

The State of Social Entrepreneurship in Sweden

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# **The State of Social Entrepreneurship in Sweden**

**SEFORIS Country Report**

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## **About SEFORIS: Social Enterprise as FORce for more Inclusive and Innovative Societies**

SEFORIS is a flagship multi-disciplinary, multi-method international research project on social enterprise funded by the European Commission. Through the generation of robust evidence and internationally leading research, SEFORIS aims to better understand the role that social enterprises play in the EU and beyond in the development and evolutions of inclusive and innovative societies.

SEFORIS will investigate key processes through which social enterprises deliver inclusion and innovation (spanning a range of domains, from organisation and governance, over financing and innovation to behavioural change) as well as the contexts in which social enterprises thrive. In terms of methodology, we will start from policy and social enterprise practitioner questions and challenges together with critically scrutinizing existing academic literature. We use this first step to develop theoretical frameworks that then serve as a basis for thinking systematically about innovation and inclusion processes in context. This is followed by field and lab experimentation with social enterprises and in-depth case studies to expand and enrich our understanding of social enterprises. Unique longitudinal survey data will be collected across 9 distinct countries to test new (and at times counterintuitive) hypotheses to reach novel insights and generalizable conclusions. We engage policy makers and social enterprises throughout the research process to ensure that our research is relevant for them and can inform their practice.

### **The SEFORIS partnership**

SEFORIS is a consortium of 12 organisations from 10 countries including Belgium, China, Germany, Hungary, Portugal, Romania, Russia, Spain, Sweden, and the UK.

#### **Academic partners and research institutes:**

KU Leuven (Belgium), Hertie School of Governance (Germany), Autonomous University of Barcelona (UAB, Spain), University of Aveiro (Portugal), Centre for Economic and Financial Research (CEFIR, Russia), Stockholm School of Economics (Sweden), Aston Business School (United Kingdom)

#### **Social entrepreneur support and financing organisations**

Oksigen Lab (Belgium), i-propeller (Belgium), Non-Profit Incubator (NPI, China), Nonprofit Enterprise and Self-sustainability Team (NESsT, Hungary & Romania), and The Foundation for Social Entrepreneurs - UnLtd (United Kingdom)

#### **Advisors**

Organisation for Economic Co-operation and Development (OECD, France), Harvard Business School (HBS, USA) and the European Venture Philanthropy Association (EVPA, Belgium)

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## Executive Summary

After almost 100 years of Socialism it might appear surprising to some that Sweden is the home of many large international companies and innovative technical inventions. The extensive public sector, the inclusive non-profit sector and the innovative commercial sector have however largely operated independently. Perhaps, this is also the reason why the introduction of the concept of social enterprise has been late in Sweden.<sup>1</sup>

Societal challenges are, however, changing and the nature of issues calls for different solutions. For many Swedes, they view the government as ultimately liable for addressing these challenges and as constituting the legitimating authority of welfare operators<sup>2</sup>. However, the best innovative solutions may not solely come from the government. Indeed, one could ask if social enterprise could contribute with its own innovations in addressing existing and future societal problems?

Some substantial societal challenges Sweden is now facing include:

- An aging population – with an increase in the mean age from 37,1 to 41,2 years and an increase of the share of the population above 65 years from 13,4% to 19,1%, between 1968 to 2012<sup>3</sup>. There are even bigger geographical differences.
- High youth unemployment – amounts to 25%<sup>4</sup>, which is both high compared to European standards and has been increasing in the past decade.
- Increasing economic inequality and segregation – trends during the past 20 years show that economic inequality is rising in Sweden, irrespective of the measure used<sup>5</sup>.

Recent development of innovative social initiatives show that social enterprise has an important role to play in tackling societal problems in Sweden. This country-report on Sweden within the research project *Social Enterprise as Force for more Inclusive and Innovative Societies* (henceforth SEFORIS) is based on desk research, official statistics, literature reviews and numerous invaluable shared experiences of social entrepreneurs; staff at incubators, intermediaries, and public agencies. Additionally it uses data on social enterprise collected as part of the “*Social entrepreneurs as ‘lead users’ for service innovation*” (SELUSI, 2010 henceforth) project<sup>6</sup>. Tables from the SELUSI report (2010) are complemented with comments or indicators of tentative changes since the report, with the aim of capturing some of the latest trends. The report can be summarised in the following six points:

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<sup>1</sup> See in particular Moe in M. Gawell, B. Johannisson and M. Lundqvist.. 2009. “*Samhällets entreprenörer – En forskarantologi om samhälls-entreprenörskap*”. Stiftelsen för kunskaps- och kompetensutveckling.

<sup>2</sup> See E. Augustinsson and M. Brisvall . 2009. “*Tjäna pengar och rädda världen – Den hållbara ekonomins entreprenörer*”. Stockholm: Bookhouse Publishing.

<sup>3</sup> “*Aldrande befolkning*.” Statistics Sweden, SCB. (Accessed 15 March, 2014).

<http://www.scb.se/sv/Hitta-statistik/Regional-statistik-och-kartor/Statistikatlasen/VisletBehallare/Aldrande-befolkning/>

<sup>4</sup> “*Ungdomsarbetslöshet*.” Statistics Sweden, SCB. (Accessed 15 March, 2014)

<http://www.scb.se/sv/Hitta-statistik/Artiklar/Statistiken-over-ungdomsarbetsloshet-ar-jamforbar/>

<sup>5</sup> J. Roine in M. Persson, and E. Skult, eds. 2013. *Tillämpad Makroekonomi*. Chapter 7. “Inkomstfördelningen”. Stockholm: Studentlitteratur AB,.

<sup>6</sup> In the Swedish case, this data-wave includes responses from approximately 100 social enterprises collected 2 years prior to the SELUSI report.

## 1. There is an increasing awareness of the Social Enterprise sector in Sweden

The growing number of awards, articles in the media, grants, and political debates related to social entrepreneurs, social enterprise and social innovation has increased the knowledge and common understanding about social enterprise. Many new dedicated platforms, forums, incubators, university courses, and financial players are filling the gap while there is still a lack of more formal definition, official statistics and streamlined political programs. Social entrepreneurship is twofold in Swedish and consists of “Samhälls\_entreprenörskap” and “Socialt Entreprenörskap”. The first encompasses the innovative initiatives enhancing society in a wider sense and the second more focuses on the entrepreneurship that improves the society for people.

## 2. The Social Entrepreneurial sector in Sweden is thriving

A large share of the social enterprise industrial sector is not entirely new. The most renowned and established have many full time equivalent workers (FTEs) and the Swedish SELUSI (2010) indicates that the mean age of the sector is over 15 years. However, a significant rejuvenation of the sector with many small social enterprises is taking place. In recent years, there has been an increase in the numbers of support-organisations for social enterprises. These organisations can be seen as intermediaries, where they link the social enterprises to potential investors or financiers; create networks, platforms and organise seminars, support with business and operational models, offer incubator programs or evaluate social impact. This makes the social enterprise sector more of a full-fledged sector.

