

WP T3

**Knowledge management, stakeholder involvement and sustainability of project results**

ACTIVITY A.T3.3

**Action plans for the long-term operation of SBMSs and the mentoring of managed networks**

**Action Plan (D.T3.3.2.) for Brandenburg, Germany**

Social Impact gGmbH

Author: Florian Birk

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**INTRODUCTION**

*During WPT3 Project Partners carry out joint and partner-level activities contributing to facilitate the cooperation of social enterprises to promote their sustainability and to strengthen their role in social innovation and territorial cohesion through transnational knowledge exchange and local/regional stakeholder involvement and facilitate the emergence and sustainable operation of Social Enterprises in disadvantaged regions through specialized mentoring services. The activities of all Project Partners are to ensure sustainability and transferability of project results through action plans and policy recommendations.*

*The purpose of this document is to define the Action Plan for the region of Brandenburg, Germany, including structure, main content elements and way of presenting goals and planned measures.*

*The aim of Action Plan is to 1) define Social Enterprises support services, 2) define skill & knowledge development tools and 3) foresee actions for Social Enterprises cooperation facilitation to be provided by Project Partners organisations. Action Plans also describe the institutional settings and financial/business models necessary for the operation of SE mentoring services.*

*Based on the needs of Social Enterprises detected in AT1.2 and the Social Enterprises support and networking methodology designed (AT1.3 & 1.4.), the Project Partner draws up Action Plans including a roadmap and measures to set up and operate mentoring services dedicated to Social Enterprises as well as plans for network facilitation.*

## GENERAL INFORMATION

Partner organisation: Social Impact gGmbH

Other partner organisations involved (if relevant): N/A

Country: Germany; focus region: Brandenburg

Contact person: Moritz Blanke

email address: [blanke@socialimpact.eu](mailto:blanke@socialimpact.eu)

phone number: +49 (0)30 4672 24 23

## **1. BACKGROUND**

### **1.1. Needs of Social Enterprises**

While in Germany there is no consensus on what constitutes a social enterprise - there is no universally applicable definition for social entrepreneurship - the growth of third sector organisations pursuing a social impetus is on-going. In particular, new, more market-oriented social enterprises are mushrooming with the sector gaining size and visibility, however, still on a very limited scale.

To foster the development and longevity of social enterprises, it is usually those instruments provided and tailored for start-up and growth processes of regular, profit-oriented businesses, which are open to SEs too. Like other companies, social enterprises have consulting, coaching and financing needs. However, they also have specific features which distinguish them from purely commercial companies and which must be taken into account when designing conducive policy measures. For instance, their access to conventional financing instruments is more difficult because of their specific characteristics (unfavourable risk-profit ratio, market niche activity, etc.) and because financial markets for social investment are still underdeveloped. In addition, the survival and growth of social enterprises is also influenced by internal factors. For example, during their start-up phase questions regarding business case development and market perspectives tend to fade to the background due to an overemphasis on the work related to the SE's social mission. Consequently, tailor-made and special advisory services should be expanded in order to further strengthen SEs in their quest to build up a (financially) sustainable social business. However, such bespoke support for social entrepreneurs is limited (see following section).

### **1.2. Social Enterprise Support Ecosystem in Germany**

Social entrepreneurs in Germany find themselves embedded in a dynamic, yet still underdeveloped, ecosystem of support organisations:

#### **1. Availability of Financing**

For many social enterprises traditional loan financing is unsuitable as start-ups embrace business models which provide for relatively low profit margins, higher risks and uncertain yield perspectives. This said, the usability of available financing instruments within the framework of start-up and economic promotion should be adapted to the needs of SEs, in particular at their early development stages.

The engagement of medium and large corporations, for example by encouraging and channelling Corporate Social Responsibility (CSR) programmes towards social entrepreneurs could offset the lack of financial support in the start-up phase.

Improvement related to crowdfunding offers, such as crowd-investment and crowd-lending models, could similarly lead to greater access of SEs to financial resources.

Financing programmes by the federal (and state) government related to promoting the German "Mittelstand" (i.e. medium-sized companies) are not sufficiently tailored to non-profit social enterprises, which inhibits their access to proper funding. The creation of government-funded programmes for social enterprises within the framework of "Mittelstand" financing is, however, not likely considering the niche status of social entrepreneurship in Germany.

