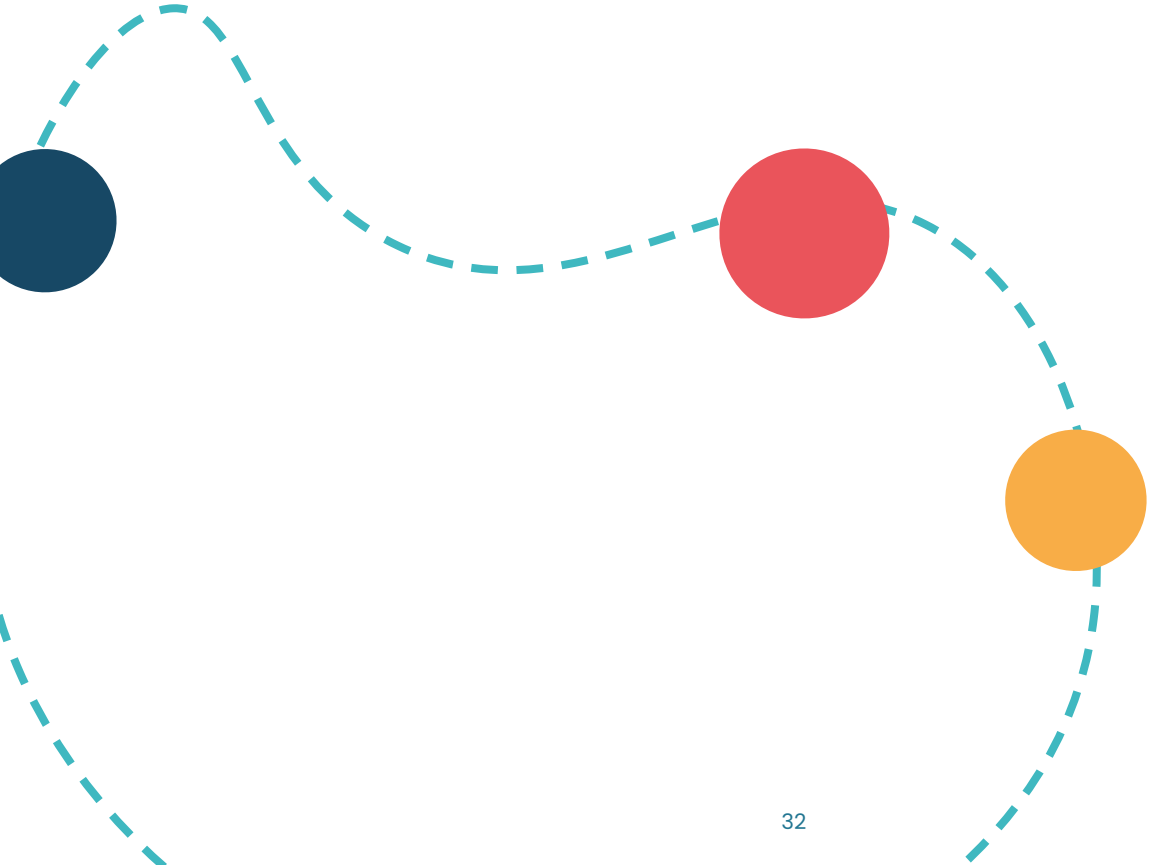
[32] https://www.angellist.com/

[33] https://gust.com/

[34] https://impactspace.com/

[35] https://www.dialogue-se.com/

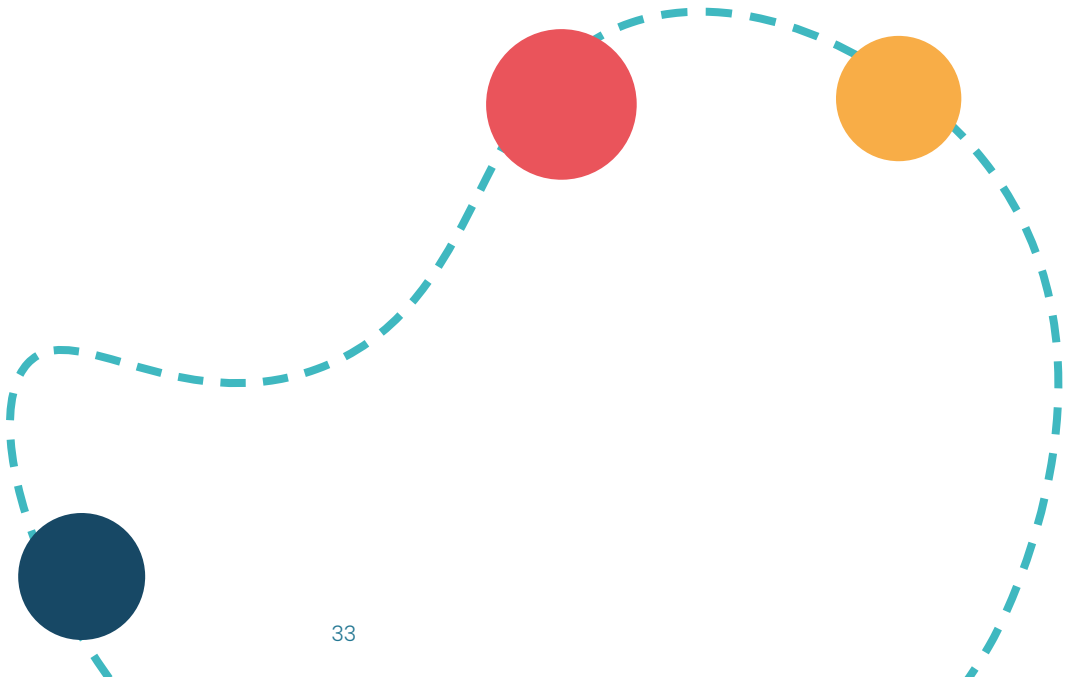
In 2005, a subsidiary of DSE was provided with a loan by the Munich-based Venture Philanthropy fund BonVenture to open a permanent exhibition in Frankfurt [27]. The loan was repayable within 5 years. In 2010, DSE decided to offer more workshops to corporate clients and took on equity and debt capital from the French Venture Philanthropy fund PhiTrust to cover the capital requirements. The equity capital was provided at nominal value with a buy-back arrangement at the end of the loan period. Both funds provided management consulting, strategic advice and access to their networks to the social enterprise. Those elements proved to be crucial for the further development of the social enterprise.



9
CONCLUSION