## 3. The increased diversity of the social enterprise sector

The social enterprises and intermediaries interviewed for this report suggest that there is an ongoing diversification of social enterprises. The representation in education and integration are increasing. Also in the Work Integration Social Enterprise (WISE) sector, there is a diversification. Possibly the WISEs are increasingly able to take advantage of the participants', employees' and members' unique understanding about the target-groups or the regional context. We see a renewal of the sector; both in terms of rejuvenation of the entrepreneurs behind social enterprises and in the ways in which they are operating. This is evident from a surge in interest among young entrepreneurs with no history in any sector, and that new operators are increasingly driven by Swedish societal challenges.

## 4. Financing sources are diversifying

The growth diversification and rejuvenation of the sector call for more and varied financing sources. Many new sources of financing are currently developing in Sweden, while previously there were few. Discussions about current alternatives include: Crowdfunding<sup>7</sup>, Impact Investment, Micro-funding, Regional Investment funds, and Social Impact Bonds. Few financing solutions come from the purely private sector. Through a political motion ([October 7, 2013](#)) suggesting that the parliament try a pilot scheme of Social Investment Bonds<sup>8</sup>, this has now been introduced in the political discourse.

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<sup>7</sup> Lamptey, Rebecca. 2013. “Crowdfunding växer som finansieringsalternativ”. *Mötesplats Social Innovation*. (Accessed 15 February 2014). <http://www.samhallsentreprenor.se/sv/crowdfunding-vaxer-som-finansieringsalternativ/>

<sup>8</sup> Stefan, Svanström. 2013, “Social impact bonds, Motion 2013/14:Fi275”. *Sveriges Riksdag*. (Accessed 15 March, 2014) [http://www.riksdagen.se/sv/Dokument-Lagar/Forslag/Motioner/Social-impact-bonds\\_H102Fi275/?text=true](http://www.riksdagen.se/sv/Dokument-Lagar/Forslag/Motioner/Social-impact-bonds_H102Fi275/?text=true)

## 5. Social-impact measures of increasing importance?

Social impact measures are on the rise in Sweden. Nevertheless, all interviewed social enterprise and representatives from incubator programs and support-functions explicitly expressed the need to improve the capacity of measuring social impact, mainly since it is still considered to be complex and time-consuming. The requirements of inclusive social impact measures will further increase with

payment structures such as *pay for performance* and Social Impact Bonds, which will be increasing in use as more social enterprises will be providing services traditionally run by the welfare state.

## 6. Many new innovations aim to improve the quality of societal goods and services

Many new innovations emerge from the failure of the welfare state. The main barriers to innovations are cost-related. The role of business incubators is increasingly important in fostering innovations.



# 1. Key facts and figures on social entrepreneurship

“ We have a word for social entrepreneurs in Sweden. They're called 'Stipsters' –it means startup hipsters”

- Johan Wendt, the entrepreneur behind world-leading Scandinavian social enterprise [Mattecentrum](#) (*The Guardian*, 12<sup>th</sup> of March 2014<sup>9</sup>)

## 1.1 Definition and common understanding of social enterprise

- There is currently no legal definition in Sweden for “social enterprise”. The legal form “Aktiebolag med Särskild Vinstutdelningsbegränsning” (henceforth SVB), translated as: “Limited company with a special dividend restriction” is not typically used.
- Social entrepreneurship is twofold in Swedish and consists of “Samhällsentreprenör” and “Social Entreprenör”. The first, ‘Societal Entrepreneur’ describes someone who takes an innovative initiative to enhance society in any way. The second word focuses more purely on the term ‘Social’ and denotes innovations that aim to improving the society for people. By definition, the latter comprises a subset of the first.
- Interestingly, the commonly interchangeable use of the terms social enterprise and WISE come from two separate developments in Sweden: Firstly, the renaming of historical workers' cooperative; and secondly the effort to catalogue Work Integration Social Enterprises (henceforth WISE) (Swedish: Arbetsintegrerande Sociala företag) initiated by Tillväxtverket (the Swedish Agency for Economic and Regional Growth).
- Although the terms (i.e.: social enterprises, social entrepreneurship and innovation) are newly introduced and sometimes confusingly used in media and political discourse, there is a common understanding among those active in the field (within social enterprises, their networks and public agencies, etc.) regarding their meaning.

## 1.2 Size of social enterprises

- There are no all-encompassing official statistics of social enterprise in Sweden. It is therefore not possible to provide exact numbers. In Sweden, social enterprise exists and emerges at the intersection of three recognised traditional sectors (i.e. the Public sector, and the Non-profit and Commercial Sectors), forming the “fourth new sector”.
- Tillväxtverket counted that there are now 310 WISE by 2013<sup>10</sup>. There has also been a substantial decadal growth in numbers.
- There are considerable differences in the number, size and organisational age of social enterprises across the regions in Sweden. There is a tendency to spread the concept over the country where small new players are spinning-off geographically rather than one expanding in a given location (with regional subsidiaries). This, together with an overall rejuvenation of the sector, has explained the general trend of new small social enterprises.
- The vast majorities of young social enterprises (1-4 years old) are very small or have no revenue as of yet, with just one or two Full-Time Equivalent workers (henceforth FTE).

<sup>9</sup> Seager, Charlotte. 2014. “Scandinavia: 'Stipsters', digital innovation and now, social business.” *theguardian.com*, 12 March 2014.

<http://www.theguardian.com/social-enterprise-network/2014/mar/12/stipsters-scandinavia-social-entrepreneurs>

<sup>10</sup> *The Status of social entrepreneurship in Sweden 2013*. Tillväxtverket. Publication 0530. 2014.  
<http://publikationer.tillvaxtverket.se/ProductView.aspx?ID=1931>

- The number of employed and associated volunteers likely varies widely across the industrial sectors. The social sector involves more volunteers per FTE.

**Table 1: Stylized Facts** (key data extracted from SELUSI report, 2010)

Organizational Age	Number of Employees	Total Revenues
44% older than 10 years <i>n</i> =93	52% less than 10 FTE <i>n</i> =89	40% made more the 1MEUR <i>n</i> =83
29% between 5-10 years	11% more than 50 FTE, where 3% have more than 250 FTE	28% made less than 80k EUR
27% younger than 5 years		Median revenues: 476 390 EUR
Mean age: 16,4 year		

**Table 2: Tentative recent changes** (Impressions from interviews in March, 2014)

Organizational Age	Number of Employees	Total Revenues
Renewal of the sector with many social enterprises forming in the last 2 years; many still under umbrella organisations (likely not yet visible in official statistics).	Current change towards small social enterprises with 1-2 FTE.	Trends in smaller revenues due to renewal of the sector.

