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Strategy for Social Enterprises



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Strategy for Social Enterprises

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Strategy for Social Enterprises

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Abstract

A social enterprise is engaged in business activity to achieve its chosen social objective and directs the majority of its profits to that purpose. The activities emphasise responsibility, openness and transparency, as well as inclusion and democracy in the governance model.

The strategy's premise is that the way social enterprises conduct business will be recognised, but no specific legal basis or special treatment will be provided for them. Instead, the operating conditions of social enterprises will be strengthened. The strategy proposes that a new centre of expertise, which will be national and network-based, be established. The Ministry of Economic Affairs and Employment is responsible for the management and oversight of the centre. The centre's task is to create national advisory and guidance services specialising in social enterprises and introduce measures to raise awareness of the business model. Business skills and competence in effectiveness among social enterprises will be increased. Measures to help integrate social innovations will be strengthened. The effectiveness of public procurement and the use of social criteria and innovative practices will be advanced and the need for new funding models will be assessed. Statistics and data production will be systematised and research activities will be increased. The key objective of the strategy is to improve the employment of people with partial work ability and others who are in a weak labour market position.

Keywords working life, work, social entrepreneurship, social economy, people with partial work ability, employment, intermediate labour market, social innovations, labour policy

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Yhteiskunnallisten yritysten strategia

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Tekijä/t			
Toimittaja/t			
Yhteisötekijä	Yhteiskunnallisten yritysten työryhmä		
Kieli	englanti	Sivumäärä	27
Tiivistelmä	<p>Yhteiskunnallinen yritys harjoittaa liiketoimintaa yhteiskunnallisen tavoitteensa toteuttamiseksi ja käyttää suurimman osan voitostaan tavoitteensa edistämiseen. Toiminnassa korostuu vastuullisuus, avoimuus ja läpinäkyvyys sekä hallintomallissa osallisuus ja demokratia.</p> <p>Strategian lähtökohtana on, että yhteiskunnallisten yritysten liiketoiminnan erityispiirteet tunnustetaan, mutta erityistä säädöspohjaa tai erityiskohtelua ei luoda. Sen sijaan yhteiskunnallisten yritysten toimintaedellytyksiä vahvistetaan. Strategiassa esitetään perustettavaksi valtakunnallinen, verkostomaisesti toimiva osaamiskeskus. Keskukseen ohjaus ja seuranta ovat työ- ja elinkeinoministeriön vastuulla. Osaamiskeskuksen tehtävänä on rakentaa yhteiskunnallisiin yrityksiin erikoistuneet valtakunnalliset neuvonta- ja ohjauspalvelut sekä lisätä toimintamallin tunnettua. Yhteiskunnallisten yritysten vaikuttavuusperusteista liiketoimintaosaamista lisätään. Toimia sosiaalisten innovaatioiden juurruttamiseksi vahvistetaan. Julkisten hankintojen vaikuttavuusperusteisuutta, sosiaalisten kriteereiden käyttöä ja innovatiivisia menettelyjä edistetään sekä arvioidaan uusien rahoitusmallien tarve. Tilastointi ja tiedontuotanto systematisoidaan ja tutkimustoimintaa lisätään. Strategian keskeinen tavoite on parantaa osatyökykyisten ja muiden heikossa työmarkkinatilanteessa olevien työllisyyttä.</p>		
Asiasanat	työelämä, työ, yhteiskunnallinen yrittäjyys, yhteisötalous, osatyökykyiset, työllisyys, välityömarkkinat, sosiaaliset innovaatiot, työpolitiikka		
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En strategi för sociala företag