Social innovators act as catalysts for transformative change, driving innovation and fostering sustainable development. Despite the challenges they face, especially in securing financial resources and forging strategic partnerships, their role in building a better future is indispensable. Recognizing this, the SIRENE Social Innovation Framework provides essential tools and guidance to empower them. In particular, the Capacity-Building Framework represents a dedicated resource offering practical strategies, insights, and actionable advice tailored to meet the diverse needs of social innovators at every stage of their journey.

This framework supports innovators from the foundational steps of collaboration-building to securing seed funding and attracting strategic investments for scaling impact. By exploring various funding sources and highlighting essential approaches for engaging investors and establishing partnerships, it opens pathways to financial support and strategic alliances.



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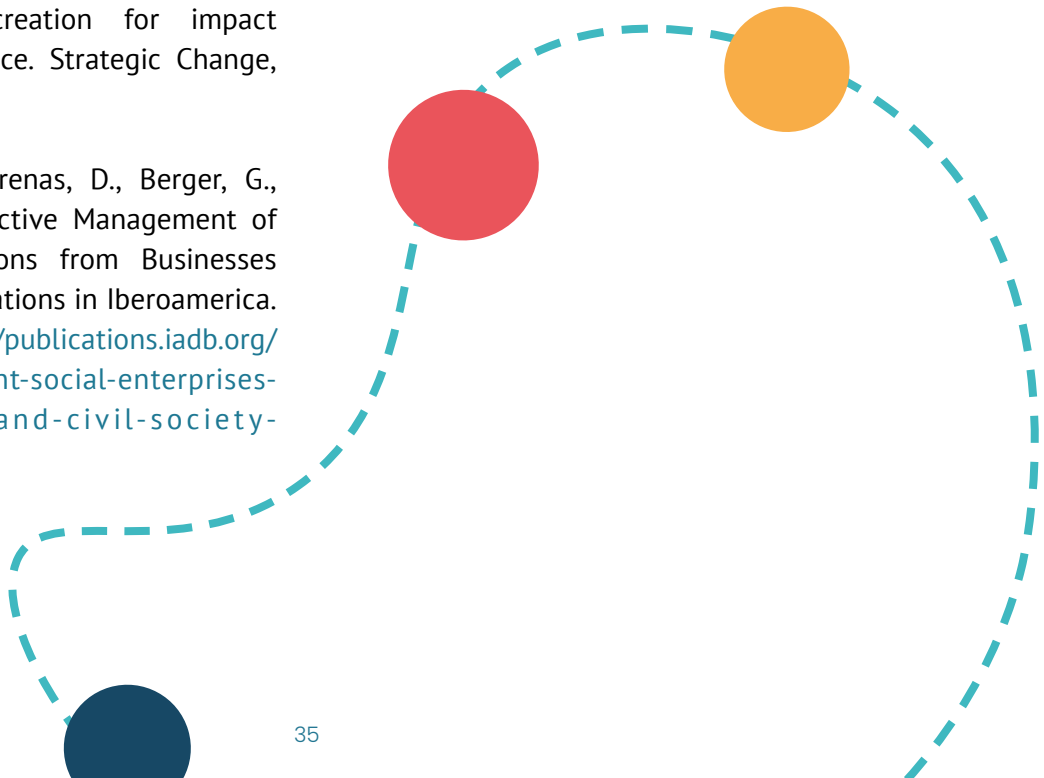