### 1.3 Sectors and regions in which social entrepreneurs are active

- Differences in societal issues shape the sectors in which social enterprises are active across the nation.
- From the SELUSI (2010) project:
  - 76% of the 94 respondents were active in 5 main industry sectors<sup>11</sup>: Agriculture, Hunting, Forestry and Fishing (34%); Construction (18%); Community, Social and Related Services (17%); Education (16%); Health and Social Work (15%).
  - The top Social Sectors in Sweden are: Philanthropic intermediaries and Voluntarism promotion; Environment (including organic goods); Economic, Social and Community Development, all comprising almost a quarter of the Social Sector respectively.
- Notably, the “other Education” and “other Health services” also constitute a rather small share of the total social sub-sector (10 and 5 percent, respectively). However, given the recent availability of initial seed-money, the Environment and the Philanthropic sub-sectors may decline proportionally relative to the Social and Community Development sector and the innovative educational sub-sector.
- At the national level, governmental support has targeted the Health- and Work Integration Sector with special attention to marginalised groups’ and youth unemployment.



**Figure 1: WISE's per region**

<sup>11</sup> percentage within the 5 main sectors

- Social enterprises are still overrepresented in the bigger Swedish cities and vicinities (Stockholm, Gothenburg and Malmö). However, a recent strong emphasis in several other regions has led to thriving social innovation and social entrepreneurship there. Examples include the increasing prevalence of social enterprises in Norrköping, Skåne, Värmland and Blekinge. Several municipalities in the northern parts of Sweden have successfully promoted WISE (e.g in Gällivare and Älvsbyn).

## 1.4 Recent developments in social entrepreneurship

There is currently an explosion of social enterprise initiatives in Sweden. Swedes are usually said to be “trend-sensitive”, and it is certainly trendy to be a social entrepreneur in Sweden at the moment. There has been both a widening and deepening of the field in the past 4 years. Below are some of the most important latest developments:

- There has been a recent increase in the number of support-organisations for social enterprises. These organisations can be seen as intermediaries, where they link the social enterprises to potential investors or financiers; create networks, platforms and organise seminars, support with business and operational models, offer incubator programs or evaluate social impact. This makes the social enterprise sector more of a full-fledged sector. It is now possible for established intermediaries (in the field for more than 10 years) to support social enterprises with a Swedish rather than an international focus. The middle-aged intermediaries are now starting to be able to evaluate their first wave of projects and are taking advantage of their competencies and national and international networks. The new intermediaries are benefiting from the experience made by these organisations and usually specialise in one specific area. For example, helping social enterprises sell their services to the Public Sector (e.g. [Inkludera Invest](#)), creating networks for sub-groups such as second-hand shops (Ideell Second Hand), creating incubator programs for very young social enterprises ([CSES](#)) or helping social enterprises create operational business models or social impact indicators ([Social Initiative](#)). Many of the intermediaries also constitute a hybrid between universities that undertake studies and policy discussions in their specific field, business coaches and umbrella-organisations. We are aware of at least 10; [LUSIC](#), [Sfinx](#), [Tillväxtfaktor-x](#), and [Glokala folkhögskolan](#) are just some of them.
- The inclusive business register (*Företagsregistret*) managed by Statistics Sweden is a database coded by the main industry of production comprising near all companies and organisations in Sweden. Yet no attempt has been made to enable extraction of social enterprise. Recently, there have been a few data-collection-oriented projects in Sweden. Statistics Sweden (SCB), Tillväxtverket (the Swedish Agency for Economic and Regional Growth) together with research-fellows from the Stockholm School of Economics will complete a project in 2014, aiming to map and make visible many more of the social enterprises active in Sweden.
- We see a renewal of the sector; both in terms of rejuvenation of entrepreneurs behind the social entrepreneurs and in the ways in which the enterprises are operating. This is evident from the interest among young entrepreneurs with no history in any sector.
- Many new sources of financing are currently developing in Sweden, while previously there were few. Discussions about current alternatives include: Crowd-Funding, Impact Investment, Micro-funding, Regional Investment funds, and Social Impact bonds. Few financing solutions still come from the purely private sector.
- There is a general trend to focus on Swedish problems rather than on International aid and poverty issues.
- Measurement of social impact is still debated and pragmatic approaches are used meanwhile, since the process has been slow in reaching any consensus on this topic.


## 2. General country context

“ We have seen, during the 3 past rounds of funding announcements, with funds explicitly related to social entrepreneurship and social innovation, that there is a clear focus on employment issue. This also includes many new actors that have not been around as WISEs before. The emphasis is to helping people to find a job, with a particular focus on young people and immigrants besides people with mental illnesses. I believe that there are currently many people in organisations, and generally, in Sweden who are very concerned about the large groups of people that do not have a job and what it is doing to our society and now therefore try to address those problems.”

- Eva Johansson- Swedish Agency for Economic and Regional Growth, Tillväxtverket

### 2.1 Number of inhabitants and size of country

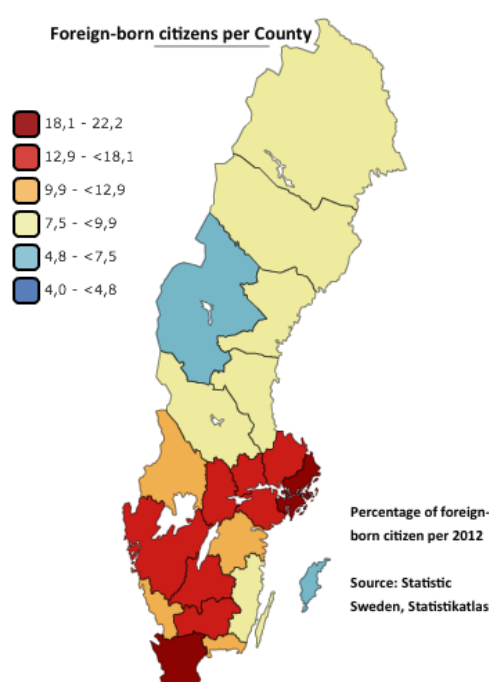
**Table 3: Number of inhabitants and size of country**

<b>Number of inhabitants</b>	9.644.864 (31/12/2013)	
<b>Size of country</b>	449 964 km <sup>2</sup> / 173 732 sq mi	

- Sweden is size-wise one of the largest countries in Europe, with a particularly oblong shape (1572 km long and 499 km wide). The population density is low in comparison to other European countries with on average 22 inhabitants per square kilometers. Yet, both the population density and the population vary across the country. The vast majority inhabits the southern part of the country.

- As of 31 December 2013, 5 052 195 of Swedish inhabitants lived in the 3 counties that include Stockholm, Gothenburg and Malmö's metropolitan areas.

- Sweden is divided into 21 counties and 290 municipalities. Many of the societal inputs related to healthcare, public transport and regional planning are decided at the level of the counties<sup>12</sup>. Social services such as elementary schools and elderly care are decentralized and provided or managed by the municipality.



- There are also geographic dimensions regarding demographic trends, as many northern and inland locations suffer from depopulation while the larger cities face the urban challenges of large populations of young adults and migration. Similarly, the percentage of elderly and immigrants, and fertility rates differ geographically.

**Figure 2: Foreign-born citizens per county**

<sup>12</sup> Where the counties coincide with the numbers of "Landsting" (county council), except for in the case of Gotland. In Gotland, county issues are decided by the municipality.