Grants from public support programmes or foundations can, too, be good instruments to finance the early stage of the social enterprise, cover the initial investment costs and proof

to other financiers the success of the model. Simplifying bureaucracy around donations and project grants is therefore of significant importance to enable SEs to participate in calls for financing. For an early stage social entrepreneur, however, it can be very resource intensive to learn and get access to available revenue channels. Public support programmes are, thus, an area where extensive knowledge is needed to find the right programmes, write applications, follow the applicable regulations etc. Impact-oriented Investment.

Social enterprises need a functioning market for impact-oriented investments in order to unfold their full potential:

The market for impact-oriented venture capital and equity capital in Germany is still in the early stage of development and only slowly growing. However, the availability of impact-oriented capital plays a key role for social enterprises aiming to grow. Important stakeholders within this realm include foundations, private investors (including big corporations with CSR departments) as well as institutional investors, social enterprises on the demand side and specialized funds as intermediaries. For rural areas, social investment platforms such as Regionalwert AG Berlin-Brandenburg, an investment stock company to support the regional and sustainable production of agricultural produce, offer means to provide necessary financing to regionally active SEs and ecologic farming.

Creating a functioning market for impact-oriented investments requires joint action by stakeholders at federal and state level, ministries, foundations, private investors, charities and social enterprises.

### 3. Support Services & Consulting

Currently the support infrastructure for social entrepreneurs in Germany, and Brandenburg in particular, is lacking the right public support. The development of such support instruments tailored to serve the specific needs of SEs would significantly enhance the dynamic of the sector:

- Consulting services are important for social enterprises. There is a demand for qualitative support. This demand cannot be satisfied by typical support centres (such as chambers of commerce and economic development) as well consultants oriented more towards aiding profit-driven enterprises. Achieving a comprehensive, nation- (or at least state-) wide service offering would significantly improve the conditions for social enterprises in Germany.
- Although there are training and counselling programmes for early-stage SEs in Germany (e.g. Social Impact Labs), this is not the case for social enterprises that intend to scale (or operate in rural/peripheral areas). Particularly with regards to underserved rural areas specific training programmes for trainers and business advisors, coaches, etc. both on early stage business development topics and on scaling strategies should, thus, be further developed.
- Consulting and coaching support services for social enterprises at German universities are still weak. While there are research chairs dedicated to social entrepreneurship, this is not equivalent to providing hands-on incubation support. The general start-up consulting services at universities, often within the framework of EXIST - a business development programme - are not equipped to support prospective founders interested in starting a social enterprise. Instead, universities and authorities have placed greater emphasis on highly scalable technological prospective start-ups; unlike social innovations which are at the core of many social businesses. Thus, the development of support instruments, that emphasise the specific demands of SEs, would foster the dynamic of the sector.

#### 4. Market Transparency on Social Impact Orientation

Standardisation of indicators for impact orientation would improve market transparency as well as allow for greater differentiation of SEs from commercial enterprises:

- The variety of social entrepreneurial approaches, competing definitions and self-descriptions hinder market transparency in Germany. Reliable indicators documenting the companies' orientation towards social impact, which would serve as unique attributes for statistical differentiation of social enterprises in commercial legal form, are especially lacking. Furthermore, clear and universally accepted indicators to differentiate such companies from the non-commercial part of civil society organizations in the Third Sector are non-existent at this time.
- Impact reporting schemes such as the Social Reporting Standard or voluntary certification labels, such as B-Corp or Phineo's "Wirkt" seal, are increasingly widespread among German Social Enterprises and help to differentiate the sector from commercially-oriented enterprises. However, a consistent consolidation and realisation of these approaches in order to build a corresponding data set would further foster this positive development.

#### 5. Legal Framework

While the German private law allows for a wide variety of organizational legal forms, more flexibility in applying the tax code to SE-Initiatives is needed:

In Germany, a variety of legal forms under private law (non-incorporated and incorporated firms) can be used for social entrepreneurial initiatives. In particular, the non-profit version of the "Unternehmergeellschaft" (UG, lit. entrepreneurial company), which was introduced in 2008, has proved popular in the last few years. However, the related limitations may be especially obstructive for social enterprises that transition to a growth phase, e.g. prohibited dividend payout to shareholders and limits to unlimited accumulation of reserves (in particular in times of crisis). The frequent result is that social enterprises are forced to be managed on the limits of the regulations and with the implicit fear of losing their charitable status.