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Författare Redigerare Utarbetad av Språk	Arbetsgruppen för sociala företag engelska	Sidantal	27
Referat	<p>Sociala företag bedriver näringsverksamhet för att uppnå samhällliga mål och använder största delen av sin vinst till att uppnå sina mål. I verksamheten betonas ansvarsfullhet, öppenhet och transparens samt delaktighet och demokrati i förvaltningsmodellen.</p> <p>Utgångspunkten för strategin är att särdragen i sociala företags affärsverksamhet erkänns, men att det inte skapas någon särskild författningsrund eller ges någon särbehandling. Däremot ska verksamhetsbetingelserna för sociala företag stärkas. I strategin föreslås att det bildas ett nationellt kompetenscentrum som fungerar som ett nätverk. Arbets- och näringsministeriet ansvarar för styrningen och uppföljningen av centret. Kompetenscentret ska ha till uppgift att skapa rådgivnings- och vägledningstjänster i de sociala företagen samt göra verksamhetsmodellen mera känd. Sociala företags effektbaserade kunskande inom näringsverksamhet ska ökas. Åtgärder för att etablera sociala innovationer ska stärkas. En effektbaserad offentlig upphandling, användningen av sociala kriterier och innovativa förfaranden ska främjas och behovet av nya finansieringsmodeller och möjligheterna att utvidga dem ska bedömas. Statistikföringen och kunskapsproduktionen ska systematiseras och forskningsverksamheten ska ökas. Det centrala målet med strategin är att förbättra sysselsättningen bland partiellt arbetsföra och övriga grupper som befinner sig i en svag ställning på arbetsmarknaden.</p>		
Nyckelord	arbetsliv, arbete, socialt företagande, social ekonomi, partiellt arbetsföra arbetstagare, sysselsättning, kompletterande arbetsmarknader, sociala innovationer, arbetspolitik		
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PREFACE

On 4 June 2020, the Ministry of Economic Affairs and Employment appointed a working group to prepare proposals for improving the operating conditions of social enterprises (VN/2392/2020). The working group was tasked with drawing up a strategy proposal for social enterprises, encompassing the key administrative branches, as well as a related action plan, by 30 April 2021.

The working group completed its task by the deadline. The proposal was discussed at the meeting of the subgroup focusing on services, benefits and inclusion on 11 March 2021, and the ministerial group for employment approved the strategy and its policies on 9 April 2021. In its mid-term policy review on 29 April 2021, the Government decided to set up an expert unit to support the establishment of social enterprises.

The goal of this strategy is to strengthen the operating conditions of social enterprises, increase the number of new social enterprises and develop their competence. The key objectives of the strategy are to:

- Raise awareness of the operating model and improve its visibility
- Promote responsible and impact-driven business competence
- Scale up and establish the societal innovations of social enterprises
- Boost the employment of people who are partially incapacitated or otherwise disadvantaged in the labour market
- Make statistics and data collection more systematic as well as increase and make use of research
- Develop new models for impact funding.

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Strategy for social enterprises

On 4 June 2020, the Minister of Economic Affairs and Employment appointed a working group to prepare proposals for improving the operating conditions of social enterprises. The working group was tasked with drawing up a proposed strategy for social enterprises and a related action plan by 30 April 2021. The Government approved the strategy in its mid-term policy review on 29 April 2021.

1 Background to the strategy

In Prime Minister **Sanna Marin's Government Programme**, social entrepreneurship is mentioned as a way to build trust and labour market equality and raise the employment rate. The goal is to improve the operating conditions of social enterprises so as to promote the employment of people who are partially incapacitated for work or otherwise disadvantaged in the labour market. This will be done by reforming funding and providing support for strengthening business competence.

The Government Programme also includes other items related to social enterprises. Opportunities will be provided for business growth and renewal, with attention paid to the needs of different types of companies. Support will be offered to the diversification of funding available to start-ups and small and medium-sized companies. Third-sector organisations will be given a stronger role in the promotion of health and wellbeing and their possibilities to provide services will be safeguarded. The formation of business cooperatives will be promoted. Other policies concern the development of public procurement and sustainable business. One of the goals is to make social employment a criteria in public procurement.

Social entrepreneurship has been assessed in Finland from time to time. The **working group appointed in 2011 by the Ministry of Economic Affairs and Employment** based its work on the concept of value-based business with societal objectives. One of its goals was to determine the operating model's suitability for the provision of care services, integration into the labour market and the fee-based operations of organisations. In its conclusions, the working group found that a social enterprise is not a legal form of business in Finland, but rather a business model with societal objectives. Such a company operates on the market and invests most of its profits in developing its operations. In other words, maximising the profits of shareholders or owners is not the main objective of a social enterprise. In the working group's view, the business model should be defined and differentiated from corporate social responsibility or general philanthropy. However, the group did not consider it necessary to create new or separate support and subsidy schemes nor set up new business services for social enterprises. Instead, the public business services system should be developed to ensure it identified the characteristics of social enterprises and was capable of providing guidance and service in this respect.