**Table 4: Population density per region**

Region	Stockholm	South Sweden	West Sweden	East Middle Sweden	Småland with Island	North middle	Central Norrland	Upper Norrland
Population Density	321	101	65	41	24	13	5	3

Source: OECD, *Region Explorer*, 2012

## 2.2 Top 5 societal challenges

**Table 5: Top 5 societal challenges**

<b>Aging population (cost for health care and pensions, adapted housing, loneliness etc.)</b>
Sweden has an aging population, with high national variation in both changes over the past 50 years and future prospects. This issue is especially precarious in the inland and northern regions where many municipalities have a share of people 65 years+ that amounts to over 30% of the population <sup>13</sup> .
<b>Social exclusion</b>
Other regions with a younger average population have an increasing number of people living in social exclusion. With poor access to good schools and societal services.
<b>Segregation</b>
Segregation between native Swedes and immigrants gives rise to several severe problems along many dimensions in the concerned areas, such as increased poverty, and social and economic exclusion and poor labour market opportunities for immigrants.
<b>Youth unemployment</b>
There is an increase in youth unemployment. This is due to a shift towards more uncertain terms of employment, increased competition at the international level and a relative decline in the quality of the education system (see the latest PISA study) that disproportionally seems to disadvantage inexperienced young people.
<b>Rising of economic inequality</b>
There is rising economic inequality between population groups. This is particularly problematic since Sweden has built its welfare system aiming to equalise socioeconomic differences.

<sup>13</sup> "Åldrande befolkning." Statistics Sweden, SCB. (Accessed 15 March, 2014).  
<http://www.scb.se/sv/Hitta-statistik/Regional-statistik-och-kartor/Statistikatlasen/VisletBehallare/Aldrande-befolkning/>

## 2.3 Overview of (social) policy, entrepreneurial and civil society landscape

Table 6: Overview of landscape

Policy Landscape	Entrepreneurial Landscape <sup>14</sup>	Civil Society Landscape <sup>15</sup>
<p><b>SOCIAL EXPENDITURES<sup>16</sup></b> 28,6% of GDP (2013) OECD average (21,9%)</p> <p><b>POLITICAL STABILITY AND ABSENCE OF VIOLENCE/TERRORISM<sup>17</sup>:</b> Percentile Rank (0 -100): 90 (2012)</p> <p><b>RULE OF LAW<sup>18</sup>:</b> Percentile Rank (0 -100): 99 (2012)</p>	<p><b>HIGH GEM SCORE</b></p> <ul style="list-style-type: none"> <li>- Perceived opportunities, 64,4 (33,4)</li> <li>- High status to successful entrepreneurs, 71,5 (67,3)</li> <li>- Media attention for entrepreneurship, 58,5 (55,7)</li> <li>- Improvement-driven opportunities (% of the TEA), 58,4 (53,7)</li> <li>- Cultural and Social Norms, 3,2 (2,6)</li> </ul> <p><b>LOW GEM SCORE</b></p> <ul style="list-style-type: none"> <li>- Perceived capabilities, 38,8 (40,6)</li> <li>- Fear of failure, 36,6 (38,2)</li> <li>- New Business ownership rate, 2,5 (3,3)</li> <li>- Expectation of at least 5 employees, for early-stage entrepreneurship, 0,5 (1,3)</li> </ul> <p>SCORES for 2013 (group comparison averages)</p>	<p>Public engagement in civil society in Sweden is considered to be large. There is a long history of Public Health movements, Education associations and religious communities.</p> <p><b>Important indicators:</b></p> <ul style="list-style-type: none"> <li>- The number of organisations in civil society is slightly above 217 000, where of 77 000 is economically active (2012).</li> <li>- Non-profit institutions serving households, Structural business statistics and the Annual accounts of the Church of Sweden employ a total of 115 000 individuals.</li> <li>- Total income amounted to SEK 217 bn and total costs SEK 207 bn.</li> <li>- Number of full-time employees, FTEs, amounted to &lt;65 000 (2010).</li> <li>- &lt; 1.7 million volunteer workers (accounts of about 60 000 FTEs).</li> <li>- Largest number of FTEs in: Culture and Recreation (25 %); Education and Research (17 %). Culture and Recreation also represented 48 % of the volunteer work force.</li> </ul>

Note: GEM stands for Global Entrepreneurship Monitor. The scores indicate nationwide attitudes, activities and characteristics which have a positive or negative influence on entrepreneurship. The scores for Sweden are compared with the mean scores of the *innovation-driven* countries comparison group.

<sup>14</sup> "Global Entrepreneurship Monitor 2013 Global Report." GEM Consortium 2013.

<sup>15</sup> "Det civila samhället 2010– ett regeringsuppdrag med undersökningar från Statistiska centralbyrån". Statistics Sweden, SCB. 2012. Available at: [http://www.scb.se/statistik/publikationer/NV0117\\_2010A01\\_BR\\_X105BR1201.pdf](http://www.scb.se/statistik/publikationer/NV0117_2010A01_BR_X105BR1201.pdf)

<sup>16</sup> Measurements of the Total Public Social Expenditures in Sweden as percentage of GDP (un-weighted OECD average).

"Social Expenditures - Aggregated Data." OECD 2013. Accessed March 17, 2014. <http://stats.oecd.org/Index.aspx?QueryId=4549>

<sup>17</sup> "Worldwide Governance Indicators." The World Bank Group 2013. Accessed March 17, 2014. <http://info.worldbank.org/governance/wgi/index.aspx#home>

<sup>18</sup> Ibid.



### 3. Social enterprises in (an institutional) context

“Despite having the highest social entrepreneurship growth in Scandinavia, Sweden is behind the UK for example. –In Sweden we have a strong tradition that the state should solve our societal challenges. The phenomenon ‘social enterprise’ is fairly new in our country.”

- Sofia Appelgren, founder of [MittLiv](#), a social enterprise that aims to increase diversity in Sweden (The Guardian, 12<sup>th</sup> of March 2014<sup>19</sup>)

#### 3.1 Institutional and stakeholder landscape of social enterprises

It is well recognized that Swedish citizens are highly socially active. Indeed, most well-established social enterprises have been around for so long, that many would simply not classify them as “social enterprises”.

- **Policy makers – public authorities**

Only recently has there been a political willingness to develop an advantageous climate for social enterprise. There was early interest in: i) creating a legal form suitable for social enterprises, which was completed in January 2006, similar to the English Community Interest Company, (CIC); ii) establishing an institution willing to lend money to social entrepreneurs (or consulting an existing bank); iii) enhancing visibility in (otherwise comprehensive) official statistics. This last project was put on hold, even though there were some isolated initiatives. For example, the program currently run by *Tillväxtverket*, aims to: *make visible* and *enable* along with *creating interventions that benefit* the social enterprises. Meanwhile they write in their latest report on social entrepreneurship:

*“There is no explicitly responsible minister or ministry and the functional silo syndrome between different policy areas has resulted in development being curbed. Issues such as funding, cooperation, education and training and legal status have been discussed, but have not been pursued. What has happened is that some government agencies have been tasked with supporting the development of the social economy through special mandates” (Tillväxtverket, 2013)*

- **(Social) Business support organizations**

While the implementation of the national policies has been insufficient with respect to the on-going movement, much has been done on other levels. However, the numerous intermediaries working expressly to support existing and new social enterprises is noteworthy.