Legal regulations that allow more flexibility in applying the tax code to non-profit entrepreneurial initiatives would significantly increase the scope of action of SEs and eliminate the necessity of forming a commercial and a non-profit branch in an organisational hybrid structure for achieving growth. However, at this stage, it is unlikely the legal code will change anytime soon and there are areas where a more rapid shift is likely.

#### 6. Social Recognition & Public Awareness

Despite recent efforts more advocacy for social entrepreneurship in Germany is needed in order to raise awareness among decision-makers and stakeholders. Social enterprises often face resentment in Germany: to start an enterprise is frequently associated with the risk of failure and culturally negative connotations. In addition, the concept of social entrepreneurship still has a niche character and is sometimes accompanied by reservations of some sectors for the connections between a commercially-oriented entrepreneurial focus and social goals. Greater acceptance creates the preconditions for a real integration of growth-oriented social enterprises in private sector structures, thereby enabling increasing professionalisation and market-orientation, and ultimately enhanced impact.

#### 7. Transfer & Scaling

Support services and networks that foster the scaling and transfer of social innovation to new regional contexts could particularly help SEs to increase their impact in underserved regions.

Social entrepreneurs adapt their concepts to the context where the social problems are located. Often, however, solutions are not site-specific, but occur in different regional contexts. The parallel development and implementation of a product or service with similar objectives in different regions, nationally and transnationally, is currently not very efficient.

In order to transfer innovative social innovations to rural areas there is a need to design specific counselling and support offers and training for trainers and business advisors on scaling strategies that are knowledgeable of the specific regional contexts.

The establishment of knowledge exchange networks (national and transnational) would further sustain such efforts.

## **1.2. Trends and future challenges**

In recent years, the topics social innovation and social entrepreneurship gained increasing traction resulting in a mushrooming of a multitude of actors and support programmes from private and public bodies. In Academia, for instance, there is a trend towards more offerings for social business courses in German universities. This is also the case for Brandenburg with entrepreneurship chairs increasingly including social entrepreneurship in their curriculum, though to a limited extent. At the same time, public awareness and financing support augmented. Thus, sustainable procurement is gaining momentum among public officials on regional and state level with some municipalities specifically prioritising offers with a greater emphasis on impact, also in rural communities. Finally, more and more corporates get involved and collaborate with SEs through multiple CSR activities, mostly in urban areas however. Such engagements are less pronounced in sparsely populated areas (SPAs) such as Brandenburg where SEs remain more reliant on public and customer support.

## **2. CONCEPT FOR SUPPORTING SOCIAL ENTERPRISES**

### **2.1. Vision of Action Plan**

SPAs face challenges of demographic change, (long-term) unemployment and an ever increasing lack of local amenities.

Consequently, the objective of this Action Plan is to contribute to the establishment of a more conducive ecosystem for social start-ups and social entrepreneurs in Brandenburg (BB), Germany. Therein, SEs can effectively test and pursue their ideas to support quality of life and sustainability in their rural communities. Public and private stakeholders shall be aware of the existence and potentials of social entrepreneurs in Brandenburg, bespoke support services shall be accessible to social enterprises, also in peripheral areas, and the demand-side for products and services of SEs shall be improved. With this, SEs will be enabled to create viable solutions for the challenges in their communities and contribute to the rejuvenation of their regions.

### **2.2. Objectives and priorities of Action Plan**

The Action Plan includes five actions to be implemented. The Ministry of Economy and Energy of the State of Brandenburg (MWAE) is a partner in this effort, together with

authorities of local municipalities, research institutions, NGOs and other parties. Funding stems from the State of Brandenburg and the ESF. The actions will be conducted by Social Impact gGmbH as partner in the SENTINEL (and further) related projects (see description below).