In the group's view there should be a label granted to social enterprises that would help them stand out among companies, make it easier for customers to identify them and raise public awareness of the operating model. This led to the launch in 2012 of the **Finnish Social Enterprise Mark, managed by the Association for Finnish Work**.

According to a report published by the European Commission in 2019 concerning Finnish social enterprises and their ecosystem, Finland lacks general awareness of and knowledge about social enterprise business models. Factors constraining the growth of social enterprises include the lack of a policy framework, underdeveloped social investment markets and an inadequate understanding of the characteristics of social enterprises and the social value created by them. The nascent ecosystem does not support the special characteristics of social enterprises. Organisations have trouble securing financial support. Moreover, most funding instruments are designed for conventional businesses or non-profits and therefore do not specifically cater to social enterprises.

A survey of social enterprises in Finland ("**Yhteiskunnalliset yritykset Suomessa**", Harri Kostilainen, Diak) was carried out in 2019 to support this strategy work and provide an up-to-date picture of the present situation. In addition to mapping the situation, the survey sought to collect information about ways to develop the conditions and operating environment of social enterprises and their employment opportunities. The results indicated that awareness of the social enterprise business model remained weak and that it was hard to come by reliable and comprehensive statistical information concerning social enterprises. Little research-based knowledge is available about social entrepreneurship and its impacts. The availability of advice and guidance services specialised in the characteristics of the social enterprise business model is inadequate, and shortcomings in business and funding skills pose one of the main challenges to the growth of social enterprises. Nevertheless, the starting point for promoting different forms of social entrepreneurship is good in Finland. We have strong local and national cooperatives in different fields. The health and social services sector is home to companies operating in the form of and owned by organisations or foundations, and many of them satisfy the criteria for social enterprises. Village activities and local associations have long traditions in the country. Organisations like these can expand their operations into the provision of multisectoral services and related employment. The use of social criteria in public procurement, as well as outcomes- and impact-based public procurement and impact investing could help improve the growth and employment opportunities of social enterprises.

The same questions came up in the **consultations** of the working group preparing this strategy for social enterprises. The vagueness of concepts, inadequate research results and statistical information, as well as poor awareness of the business model were still listed as challenges. Various experts pointed out that the lack of permanent advisory and support

structures hinder the establishment of new social enterprises. The fragmented field and scarce collaboration among operators, as well as the authorities' and funders' inadequate understanding of the characteristics of social enterprises was found to hinder business expansion.

2 The foundations and objectives of the strategy

In this strategy, social entrepreneurship is not limited to specific sectors only. However, a number of development trends that boost the potential for alternative business models are worth noting.

Promoting the circular economy at all levels is one of the most significant tools for climate policy. Finland is committed to the EU-wide objectives of promoting the circular economy, which focus on environmental aspects as well as on increasing the EU's competitiveness through new innovations and low-threshold employment opportunities. According to surveys, the circular economy holds significant business potential. The Finnish Innovation Fund Sitra expects the circular economy to offer 75,000 new jobs in the next few years. Promoting the reuse of usable products as part of the circular economy has the potential of significantly improving employment. The circular economy and reuse of products provide various opportunities to employ people who are partially incapacitated or otherwise disadvantaged in the labour market, as well as increase the number of social enterprises.

The health and social services sector grapples with major changes resulting from demographic trends. This offers the sector numerous new business opportunities related to, for example, the health and social services reform, different types of services vouchers, opportunities provided by artificial intelligence and the platform economy, robotics and business acquisitions. To safeguard wellbeing services, we need operating models that encourage service providers to increase the productivity, impact and profitability of service operations. There is a need to diversify the service market and support companies based on alternative business models. The business model of social enterprises is one way to diversify service provision.

Community-based social entrepreneurship has attracted a great deal of interest in many countries, especially as a way for rural environments to develop the wellbeing and employment of inhabitants and satisfy the demand for services. Community-based social enterprises meet local service needs by providing, for example, care, transport, housing, shopping and postal services. The Ruralia Institute predicts a growing demand for services that are jointly provided by rural communities. Many small municipalities find that their tender invitations for service provision receive no offers from the private sector, forcing

municipalities and communities to develop new alternatives for providing services. The increase in remote and multi-location work creates added potential for the emergence of new business models.