Among one of the most important changes the last 5 years, Pernilla Bard (Founder of Social Initiative) says:

*“Likewise, in terms of intermediaries, the Social Entrepreneurial sector has grown; we have better knowledge of each other, we collaborate more and we now also have a working group. One may therefore now call it a more real industry.”*

Many social business support organisations have a special focus. Alongside side the more business-oriented incubators, we see platforms and networks led by centers or institutions at Swedish Universities.

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<sup>19</sup> theguardian.com l.bid.

## 3.2 Key context dimensions for social entrepreneurs

- **Welfare state**

The Swedish welfare state is extensive by European as well as international standards. Recent downsizing of the welfare state and privatisation of the schools and health care system constitute an expanding dimension for social entrepreneurs. Many of the new operators specifically mention this as their *reason for being* along with the failure to deliver a society for everyone by the government resulting in increasing social exclusion.

- **Social enterprise-specific legislation**

The legal form, in use since 2006, called “*Aktiebolag med särskild vinstutdelningsbegränsning*” (SVB) as mentioned above, was not intended for any particular operation, but was intended to function as a seal of approval. The new legal form has however neither been extensively used nor promoted since. For instance, 6 years after the adopted legal form, there were only about 50 companies that used this company status. Many new social enterprises instead use Limited companies, sometimes with their social purpose as a constitutional amendment; or economic associations; non-profit organisations; or foundation as legal forms. The latter is important if initially the social enterprise is receiving grants and scholarships.

- **Regulatory density**

Among the interviewed companies in SELUSI (2010), regulation-related barriers have not been mentioned as a significant issue. Only 12,8 % called for a reduction in regulation-related conditions. Our discussions with social enterprises also do not suggest that regulation is a major holdback to establishment or expansion.

However, the recent and late introduction of a tax-deduction for economic gifts may previously have delayed the willingness of private donors (for seed and support money) in Sweden.

- **Cultural values, norms, social capital**

Public authorities have noticeably concentrated on two types of social enterprise, the WISE-initiatives, and diversification in the health services. The latter seems to be less successful as very few new social enterprises are engaged in health issues. The opposite has been true for profit-maximizing suppliers in the health business (after the extensive wave of privatisation) who lately have been plagued by scandals related to quality and earnings. This might certainly have affected the general attitudes towards new players in the healthcare sector as well as profit-making social enterprises. This might also have exacerbated people's and investors' inertia, as they do not want the municipality sector to be gouged as a consequence. The change in attitudes among citizens has been slow since Sweden has had comprehensive governmental responsibility in these areas.



### **3.3 Linkage between social entrepreneurs and inclusive society**

The strong focus of limiting social exclusion from the labour market for marginalised groups could be seen as part of the inclusive society in Sweden. Several WISE actors have combined labour market aims with the additional social value from the output of such activities; second-hand shops, production of recycled input, concept of participation with the target group, self-perceived experiences as a strength in the work with the target-groups (i.e. former drug addicts, homeless, people with drug abusing parents), are just examples.

The strong tradition of public health movements also has a counterpart in social enterprises and some sport clubs have used their network to target marginalised groups and/or vulnerable areas. Mutual gains are stated by all of the recently interviewed subjects as an important value that has positive effects on society beyond the scope of the core business of the social enterprise.

Social entrepreneurship is currently highlighted in the media. Multiple awards have been created, both by the newspapers and business magazines, and it is often written about in the papers. These awards can both function as a source of initial funding for starting up operations, as well a publicity channel.

## 4. Organization of social enterprises in market and society

“ WISE: Enterprises that run their operation with the overall aim of integrating people with substantial difficulties in getting and/or maintaining work in the labour market and in society, i) that creates inclusion for the employees through ownership, contracts, or in an other well-documented way, ii) that essentially reinvests the revenues in its own or other similar activities, iii) that is organisationally independent from public services”

- Government's definition, Tillväxtverket, 2014<sup>20</sup>

### 4.1 Legal forms of social enterprises

- The majority of social enterprises are still non-profit organisations. A smaller share has taken the legal form of foundations; cooperatives, which are common among WISE; and limited companies with a growing share among newer social enterprises. Among the more established social enterprises (with an organisational age over 5 years), hybrid legal solutions are more common. The reason for this might be that it is easier to pay salaries through the company, but it also allows the social enterprise to simultaneously receive grants and maintain the economic transparency of the operation.
- Some new social enterprises are considering the legal form SVB. Some older social enterprises mention that SVB could have been an option if they would have started up today. Remarkably, none of the encountered agencies or intermediaries actively suggest SVB and the general picture confirms that the advantages with that legal form are still indistinct.
- It may still be beneficial to start-up as a non-profit organisation when the enterprise is dependent on grants and scholarships since these are complicated to receive if the legal form is Ltd Company.

### 4.2 Operational model of social enterprises

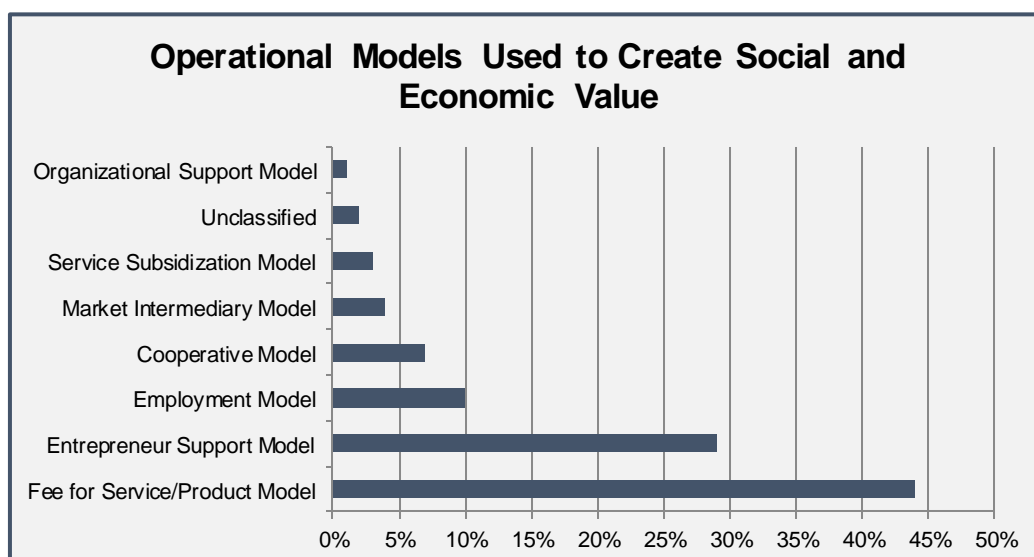


Figure 3: Operational models of social enterprises (SELUSI 2010)