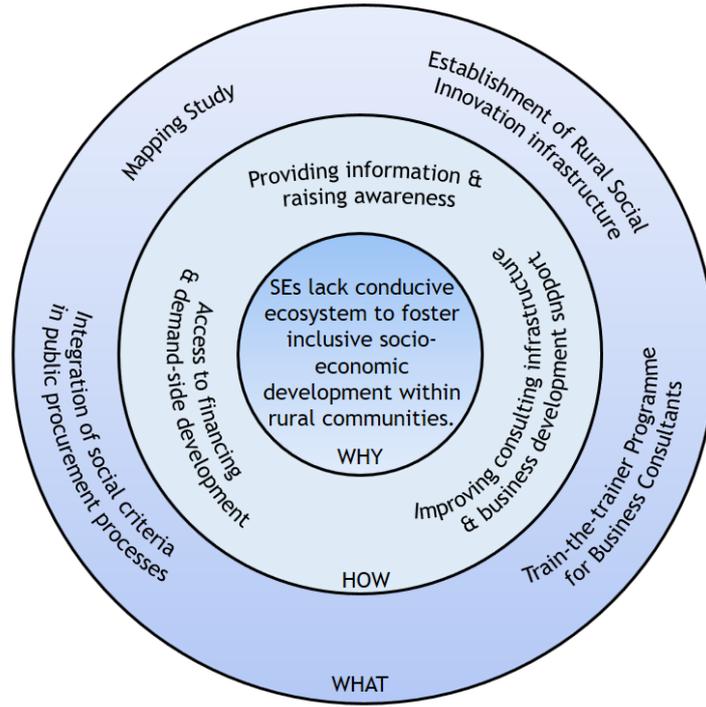
The actions tackle the following gaps in the SE ecosystem in Brandenburg (see section 1.2):

- Lack of information and awareness among public and private stakeholders about the potential, needs and challenges of SEs operating in SPAs;
- Lack of consulting infrastructure and business development support for SEs, which hampers them to start and grow their enterprises;
- Lack of access to a steady demand and financing streams to establish and continuously grow SEs product offerings and services to magnify their impact and contribute to positive change within their communities

Based on the above, the Action Plan includes the following actions:

1. A “train-the-trainer” programme (TTT) will use existing business and start-up/management consultancy structures and resources available to test and establish a curriculum to train (social) business consultants in order to respond better to the needs of social entrepreneurs in SPAs in the future.
2. Action No. 2 aims at making public stakeholders an active actor in supporting social entrepreneurship in SPAs by helping them to adjust their public procurement practices in a way that is apt to pay increased attention to social and sustainability criteria in their purchasing decisions.
3. A mapping study will be conducted to generate information on the potential, needs and challenges of social entrepreneurs in BB and to inform about and communicate SEs’ potential for regional development
4. “Social Impact Lab Beelitz - Kompetenzzentrum für den Ländlichen Raum”: This competence centre for social innovation and rural area support aims at rejuvenating rural communities through supporting local changemakers (e.g. municipalities or SEs) in their efforts to create innovative and lasting solutions to local challenges. In doing so, the project aims at capitalising on the results of - inter alia - SENTINEL. Among others, the centre will offer online and offline trainings and resources to build-up capacities for social business development, set up a platform to navigate proper funding schemes and function as focal point for regional development, exchange and regional (and trans-regional) networks, such as SETAN.
5. INTERREG CE CERUSI project: The project seeks to enhance problem solving and project development capacities among regional stakeholders through mobile and on-site consulting offerings as well as the provision of online learning resources. Thus, the project complements further Actions stated in this AP. It will contribute materials and resources to the development of the Lab Beelitz by supporting the establishment of a Rural Social Innovation Lab infrastructure and incubation programmes for rural development projects in CE region. In doing so, CERUSI also applies SENTINEL outputs from both the Toolbox and Handbook to support the development of a social innovation community within the CE region.

The following figure depicts both the logic and framework of the approach of the Action Plan to address the aforementioned challenges for SEs in Brandenburg using the Golden Circle approach.