Changes in the workplace will also affect the diversification of companies and entrepreneurship and increase the number of the self-employed. A generational change will be taking place in the labour market, as baby boomers retire. Young people place increasing value on the significance and content of their work, the workplace community, their opportunity to influence matters and a good work-life balance. As new generations take up entrepreneurial activities, the foundations of entrepreneurship will likely change as well.

The change in values is reflected in the behaviour of consumers. More and more consumers now base their choices on ethical considerations. Consumers' increasing interest in the source of commodities and ethical production methods requires companies to sharpen their profile on the market.

To build a sustainable and resilient society, we need as wide a range of players as possible, as well as bold, new operating methods. Social innovations can help meet societal challenges by offering new ideas and solutions that improve citizens' services, wellbeing and inclusion. Social enterprises are an important resource in responding to challenges. The goal of this strategy is to strengthen the operating conditions of social enterprises, increase the number of new social enterprises and develop their competence. The goal is to achieve a vibrant ecosystem for social enterprises, which efficiently contributes to solving societal challenges. One of the key objectives is to provide employment for people who are partially incapacitated for work or otherwise disadvantaged in the labour market.

This strategy aims to:

- Clarify and simplify the definition of social enterprise
- Raise awareness of the operating model and improve its visibility
- Promote responsible and impact-driven business competence
- Scale up and establish the societal innovations of social enterprises
- Boost the employment of people who are partially incapacitated or otherwise disadvantaged in the labour market
- Make statistics and data collection more systematic as well as increase and make better use of research activities
- Develop new models for impact funding

To achieve these goals, we need a host of coordinated measures that are long-term in nature but also catalytic in the short term. Strategic work calls for close dialogue with various stakeholders in the public, private and third sectors and in civil society. It also requires the establishment of a permanent, specialised support structure.

3 Definition of social enterprise

The definition of social enterprise can be said to be based on one of two main approaches. According to the approach emphasising identity, social enterprises strive to stand out from other businesses with their distinct characteristics. The goal is to create special legislation, institutions and clearly defined criteria for social enterprises. In this view, social enterprises engage in business that is based on different premises and contributes to solving societal challenges. Societal objectives are not just a part of the company's business logic but the main principle guiding all operations. Many EU Member States have begun to create legislation and structures specially designed for social enterprises.

According to the other approach, social enterprises themselves can define the societal nature of their operations, as well as the importance of societal objectives in their operations at large. The absence of a clear definition makes it difficult to identify social enterprises in the business context. From the perspective of legislation and competition, they play in the same field as other companies. The same support structures serve all companies. Societal business objectives sound much like corporate social responsibility.

Today, responsible and sustainable business is driven more strongly than ever by companies' enhanced awareness of the state of the globe, as well as their need to satisfy customer, investor and other stakeholder expectations, stand out from competitors, manage risks, increase their value and safeguard their future operating conditions. Companies are integrating environmental and social responsibility into their business operations at an increasing pace. This applies to innovation, leadership, production and operating models, for example. Corporate social responsibility is already part of normal value creation, not a standalone project.

The starting point for this strategy is to identify and acknowledge the special characteristics of social enterprises and their business, without the need to create special legislation or treatment. Instead, the goal is to strengthen social enterprises' operating conditions and support them in the development of new products and production methods through the measures described in this strategy.

In many EU Member States, social enterprises typically focus on the reintegration of the unemployed, education and rehabilitation, personal services and the local development of less successful regions. As part of their societal mission, social enterprises may also

choose to, for example, support non-built-up and depressed areas, develop local communities, protect the environment and engage in sustainable trade with developing countries. The rise of the circular economy and increased consumer awareness also create new growth opportunities for social enterprises. As it is difficult to precisely delineate the diverse societal objectives of business operations, countries have chosen to approach questions related to the scope of social enterprises in different ways, including targeted legal frameworks, labels and certificates, general criteria and standards, performance and impact targets, and ownership, to mention a few examples.

