

Social entrepreneurship in the Danish Foundation for Entrepreneurship - Start Up Programme

The socioeconomic enterprise

Socioeconomic enterprises operate in the area between the public sector, the private sector and civil society. The enterprise combines characteristics and resources from these three sectors.

These enterprises differ from other private enterprises in that they focus primarily on creating a positive social change. They also differ from e.g. voluntary organisations and small subsidised and temporary projects in that they use primarily business methods to drive and achieve social change.

In Start Up Programme we are looking for socioeconomic business ideas that can create great social change, both intrapreneurial, within a field or institution, and entrepreneurial. At the same time, the ideas must show how the enterprise can be economically viable in future.

A socioeconomic enterprise:

- Has a social or non-profit mission
- Reinvests the economic surplus
- Acts in accordance with market conditions, but competes typically on other terms than its "competitors".
- Builds on a certain degree of democracy
- Is an organisation which is independent of the public sector

The most important motive for a socioeconomic enterprise is not to create profit or pay its investors. It is to provide solutions to social problems through its products and services, or to give exposed and marginalised people ownership of an enterprise and thereby making it possible for them to get their share of the profit.

Social enterprises include both non-profit organisations that use business models to realise their mission, and profit organisations that have a primarily social purpose.

The socioeconomic enterprise must be sustainable in every respect; in its direct environmental effect, in its downward impact in the value chain, and in being observant of its economic independence. This is an essential difference between socioeconomic enterprises and charity organisations.

Economic viability

As soon as the original investment of the socioeconomic enterprise has been repaid, it is the goal of the enterprise to be economically viable. This makes the enterprise independent and ensures that it can maintain a focus on creating longterm improvements of life for the most disadvantaged social group of people.

Even though the socioeconomic enterprise is groundbreaking when it comes to its goals, it is traditional in its management. The work force is professional and paid on market conditions. This type of enterprise may or may not create a profit, but just like any other enterprise it cannot suffer losses but must be able to sustain itself.

- A socioeconomic enterprise has an ongoing production of goods and services and always has a minimum of paid employees.

- Socioeconomic enterprises or organisations may be commercial, non-profit foundations, economic associations, cooperative businesses, self-governing institutions and others.
- The social element is typically integrated in two or three of these areas within an enterprise: finances, production and/or service/product.
- The *finances* of an enterprise is socioeconomic when the profit is reinvested in the business with the purpose of allowing an even greater positive societal effect.
- *The Production* can be socioeconomic when the staff consists of people who typically have difficulties finding ordinary jobs.
- Finally the enterprise can be socioeconomic through the very service or product, if this service/product in itself creates social value – e.g. if the enterprise produces devices for disabled people.

A socioeconomic enterprise in Start Up Programme

Working with a socioeconomic enterprise does not necessarily mean that it cannot be a business. However, the uppermost purpose must be value creation, rather than economic profit.

In Start Up Programme a socioeconomic business idea is evaluated on the basis of its mission to create social change, including the extent of the social change and, thus, the degree of influence which the idea will have.

In Start Up Programme a socioeconomic business idea is also evaluated on the basis of its potential for driving an economically viable business that can be run independently in the long term without further investment. Therefore, a forward-looking economic plan must be presented, and carries as much importance as social value creation.

Not all forms of social entrepreneurship lead to the start-up of a new enterprise, but may exist as **intrapreneurship in existing** organisations and as informal activities with great impact when it comes to creating innovative social solutions. Such social ideas are welcome at Start Up Programme – however, the idea must contain the potential for an independent enterprise, that is, an economic plan for the future, leading towards independency. It may be new and different business plans in any kind of form. As long as you can argue for the idea, the potential and the business plan, you can get far.



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