### 2.3. Timeline and Funding Programme of the Action Plan

Action	Rationale, Objectives, Timeline & Budget	Key Partners	Indicators
TTT	<ul style="list-style-type: none"> <li>While overall the business consulting services in BB work well to support traditional business development, for promoting social entrepreneurs, and especially in the context of starting social businesses in SPAs, more bespoke and contextualised support is needed;</li> <li>The project will use existing business and start-up/management consultancy structures and resources available to test and establish a curriculum to train (social) business consultants in order to respond better to the needs of social entrepreneurs in SPAs in the future;</li> <li>The proposed train-the-trainer programme will contribute to the development of a conducive SE ecosystem helping enterprises to start as well as to scale and grow;</li> <li>Project duration: 09/2019 - 12/2020;</li> <li>Budget: 200.000€ (ESF)</li> </ul>	<ul style="list-style-type: none"> <li>MWAE (supervision of activities)</li> <li>Social Impact gGmbH (Coordination and implementation of activities);</li> <li>Ministry of Rural Development, Environment &amp; Agriculture of the State of Brandenburg (Advisory body);</li> <li>Economic Development Agency Brandenburg (Advisory body);</li> <li>Social Entrepreneurship Netzwerk Deutschland (SEND) (Quality assurance of concept, transfer and dissemination)</li> <li>Regional business consultants &amp; chambers of commerce (involved in needs assessment, activity design &amp; trainings)</li> <li>Regional SEs</li> </ul>	<ul style="list-style-type: none"> <li>A developed curriculum for the training of (social) business consultants;</li> <li>Number of exemplary test workshop(s) of curriculum;</li> <li>The number of media appearances covering and showcasing the activities and output of the action;</li> <li>Assessment of relevance of the curriculum among the target group;</li> <li>Assessment of the curriculum among potential support and multiplier organisations (e.g. Ashoka, PHINEO, welfare associations, etc.).</li> </ul>
Sustainable Procurement Toolbox and Trainings for Regional Stakeholders	<ul style="list-style-type: none"> <li>As a tool for local development and community support, public procurement can be a way to bring together the business and policy arms of the government by adding a social and sustainability dimension to the tendering processes, and not just focus exclusively on the most cost-</li> </ul>	<ul style="list-style-type: none"> <li>MWAE (Supervision of activities);</li> <li>Social Impact gGmbH (Coordination and implementation of activities);</li> <li>MIK (Advisory and expertise);</li> </ul>	<ul style="list-style-type: none"> <li>Developed toolbox;</li> <li>Developed transfer concept &amp; communication strategy;</li> <li>Number of media appearances covering and showcasing the launch event;</li> <li>Number of downloads of toolbox on social procurement (if developed as an online publication);</li> </ul>

	<p>effective offers. In this way, by using their purchasing power as a way to decrease market barriers for SEs, public stakeholders can support their local communities to reach environmental or social goals;</p> <ul style="list-style-type: none"> <li>• The project will develop a toolbox as well as a training offering for regional public stakeholders to raise the level of information and awareness concerning the issue and the possibilities related to sustainable procurement within their turf;</li> <li>• Project duration: 10/2019 - 04/2021;</li> <li>• Budget: 100.000,00 €</li> </ul>	<ul style="list-style-type: none"> <li>• Municipalities (Advisory and expertise);</li> <li>• Kompetenzstelle für Nachhaltige Beschaffung (KNB)(Advisory body and expertise);</li> <li>• HNE (Advisory body and expertise);</li> <li>• WEED e.V. (Advisory body and expertise)</li> </ul>	<ul style="list-style-type: none"> <li>• Numbers of public administrations that have included social dimensions in their procurement strategies and practices;</li> <li>• Raised awareness concerning the importance and potential and needs of social enterprises in Brandenburg;</li> <li>• Assessment of the feasibility of the integration of social criteria in the processes of public procurement among public stakeholders;</li> <li>• Devising a transfer concept and communication strategy.</li> </ul>
<p><b>Mapping Study</b></p>	<ul style="list-style-type: none"> <li>• To continue improving the conditions for founding new social enterprises in Brandenburg (and/or successfully operating already existing SEs), there is a need to understand the current status of social entrepreneurship in the region. To achieve the vision embedded in Action Plan for Brandenburg, it is crucial that the road forward is built on sound knowledge of the challenges social enterprises face;</li> <li>• A mapping study on the ecosystem and status quo of social enterprises, which are currently active in the region, will demonstrate the nature, size and potential of social enterprises in BB as well as the needs for support they have;</li> <li>• The mapping of the social entrepreneurship landscape in Brandenburg will be a valuable asset in the work to frame a narrative and create materials that can explain and communicate the work of social enterprises.</li> </ul>	<ul style="list-style-type: none"> <li>• MWAE (Supervision of activities);</li> <li>• Social Impact gGmbH (Coordination &amp; implementation of activities);</li> <li>• Leibniz Institute for Society and Space (co-coordinator)</li> <li>• SEs (interviewees)</li> <li>• Municipalities (interviewees)</li> </ul>	<ul style="list-style-type: none"> <li>• Mapping study delivered;</li> <li>• Event to present findings of mapping study implemented;</li> <li>• Media coverage;</li> <li>• Communication strategy executed.</li> </ul>