Because of this diversity of objectives, the definition of social enterprise should not be limited to specific sectors only. The following are the key **characteristics of social enterprises**:

- A social enterprise is not a legal form of business, but rather a business model with societal objectives. It operates in a competitive market and invests most of its profits in developing its operations. Maximising the profits of shareholders or owners is not the main objective of social enterprises.
- Societal objectives or sectors are not strictly determined due to the great variety of social enterprises. Societal objectives may involve the promotion of social, environmental, economic and cultural sustainability.
- The main societal objective of business must be stated in the entity's articles of association or statutes.
- In principle, a social enterprise can choose any legal form under private law. It must be an independent legal person governed by private law that has a business ID and has been registered in the trade register maintained by the Finnish Patent and Registration Office.
- The articles of association or statutes must include a clause stating that more than half (more than 50%) of the profits or surpluses is to be used to pursue the company's societal objective.
- A public entity that handles statutory duties or exercises public power cannot be a social enterprise. The same applies to publicly owned undertakings.
- Most of the revenue must be generated by business activities.
- The company must have staff: at least one entrepreneur or employee.
- A social enterprise pursues business in a competitive market, and must comply with the same rules as other companies related to, for example, competitive neutrality, public procurement regulation, State Aid rules and public service obligation/SGEI.
- A social enterprise is sustainable not only in its business but also in its administration and personnel policy. It promotes the principles of transparency and good governance, as well as equality at large. Moreover,

a social enterprise nurtures inclusion and offers opportunities to influence to its staff, customers and other stakeholders, as well as promotes democracy in its internal decision-making, for example.

Definition of social enterprise:

A social enterprise pursues business in order to achieve its societal objective and uses most of its profits or surpluses to promote this primary objective, as laid down in its articles of association or statutes. In addition, a social enterprise emphasises responsibility, openness and transparency in its activities, as well as inclusion and democracy in its administrative model.

4 Measures required to improve the operating conditions of social enterprises

4.1 Establishing a competence centre for social enterprises

A separate national expert unit will be established to improve the operating conditions of social enterprises and ensure the continuity of support. As a cluster of special expertise in social enterprises, the centre will network with other players in the field, promoting and offering diverse support to the establishment of social enterprises as well as their operating conditions at different stages of business. The centre's supervision and monitoring will be entrusted to the Ministry of Economic Affairs and Employment.

The need for annual funding totals EUR 1.5 million. In 2021–2022, funding can be handled through item transfers using the appropriations allocated to the work ability programme. From 2023 onward, additional funding will be required for the operations. Another alternative is to launch the operations as a national coordination project of the European Social Fund in 2021–2027.

Social enterprises have special characteristics and needs that are not recognised or acknowledged in general strategies, policies and corporate service systems set up to support business activities. The competence centre's added value arises from its tailored development measures targeting this special field of the corporate sector. These measures contribute to the development of national measures, including legislation, services and service and support systems. The results can be used for enterprise strategies, service systems and services, and if required, to develop special measures concerning social enterprises at a national and/or regional level, taking international experiences into account.

The competence centre's task will be to develop business and impact-related competence, as well as productise and scale up the results. Increasing awareness of social entrepreneurship and engaging in active communications are of particular importance. Since the main objective of social enterprises is usually societal or ecological, improving the operating conditions and impact of these companies can improve wellbeing and inclusion more broadly, not only through entrepreneurship and job opportunities. Social

enterprises operate in all of Finland. Therefore, national and regional measures also increase the vitality and wellbeing of regions. Owing to the variety of the target group, no systematic data collection is currently in place for social enterprises. This must also be set up in connection with the project.

4.2 Boosting business and impact-related competence

The competence centre will be in charge of setting up national guidance and advisory services specialised in social enterprises, as well as organising measures that help increase awareness of the business model among professionals working in business and employment services, as well as in entrepreneurial education provided by schools and higher education institutions.

Inadequate business and impact-related competence poses a key challenge to the growth of social enterprises. The development of education, mentoring, peer support and other resources and competence related to social enterprises must be supported to boost business competence and/or leadership and help take advantage of the opportunities provided by digitalisation. Social enterprises and their founders work towards their societal objectives through their business and are often experts in the substance of this objective. However, they may lack business competence and other “core skills” related to business activities. They may also be less familiar with the requirements and opportunities of internationalisation.