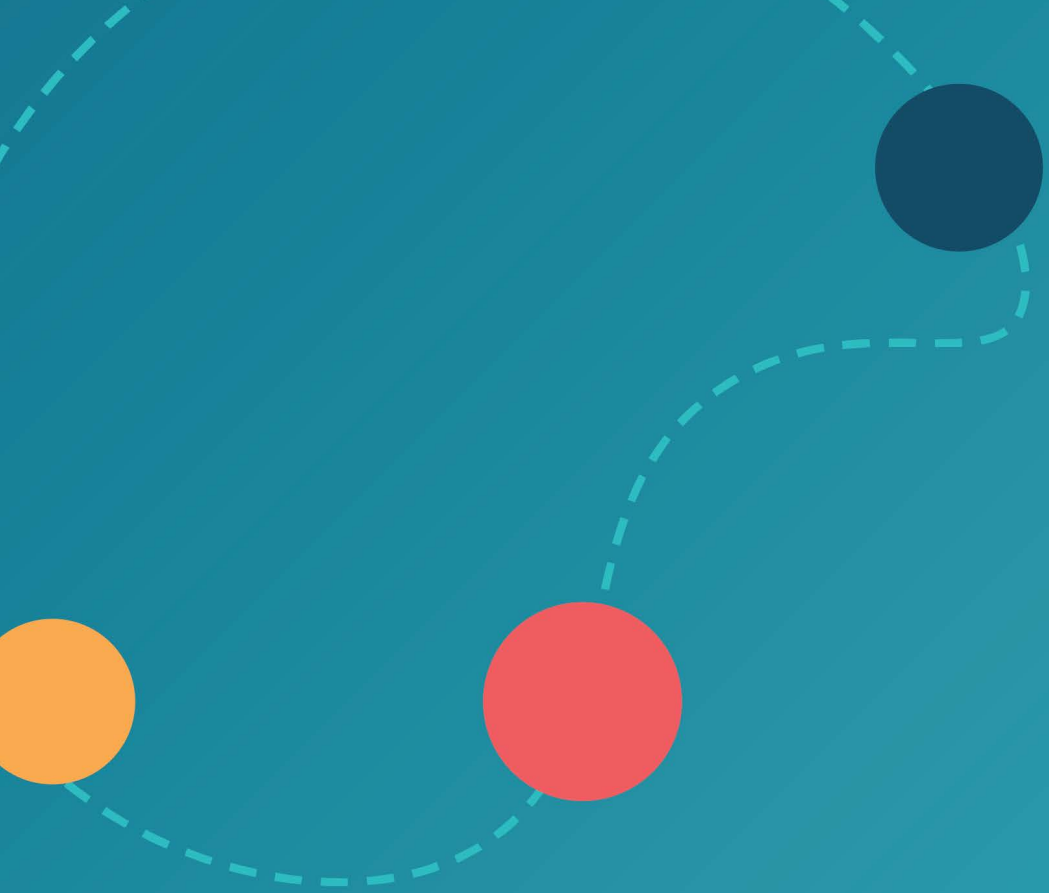

Co-funded by the European Union

SIRENE | Social Innovation Responsive Environments Network is a Coordination and Support Action, co-funded by the European Union under Horizon Europe Programme (topic HORIZON-EIE-2022-CONNECT-01-02) through the Grant Agreement n. 101096077.