	<ul style="list-style-type: none"> <li>• The mapping study's results will feed in the project outputs of Actions 1, 4 &amp; 5 in particular.</li> <li>• Project duration: 02/2020 - 09/2020</li> <li>• Budget: 100.000€</li> </ul>		
Social Impact Lab Beelitz	<ul style="list-style-type: none"> <li>• The Lab aims at rejuvenating rural communities through supporting local changemakers (e.g. municipalities or SEs) in their efforts to create innovative and lasting solutions to local challenges.</li> <li>• Among others, the centre will offer online and offline trainings and resources to build-up capacities for social business development, set up a platform to navigate proper funding schemes and function as focal point for (trans-)regional networks and exchange in BB, and beyond.</li> <li>• Project duration: 06/2020 - 05/2022</li> <li>• Budget: 700.000€</li> </ul>	<ul style="list-style-type: none"> <li>• MWAE</li> <li>• Social Impact gGmbH (Coordinator)</li> <li>• Municipalities</li> <li>• Social Enterprises</li> </ul>	<ul style="list-style-type: none"> <li>• Number of trainings conducted;</li> <li>• Online learning and information platform implemented;</li> <li>• Number of exchange activities conducted.</li> </ul>
CERUSI	<ul style="list-style-type: none"> <li>• The project seeks to enhance problem solving and project development capacities among regional stakeholders through mobile and on-site consulting offerings as well as the provision of online learning resources;</li> <li>• The project will contribute materials and resources to the development of the Lab Beelitz by supporting the establishment of a Rural Social Innovation Lab infrastructure and incubation programmes for rural development projects in CE region.</li> <li>• Project duration: 02/2020 - 01/2022</li> <li>• (Total) Budget: 1.000.000€</li> </ul>	<ul style="list-style-type: none"> <li>• Social Impact gGmbH</li> <li>• Municipalities</li> <li>• Regional SEs &amp; social innovators</li> </ul>	<ul style="list-style-type: none"> <li>• Online course implemented;</li> <li>• Number of social innovation labs conducted;</li> <li>• Number of social innovations supported;</li> <li>• Number of capacity building activities implemented.</li> </ul>

### **3. EXPECTED RESULTS AND TRANSFERABILITY**

#### **3.1. Stakeholders and their influence - policy recommendation**

See section above.

#### **3.2. Transferability potentials**

The aforementioned projects aim at establishing a conducive SE ecosystem for rural social entrepreneurs in Brandenburg. Projects include tools, platforms and approaches to better capacities among the target group and to elevate awareness concerning the socio-economic significance of those actors for inclusive and sustainable regional development and growth. The projects rely on and foster (trans-regional/trans-national) stakeholder exchanges and, thus, inform actors outside the project area about options to promote SEs in their regions. Further, an increased emphasis is put on providing hands-on online learning materials, which are easily applicable and free to use for actors. Further, all actions will contribute resources to the establishment of Rural Social Innovation Labs and will, thus, be embedded in a lasting infrastructure with the aim of furthering SE in rural areas beyond the state borders of Brandenburg.

#### **3.3. Influence on the labour market**

The actions put forward aim at promoting entrepreneurship, regional development and the enhancement of the quality of life in rural communities in BB. SEs operating in rural areas offer vast upsides to the regional economy, either indirectly through the provision of needed (social) infrastructure or directly via creating jobs and employment for people in the communities. In particular, projects target the improvement of a consulting and financing infrastructure for SEs. This will decrease business failure and provide for long-term labour market effects in BB.

#### **3.4. Amount of funds foreseen to be leveraged based on project achievements**

N/A

### **4. QUALITY ASSURANCE**

Social Impact gGmbH will implement and coordinate the aforementioned projects.

At the same time, for some projects there are regular meetings with an accompanying steering committees conducted. The steering committees encompass regional stakeholders from public and private spheres. The projects' successes will be monitored and measured against the aforementioned (and project-specific) KPIs.

## Declaration of intent

On behalf of Social Impact gGmbH, I the undersigned, hereby declare, that the Action Plan designed in the framework of the SENTINEL Project was endorsed and adopted by our organisation.

Date: 25 May 2020



Social Impact gGmbH  
Schulbaueigasse 7  
14467 Potsdam  
info@socialimpact.eu  
www.socialimpact.eu

Norbert Kunz, CEO