One of the key goals is to increase awareness of social enterprises among business advisors. It is important to incorporate expertise in the special features and needs of social enterprises in all business services, including in advice, guidance and training concerning funding and funding instruments. A permanent system must be created for maintaining and updating this awareness – a fixed-term, one-off project is no longer adequate.

The entrepreneurial education provided by schools and higher education institutions plays a key role in promoting entrepreneurship among young people. There are good examples of this in Finland (e.g. Aalto University and Co-op Network Studies), and these successful approaches to initiating start-up and other entrepreneurial activities related to cooperatives and social enterprises should be incorporated more widely into the operating models of schools and universities. Young people are increasingly interested in sustainable and social entrepreneurship and have open-mindedly embraced the opportunities and new business ideas offered by technological development.

4.3 Enhancing business by strengthening networks

The ecosystem of social enterprises and the prerequisites for sustainable growth will be strengthened through networking and other cooperation between various participants. Deeper cooperation will enhance business and help the operating model spread in the social economy and mission-based microenterprises. Business incubator and accelerator operations will be promoted.

Systematic networking and cooperation among social enterprises is needed in Finland, as are umbrella organisations and other structures that boost competence and resources, such as those found in Italy. Models with multiple providers can be of support in public procurement procedures and help the companies involved get their voices heard. Social enterprises can gain added value and strength for their operations by working with other companies and players, such as municipalities, sharing the same values.

It is important to promote networking and cooperation with other companies to boost business and business conditions in the market. Cooperation involving social enterprises, educational and research institutions, organisations and other players can help promote awareness of the opportunities provided by social entrepreneurship, as well as the emergence and utilisation of social and other innovations. Organisations generate interesting business concepts and services, but their development into commercial products is challenging due to, for example, the lack of funding instruments available for this purpose. Many organisations are interested in commercialising parts of their operations, and organisations active in the health and social services sector also offer great potential.

The decrease in funds from the national lottery pushes organisations to think more carefully about their earnings logic and identify new sources of funding for their operations. Scalable, value-based and human-centred services and products can offer an attractive and important path forward.

Models that address national and regional needs are required to improve competence and other resources. Examples of these include special business incubator or accelerator activities that speed up and strengthen the launch and development of social enterprises, also scaling up existing experiences.

4.4 Increasing awareness of the operating model through active communication

Awareness of the operating model of social enterprises and its special features will be increased, for example, by setting up a separate website. The brand of social enterprises will be developed collaboratively by various players. Awareness will be increased among public sector customers, funding parties, consumers, potential social enterprises and organisations providing education. To increase awareness, we need targeted marketing communication, reporting and training for different stakeholders and target groups.

The concept of social enterprise needs to be clarified in Finland. This is particularly true concerning business advisors and other service providers offering support to companies, but it also applies to policymakers, customers, stakeholders, consumers, instructors, communicators and people considering entrepreneurial activities.

Consumers, other customers and investors, as well as employees demand ever greater responsibility from business activities, and this is something that companies also emphasise increasingly in their marketing. Transparency has been demanded, for example, concerning socially sustainable working conditions that comply with human rights, as well as production methods that respect the environment and biodiversity. Even though the concept of social enterprise, along with responsible business, has gained more publicity and clarity, public awareness and understanding of social entrepreneurship remain inadequate. Concepts that often cause confusion include social economy, social enterprise, work integration social enterprise and corporate social responsibility.

To increase awareness of social enterprises and the opportunities they afford, we need a variety of concerted efforts, such as general and targeted communication and information provision, a new website, final projects, theses and research, as well as entrepreneurial education. Social enterprises must be treated as a realistic form of business, and accurate and adequate information must be provided about them in entrepreneurial education provided at schools and other educational institutions, business advisory services and TE services, funding, and business competence and other competence development, as well as in relation to public procurement procedures.

4.5 Emphasising impact-related aspects in funding

Impact-related aspects, social criteria and innovative procedures will be emphasised in public procurement, and the need for new funding models and opportunities for their wider use will be assessed.

In view of the operating conditions of social enterprises, it is important that markets develop in an impact-driven, socially and ecologically sustainable direction. By favouring impact-driven public procurement and employing procurement criteria emphasising social and ecological sustainability, we can achieve societal impacts that are significant to the entire national economy and improve the sustainability of public finances. Market development offers incentives and opportunities to invest in the measurement and assessment of social impact.