<sup>20</sup> Translated from the homepage of: Tillväxtverket. (Accessed 12 March).  
<http://www.tillvaxtverket.se/huvudmeny/insatserfortillvaxt/flerochvaxandeforetag/samhallsentreprenorskapochsocialainnovationer.4.3c4088c81204cca906180001274.html>

### 4.3 Important values for social entrepreneurs

- The Swedish social entrepreneurs work hard for their “mission and vision” and are often willing to accept a run (often longer than expected) in the start-up period without any financial compensation to achieve their social goals and to change society for the better. Regardless of the entrepreneurial element in the operation, the field of social enterprises in Sweden still relies heavily on dedicated enthusiasts.
- It seems to be less important for social entrepreneurs to front themselves in the media despite the US trend where it is the entrepreneur, and not the entrepreneurial product, that is highly publicised (Amelie Silfverstolpe). Compared to their commercial counterparts, the founders also seem to focus on the second-line of leadership and their product rather than on themselves.
- Based on the mapping of over 100 social enterprises as well as the initial dialogue with a few social entrepreneurs, participation appears to be a common central value. Either in terms of the positive force it represents or in terms of the significant contribution from self-experiences among the employees. Some examples of such organisations are: [Maskrosbarn](#), [Basta!](#), [Vägen Ut!](#), [Svenska med Baby](#).

## 5. Financing of social enterprises

“The need for social innovations also requires new financing solutions. In recent years we have seen several different platforms, ideas and solutions taking form aiming to increase access to capital for Social Innovation and social enterprises. Solutions that are in different ways taking into account the need for long-term perspectives, sustainability and Social Innovation and enterprises’ cross-sectorial nature”

- ABC I SOCIALA INVESTERINGAR- Mötesplats för Social Innovation<sup>21</sup>

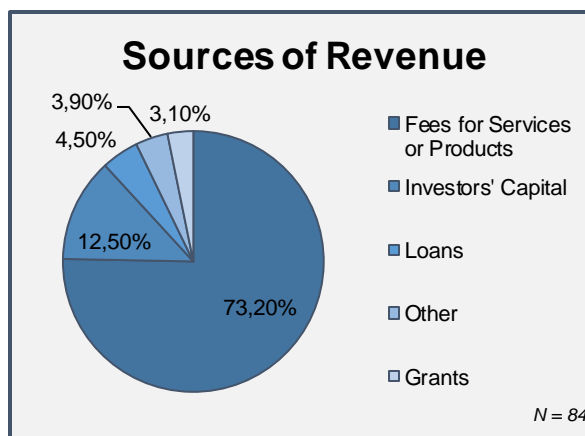
### 5.1 Sources of revenue and funding for social enterprises

Sources of financing is a highly topical subject in Sweden. All of the interviewed representatives (social entrepreneurs, incubators, officials for the funding and supporting agencies) mentioned financing issues as one of the main obstacles for new start-ups as well as hindrance in up-scaling and long-lasting social enterprise in the Swedish setting.

Figure 4: Sources of revenue (SELUSI 2010)

The SELUSI data (2010) suggests that Swedish social enterprises had high shares of capital coming from “Sales and/or fees” when they were asked about their source of liquidity in the past 12 months. Investors’ capital comprises the second largest financing source (with almost 13%) where the other alternatives were of marginal significance.

This underlines the strong entrepreneurial orientation of the ventures and the “laws of nature” for the earlier settlers, where you had to be self-supporting to not be eliminated on the market.



Thus, the rejuvenation of the sector has also imposed greater demands on available capital in various forms both in terms of long-term funding and seed money. This trend has in many aspects been slow in Sweden<sup>22</sup>. According to Pernilla Bard, founder of Social Initiative Sweden (est. 2002), an intermediary that is now increasingly focusing on Swedish projects:

*“We have specialized in helping measure effect and social impact. Where our core idea is to create value in both ends: The social enterprises are helped to create their operation model, and the companies (the financiers) we wanted to encompass with a good involvement in society. That was long-term. This has been done since we saw that there was a fair amount of available capital to ‘create new’, but very little to scale-up.”*

The diversity of products and services, functions and contributions creates the need for a mix of financing options.

<sup>21</sup> Augustinsson, Erika, ed. 2013. *ABC i Sociala Investeringar*, p 7. Malmö: Mötesplats Social Innovation. Available at: [http://socialinnovation.se/wp-content/uploads/2013/06/abc\\_finansiering\\_uppslag.pdf](http://socialinnovation.se/wp-content/uploads/2013/06/abc_finansiering_uppslag.pdf)

<sup>22</sup> Herlitz in Florén, Anna-Karin ed. 2012 *Att lära av mirakel – att vända arbetslöshet till hållbart företagande. En antologi om arbetsintegrerande socialt företagande..* Publication 0465 Stockholm: Tillväxtverket <http://publikationer.tillvaxtverket.se/ProductView.aspx?id=1852>

- Regional social investment funds have enhanced their importance as a source of financing, especially in the mid-term perspective. It is the primary source of seed-money for socially-focused actions and projects in many counties. (Umeå and Norrköping are worth mentioning as pioneering municipalities, which have allocated 12,5MSEK and 4,5MSEK respectively). At least 46 of the 290 municipalities have some type of social investment fund in 2013<sup>23</sup>.
- A political motion suggesting parliament to consider an introduction of a pilot scheme of Social Impact Bonds (henceforth SIBs) was given by Stefan Svanström (Christian Democrats, KD) on 7 October, 2013<sup>24</sup>.
- There are currently two existing small banks that focus on Social, Ecological or Cultural surpluses: [Ekobanken](#) and [JAK-banken](#); it is however not clear if the terms are feasible as of yet for the social enterprises (i.e. if they can live up to the requirements). Additionally, [Ekobanken](#), [JAK-banken](#), [Coompanion](#) (a business advisor for cooperative enterprises), "[Hela Sverige ska leva](#)" (a national association consisting of 4700 village action groups and 40 member organisations) have initiated a promising joint venture between the private and the public sector to ensure microfinancing.
- There are several initiatives (mostly driven by incubators, academics, and intermediaries) working to encourage more venture capital investments, which historically has been scarce. Many Social Entrepreneurs testify that grants are often given to established players, while new players spend a lot of time trying to survive the first year.
- A handful of large Swedish companies have created funds to encourage projects that enhance social impacts: sometimes with a thematic focus and in some cases as a long-term inclusive project for their employees (examples are: "[Playing for Change](#)" created by Kinnevik and "[Idéer för Livet](#)" by Skandia).
- "Crowdfunding" is growing as a potential source of financing. Today, there are 3 available Swedish platforms, all founded in 2011<sup>25</sup> ([FundedByMe](#), [Polstjärna](#), and [Crowdcube](#)).

## 5.2 Financial crisis

Compared to many other countries, Sweden has not been as affected by the financial crisis. Sweden has outperformed many other emerging economies with high growth before the crisis, even in decadal key figures.

## 5.3 (New, dedicated) players

- [Allmänna Arvsfonden](#) has funded 67 projects that relate in some way to social enterprise and social entrepreneurs from 1994-2012, with a total allotment of 12,6 MSEK.
- [Impact Invest Scandinavia](#) is the first impact investor network in the Nordics.
- [Idéer för Livet](#) provides seed money funding for projects related to youth and children and have funded over 3000 projects since the start 1987.
- Regional social investment funds, such as the Swedish municipality Norrköping have been a pioneer with a total allotment of 40 MSEK.

<sup>23</sup> Swedish Television, SVT, (broadcasted 13 July, 2013). "[Kommuner satsar på 'riskabla fonder'](#)". <http://www.svt.se/nyheter/sverige/kommuner-satsar-pa-riskabla-fonder>

<sup>24</sup> Stefan, Svanström. 2013. "Social impact bonds, Motion 2013/14:Fi275". *Sveriges Riksdag*. (Accessed 15 March, 2014) [http://www.riksdagen.se/sv/Dokument-Lagar/Forslag/Motioner/Social-impact-bonds\\_H102Fi275/?text=true](http://www.riksdagen.se/sv/Dokument-Lagar/Forslag/Motioner/Social-impact-bonds_H102Fi275/?text=true)

<sup>25</sup> Lamprey, Rebecca. 2013. "Crowdfunding växer som finansieringsalternativ". *Mötesplats Social Innovation*. (Accessed 15 February 2014). <http://www.samhallsentreprenor.se/sv/crowdfunding-vaxer-som-finansieringsalternativ/>

## 6. Innovations of social enterprises

“European Investment Bank Institute has announced the winners of the Social Innovation Tournament, a competition amongst Europe's best social innovations. Both the first-and second prizes were awarded to projects based in Sweden: *inBelly* and *Mattecentrum*.”

- Veckans Affärer, 21 of October 2013<sup>26</sup>

### 6.1 Innovation drivers and barriers

- Social enterprises appear to have strong values related to the potential positive impact on the target group and they are mainly idea-driven, regardless of the sector and operational model. The recent calls for projects within the field of social entrepreneurship, social innovation and social enterprise indicate both the wide-range and diversity of innovations and the underlying force of social innovation in Sweden today. Many of the foundations are ‘drowning’ in applications for every round related to social enterprises.

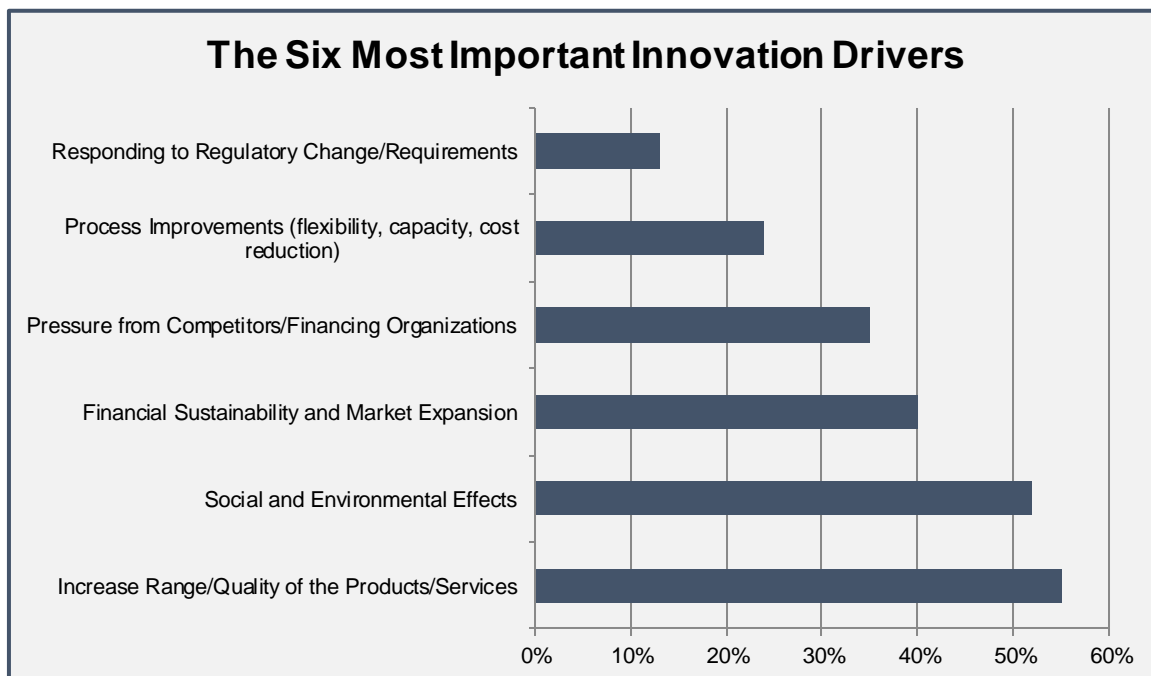


Figure 5: Innovation barriers (SELUSI, 2010)

The SELUSI data (2010) also show a similar pattern. “The social and environmental effects” and an “increased range or quality of products and services” were chosen as the main driving-forces for innovation, over 50% of the time each. Sweden also showed the highest percentage (60%) of social enterprises having introduced at least one new- to-the-market innovation, or a significantly improved service, product or process (or a combination of the three), during the past year.

- The main barriers to innovations are cost-related. The social entrepreneur often faces a “Catch-22” problem. For example, to ensure social impacts, upscaling is often necessary

<sup>26</sup> Veckans affärer. “Sverige överlägset på sociala innovationer”. Published 21 October 2013, (Accessed 28 February 2014). <http://www.va.se/nyheter/sverige-ar-bast-pa-sociala-innovationer-565391>

and usually requires more funding. However funding is often conditioned on the existence of social impacts.

- Moreover the cost-barriers are related to the lack of time to collect “lessons-learned”, lack of time to test new ideas and so on.

Anna Libietis Jacobson, manager of “[Svenska med Baby](#)” says:

*“We also have costs related to collecting and absorbing the experiences we are gaining along the way, as well as in a smooth manner providing assistance to those who want to start up this kind of operation in other locations, as well as disseminating our experiences in several other contexts. Since what this is about, is that we create meetings between people that would otherwise never have met.”*

The SELUSI data (2010) previously showed that the main barriers were: the cost-related innovation barriers (26,1%); the regulation related barrier (12,8%); the internal barrier (4,5%) and the market related innovation barrier (4,5%).

## **6.2 Typology of innovations**

- The recent innovations are related to welfare-state failures and concern public sector services.
- Many new players motivate such innovations by the willingness to create a *society for everybody* and not stick to the rigid traditional solutions.
- Note that these innovations generate longer terms of returns on investment than product innovation. The interviewed expect a ROI in 2-5 years.

## **6.3 Innovation process**

The Swedish SELUSI (2010) indicated that both the dependency and the leverage from internal and external resources are important factors for the innovations of social enterprises. The highest single scores are reported in the area of collaboration resources. Many social enterprises depend on informal social networks. We expect this to remain an important determinant. Nevertheless, some of these networks have now been formalised, for which we explicitly expect the importance of formalised networks to increase compared to previous years. An increasing number of social enterprises contribute with services to the public sector and among the interviewees; many say that they are increasingly getting governmental support. As stated earlier in the report, the role of business incubators is increasingly important for refining and developing innovations. This is why it is expected to have increased from a score of 2,9 during recent years.