In impact-driven procurement, the public sector purchases impact instead of performance, and the client determines the desired outcome, not the method of production or provision. Payment is tied to demonstrated impact, that is, to the outcomes that the client determines in advance. The development of impact-driven procurement requires assessment competence, comparable indicators and follow-up practices in public procurement to be further developed in cooperation with service providers. Good practices must also be spread widely to help social enterprises monitor their own impact.

International studies indicate that social enterprises produce social innovations when seeking new solutions to societal challenges. A social innovation is a new method, product or process that satisfies customer needs, solves problems, produces new solutions and increases wellbeing in society. However, the existing funding mechanisms are inadequate in identifying the nature of social innovations. As concerns funding mechanisms, it is important to determine the needs related to the development and scaling up of social innovations, taking into account the characteristics of social entrepreneurship and different company forms.

The public sector can accelerate the development, commercialisation and spreading of social innovations through innovative public procurement. The goal set in the national public procurement strategy is to raise the share of innovative procurement to 10 per cent of overall procurement. The promotion of social innovations must also be taken into account in the achievement of the goal.

Various types of funding are available for different needs. Different types of subordinated loans, for example, have also generated interest lately. In Finland, funding has been raised through means such as crowdfunding and bonds. A survey should be carried out on new funding models that support collective activities and/or are based on impact, for example, by linking funding (including crowdfunding) to funding instruments. The need for a social fund should also be assessed.

4.6 Strengthening statistics compilation, knowledge base and data collection

The national method for compiling statistics on social enterprises to establish a more reliable knowledge base will be developed in cooperation with national statistics authorities, taking into account the statistical data produced for the European Union. The question of statistics calls for urgent further assessment and measures to make statistical data more transparent and shed more light on the situation in Finland.

The compilation of statistics and provision of data on social enterprises is inadequate and scattered in Finland. A small share of the country's social enterprises can be identified by the Finnish Social Enterprise Mark granted to them (262 enterprises) or by their membership in the Finnish Association of Social Enterprises (ARVO) (65 enterprises). The register of work integration social enterprises includes companies whose societal objective is to employ people who are partially incapacitated for work or long-term unemployed. The register currently includes 21 social enterprises.

According to a 2015 survey conducted by ETLA Economic Research, there are around 19,000 social enterprises in Finland. In contrast, the survey prepared for this strategy by Harri Kostilainen puts the number of social enterprises in Finland at around 1,700. More than half of these are associations providing health and social services mainly to the public sector. Their overall turnover is approximately EUR 5.8 billion, and they offer more than 50,000 jobs.

The great variation in the estimated number of social enterprises is due to the different criteria used in the surveys.

Reliable and adequate information about social enterprises and their operating environment is needed to carry out this strategy and operational plan and to target special measures correctly and appropriately. The compilation of statistics must be developed to ensure that Finnish data are comparable in the European context. Harmonised statistics on social enterprises have been developed in connection with Eurostat's project focusing on the creation of satellite accounts. The European Commission has encouraged the Member States' institutions responsible for statistics compilation (such as Statistics Finland) to join these efforts. The experiences available from a few other Member States (such as Portugal and Luxembourg) can be used in this development work. Comparable Union-wide statistical data can be obtained under the lead of Eurostat despite any differences in social entrepreneurship and its definition among Member States.

The Finnish Patent and Registration Office collects basic information about all companies in the Trade Register, but systematic statistical data on social enterprises cannot be

obtained from the register. A survey should be carried out to find ways to produce more filtered data from the different systems. The Finnish Institute for Health and Welfare is also a statistics authority that could provide information related to social enterprises.

4.7 Producing more research

Higher education institutions, upper secondary schools and vocational training providers will offer more instruction in social enterprises. Universities of applied sciences and research universities will take social enterprises into account in their research, staff recruitment and the content of education, within the scope of their educational responsibilities. The goal is to also include social enterprises in the RDI partner networks of higher education institutions.

Finnish higher education institutions do not offer research and degree programmes or professorships focused on social entrepreneurship as such. Some research related to the field has been carried out, little research-based knowledge is available about social entrepreneurship and its impacts. More applied research is needed to support measures, as well as their targeting and impact. The business model of social enterprises is not addressed in entrepreneurial education.

Research in cooperatives, NGOs and other entrepreneurial activities would benefit from cooperation and networking between different fields.

International research related to social enterprises must be followed and put to better use in Finland.

Practical entrepreneurial education offered at schools and other educational institutions can be based on the cooperative model to help increase awareness of social entrepreneurship among students and teachers. Social entrepreneurship must be presented as a credible future alternative in the context of entrepreneurial education. Young people hope to find a workplace that matches their values, and as social entrepreneurs they can contribute to creating such a place.

DEFINITIONS

Social innovation

A social innovation means reforms to legal frameworks, policies, organisation structures and operating models that improve the economic and social performance and operating capacity of society in the public and private sectors. A social innovation is not a limited new way of operating but a novel approach that can be spread more widely and that represents continuity and permanence. Social innovations are usually related to society's operations, health and wellbeing, education and working conditions. They often combine existing practices in a novel way. Social innovations typically straddle various fields and organisations and bring together individuals or groups that have not previously interacted with each other. Social innovations are seen as playing a significant role in strengthening the civil society.

Work integration social enterprise

The act regulating work integration social enterprises (1351/2003) entered into force in Finland in 2004. Operating according to business principles, a work integration social enterprise produces products and offers jobs especially to people whose disability or illness hampers their employment. Work integration social enterprises differ from other companies in that at least 30 per cent of their staff must be partially incapacitated for work or a total of at least 30 per cent must be partially incapacitated for work or long-term unemployed. In compensation, work integration social enterprises receive wage subsidies on more advantageous terms. The Ministry of Economic Affairs and Employment maintains a register of work integration social enterprises operating in Finland. However, the number of work integration social enterprises has been decreasing. It was at its highest in 2009, when registered enterprises numbered 212, compared to 21 in January 2021.

Not all social enterprises are work integration social enterprises and vice versa. Social enterprise is a broader concept than work integration social enterprise. The societal objective of a work integration social enterprise is to find employment opportunities for disadvantaged people, while a social enterprise may also seek to provide other types of societal benefits. For example, the act on work integration social enterprises does not include a requirement for restricting profit distribution, as is the case for social enterprises.

Responsible business

A company that engages in responsible business takes into account the impacts that its operations and value chain have on people, the environment and society. Such a company strives to identify and prevent any adverse impacts of its operations and if required, repair any damage it may have caused or been involved in. Responsible business is linked to the management of risks that business causes to people and the environment. The terms corporate social responsibility and corporate responsibility are also used for responsible business. Responsible business complies with international standards, such as the UN Guiding Principles on Business and Human Rights and the OECD Guidelines for Multinational Enterprises. Responsibility is a way of operating and should not be confused with, for example, charity, which is often a set of good deeds unrelated to the strategic management of a company.

Impact investing

In addition to obtaining a financial return, impact investing aims to generate a societal benefit that is defined in advance and whose achievement is measured. This is sometimes considered a more advanced form of responsible investment. In practice, all parties managing capital, including the public sector, the EU and private investors and companies, can be impact investors. Funding channels include social banks and various intermediary organisations, crowdfunding platforms and fund managers focusing on impact investing. The global market for impact investing has been growing steeply in recent years and it now amounts to around USD 500 billion. Strong market growth is set to continue.

Social impact bonds are a form of impact investing. In social impact bonds, private investors carry the bulk of the financial risk related to the delivery of the outcome, and the public sector repays the invested capital and the agreed return only if the desired outcome is verifiably achieved. In a sense, the performance bonus paid on the basis of performance indicators is simply part of the savings and other economic benefits generated by these new types of activities.

Social economy

In the EU, the acronym CMAF often appears in definitions of social economy. It stands for cooperatives, mutual societies, associations and foundations serving as the four main types of entities in social economy. In other words, the definition is based on the legal form of organisations. Social economy is often considered to operate parallel to the mainstream economy and is assigned a supplementary task: it is expected to promote the employment of local or latent resources, relieve inflexible markets and spur entrepreneurial activities and distributed production. According to this definition, the European social economy encompasses 14.5 million employees, which amounts to around 6.5 per cent of all employed people in the EU 27 countries.

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