**Table 7: Innovation processes (SELUSI 2010)**

Collaboration Resource (SE)			Advice & Knowledge Resources		
Type of Partner	SELUSI Score	Tentative change in SEFORIS	Type of Partner	SELUSI Score	Tentative change in SEFORIS
Informal social networks	6,1		Government provided support services	3,1	+
Formal social networks	5,1	+	Other subsidized consulting services	2,9	+
Partnership with other organization	5,8	+	Advice from financing organizations and business incubators	2,9	+
Participation in professional events	5,3	+	Registered trademarks, patents, copyright protections	3,4	-
			Professional publications	4,0	
Reputation Related Resources			Human Resources		
Type of Partner	SELUSI Score	Tentative change in SEFORIS	Type of Partner	SELUSI Score	Tentative change in SEFORIS
Organizational reputation	5,5	-	Full-time employees	6,6	
Founder's/Leaders reputation	5,5		Temporary staff	4,9	
Industry/social sector reputation	5,3	-	Volunteers	3,3	+
Important individuals and celebrity endorsement	3,4		Founders	5,2	
			Board Members	5,0	-
			Paid professional management consultants	2,7	+
Scale 1-7 where 7 indicates high dependency by the organization on that resource			Source: SELUSI 2010		



## 7. Impact of social enterprises

“Of course you wish that you could know your exact Social Return on Investment, -But I found a simplified measure; so let's say that:

We have mediated 40 000 volunteers, then we said that they volunteer 1 year, and we know they do volunteer- work on average 14 hours per month. Then we could have a hypothesis that Volontärbyrån has mediated this many volunteer hours, and a volunteer hour, according to EU-standards is worth about 200 SEK. At one point we calculated that we have had an SROI of about 265MSEK, which is 14 times the financing of Volontärbyrån.

But then you can ask, what do the volunteers do? If a volunteer keeps one youth from using drugs during one year, then you'll have gained at least an additional 670 000 SEK, according to SROI-expert Ingvar Nilsson!”

- Amelie Silverstolpe- Founder of [Volontärbyrån](#)

### 7.1 Impact measurement: does this take place?

The extent to which social enterprises use impact measurements varies across Sweden. The vast majority of the social enterprises currently use some quantitative indicators to communicate their qualitative work. They span from measures of: Numbers of people from the target group the social enterprise has encountered or mediated ('Lives touched' or 'Employment') to very sophisticated measures where one tries to capture the whole societal effect of the activity of the social enterprise (SROI for example).

- The difficulty to measure the impact of the social enterprise depends on the characteristics of the operation. The social enterprises that work particularly with prevention express a greater concern about the relevancy of the quantitative measurements. In those cases, it is fairly common that standard measurements are used to estimate the impact of the final phases. The social enterprise then measures the earlier phases of their activity, such as the numbers of people encountered. In this case, they use 'self-estimation tests' to measure to what extent the target-group was affected, or they use standard estimations for comparison with a control group (over-time).
- More than half of the interviewed support-functions/intermediaries have specialized in supporting social enterprises with a feasible way to frame social impact measurements. This often goes hand-in-hand with streamlining the activities that will generate the largest Social Impact. Interestingly, they provide few standardised measures and there is a prevalent distrust among practitioners and support functions that this is the way forward. For example, none of the interviewed intermediaries aggregate the indicators at the portfolio level nor do they plan to do so in the foreseeable future: "The focus is and should be: What works in reality for every single project?"

### 7.2 Impact results and dimensions

- Sweden has had a couple of pioneers on the theoretical subject of social impact. Ingvar Nilsson has contributed with a framework of "Social Financial Statements" and after more than 10 active years his, and others' way of communicating "the cost of not intervening" has become rather widespread in Swedish context.
- Some older social enterprises (e.g. [Basta!](#) in Social Financial Statements; [Solvatten](#) in performing an extensive final-row effect of their water cleaner) have been and are continuing to work as role models for newer social enterprises. However, many find it expensive and complex to apply sophisticated measurements to their businesses.

### **7.3 Trends and developments related to social impact**

Social enterprises perceive an increased pressure from financiers to measure social impact.

- The first Impact Investing Company named Impact Invest Scandinavia was established in Sweden in 2012.
- There have been discussions about introducing social impact bonds in Sweden since the autumn of 2013.
- The increasing number of social enterprises which consider the public sector as their main customer require improvements in their capacity for measuring Social Impact.
- In younger organisations, the financial challenge is often perceived as the most salient. Many of the young social enterprises explicitly state that they would like to have more time and competency in measuring social investment.

## 8. Overview of studies

- Augustinsson, E. & Brisvall, M. (2009) *Tjäna pengar och rädda världen– Den hållbara ekonomins entreprenörer*. Stockholm: Bookhouse Publishing
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- Nilsson, I. & Wadeskog, A. (2008) *DET ÄR BÄTTRE ATT STÄMMA I BÄCKEN ÄN I ÅN - Att värdera de ekonomiska effekterna av tidiga och samordnade insatser kring barn och unga*: SEE AB
- Wijkström, Filip (red.) (2012) *Civilsamhället i samhällskontraktet: en antologi om vad som står på spel*, European Civil Society Press

## 9. Annex: Operational models explained

Operational models describe how social enterprises align social and economic value creation<sup>27</sup>.

### 1. Employment model

The organisation provides employment opportunities and job training to its target population or people with high barriers to employment.

### 2. Cooperative model

The organisation provides direct benefits to its target population or clients through member services: market information, technical assistance, collective bargaining power, economies of bulk purchase, access to products and services, etc.

### 3. Market intermediary model

The organization provides services to its target population or clients, usually small producers to help them access markets.

### 4. Entrepreneur support model

Similar to the market intermediary model, the organisation sells business support and/or financial services to its target population or clients, which are self-employed individuals or firms. Its mission centers on facilitating the financial security of its clients by supporting their entrepreneurial activities.

### 5. Fee for service and/or product model

The organisation commercialises its social services and/or products, and sells them directly to the target population or clients, individuals, firms, communities, or to a third party player.

### 6. Low-income client model

The low-income client model is a variation of the fee for service and/or product model. The organisation designs and sells services specifically to low-income clients.

### 7. Service subsidisation model

The organisation sells products or services to an external market and uses the income it generates to fund its social programmes. Social and business activities may only align weakly.

### 8. Organisational support model

The organisational support model is similar to service subsidisation model, but the business activities are separate from the social programmes through different legal entities.

<sup>27</sup> Based on **Alter, Sutia K.** 2006. "Social enterprise models and their mission and money relationships." In *Social Entrepreneurship: New Models of Sustainable Social Change*, edited by A Nicholls, 205–232. Oxford: Oxford University Press.



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**OKSIGEN LAB**  
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OPEN INNOVATION

**NPI** initiative



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