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Révolution ou modernisation ? Les entreprises sociales et le régime allemand de protection sociale
¿Revolución o modernización? Empresas sociales y el sistema de bienestar alemán

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Résumé de l'article
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ABSTRACT
The paper investigates the role of social enterprises in the German welfare arrangement. It asks whether social enterprises are drivers of a paradigmatic shift, revolutionizing the welfare arrangement, or whether they play a more modest role, contributing to adaptation to changed societal demands. Two case studies of social enterprises are analyzed through the theoretical lens of neo-institutionalism. Results show that the German welfare arrangement is not revolutionized by social enterprises as the predominance of established non-profit organizations persists. Social enterprises integrate themselves into the existing system by drawing on public funding and providing services similar to those of established providers.

Keywords: social enterprise, non-profit organization, welfare state, neo-institutionalism

Résumé
La contribution examine le rôle des entreprises sociales dans le système de protection sociale allemand. Elle demande si les entreprises sociales sont les moteurs d’un changement paradigmatique, révolutionnant le système de protection sociale, ou si elles jouent un rôle plus modeste, contribuant à l’adaptation aux demandes sociétales modifiées. Deux études de cas d’entreprises sociales sont analysées à travers la lentille théorique du néo-institutionnalisme. Les résultats montrent que le système de protection sociale allemand n’est pas révolutionné par les entreprises sociales car la prédominance des organisations à but non lucratif établies persiste. Les entreprises sociales s’intègrent dans le système existant en s’appuyant sur des financements publics et en fournissant des services similaires à ceux des prestataires établis.

Mots-clés : entreprises sociales, organisations à but non lucratif, état-providence, neo-institutionnalisme

Resumen
En este artículo se investiga el papel de los emprendimientos sociales en la ordenación del sistema de asistencia social en Alemania. Se pregunta si los emprendimientos sociales son propulsores de un cambio paradigmático revolucionando la ordenación de asistencia social, o si juegan más bien un papel más moderado contribuyendo a la adaptación a demandas societales cambiadas. Dos estudios de emprendimientos sociales son analizados a través del lente teórico del neo-institucionalismo. Los resultados muestran que la ordenación de asistencia social no es revolucionada por emprendimientos sociales ya que el predominio de establecidas organizaciones sin ánimo de lucro persiste. Los emprendimientos sociales se integran en un sistema existente usando fondos públicos y prestando servicios similares a los de proveedores establecidos.

Palabras clave: emprendimiento social, organizaciones sin ánimo de lucro, estado de bienestar, neo-institucionalismo

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Social enterprises (SEs) are welcomed as a panacea for current problems of welfare states (Bornstein and Davis, 2010; Jansen et al., 2013; European Commission, 2013). These are confronted with demographic change, individualization, and the change of gender roles which all lead to increasing demands, particularly for social services. Focusing on Germany, the article takes a closer look at the role and function of social enterprises within the country’s welfare arrangement: Are social enterprises drivers of a “paradigmatic shift” (Hall, 1993, p. 279), revolutionizing Germany’s welfare arrangement; or do they play a more modest role, fostering incremental modernization?

Analysing the role and function of SEs in Germany is of particular interest from a comparative welfare state research perspective. The country is a pioneer in social policy development (Wilensky, 1975, p. 11f), a “big spender” in the welfare domain1 a textbook example for a conservative welfare regime (Esping-Andersen, 1990), and stands out for a long tradition of public-private partnership in social service provision, specifically at the local level. From the very beginning, non-profit organizations have been key providers of social services in a broad spectrum of policy fields (Dahme and Wohlfahrt, 2011) in Germany. The partnership or “third party government” approach (Salamon, 1981) is in accordance with the Leitbild of subsidiarity. This translates into an arrangement in which local governments, instead of setting up public entities, have to collaborate with private providers, mostly non-profits but increasingly also for-profits in the domain of social service provision (Heinze and Olk, 1981; Evers et al., 2011).

How does the relatively new phenomenon of SEs fit into this arrangement? Do they trigger a paradigmatic “third order change” (Hall, 1993, p. 279), which is characterized by a fundamental overturn of the traditional framework of the respective policy field? Or are SEs in Germany carriers of rather modest processes of incremental and path-dependent change (cf. Hacker, 2004), addressing new needs and societal problems by taking advantage of both existing policies and windows of opportunity in terms of funding or staffing?

The article addresses these questions by drawing on the results of the EU-funded projects FAB-Move2 and EFSEEIIS3. Both projects have compared social enterprises internationally, focusing on the opportunities and challenges for social enterprises in different contexts. The topic of how SEs impact on the welfare arrangement in Germany will be addressed by a case study approach. Two recently founded social enterprises – RheinFlanke and Chancenwerk – are analysed following a most similar systems design (Przeworski and Teune, 1970). The selected cases are both active in the children and youth welfare domain, which is characterized by a strong role of private service providers, in particular non-profits associated with the Welfare Associations (Fischer, 2011, p. 142; Grohs et al., 2015, p. 168). The case studies will be presented against the background of the current state of the art in social enterprise and social service research with a special eye on Germany. The cases are analysed through the theoretical lens of neo-institutionalism (Scott, 2017), addressing the role of social enterprises for institutional stability or change in the German welfare system.

State of the Art: Welfare State Reforms and Social Enterprises

Welfare States in Transition – the Case of Germany
Key topics of welfare state research are currently the transformation of traditional welfare regimes and policy-specific arrangements, and their adaptation to changed political, economic and social environments (Wulfgramm et al., 2016; Lütz and Czada, 2013; Taylor-Gooby, 2004). Nonetheless, results of comparative welfare research underline the stability of welfare arrangements, demonstrating

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1. Public expenditure for social purposes in Germany is significantly higher than the OECD average (cf. Social Expenditure Database at http://www.oecd.org/social/expenditure.htm, last accessed 19 March 2018).

2. The project FAB-MOVE (“For a Better Tomorrow: Social Enterprises on the Move”, 2015-2018) brings together researchers and practitioners in order to explore the question of how social enterprises can grow and flourish (see also https://www.uni-muenster.de/IIPol/FAB-MOVE/, last accessed 19 March 2018). This project has received funding from the European Union’s Horizon 2020 research and innovation programme under the Marie Skłodowska-Curie grant agreement no. 688991.

3. The project EFSEEIIS (“Enabling the Flourishing and Evolution of Social Entrepreneurship for Innovative and Inclusive Societies”, 2013-2016) was coordinated by the University of Florence. Its mission was to provide a better understanding of Social Entrepreneurship by a thorough analysis of data gathered in 10 European countries (Biggeri et al., 2019, see also http://www.fp7-efseeiis.eu/, last accessed 19 March 2018). This project has received funding from the European Union’s Seventh Framework Programme under grant agreement no. 613179.
that transformation generally proceeds gradually and path-dependently without fundamentally endangering the underlying principles of a regime (Pierson, 2001; Leibfried and Obinger, 2003). An overarching universal trend, however, is the privatization of social risks combined with the marketization of social service provision (Henriksen et al., 2010; Wollmann, 2016). Private commercial providers are welcomed to make inroads into the growing markets of social services, with the result that public and non-profit providers are faced with increased commercial competition (Henriksen et al., 2016).

These general trends are also depicted in Germany whose welfare state, despite the reforms of the last decades, shows a high degree of continuity (Hanesch, 2012, p. 22; Reiter, 2017). Encompassing, status-preserving social insurances constitute the core of the country’s welfare state arrangement, while means-tested programs are of less importance. However, the number of people supported by welfare programs is increasing, in particular among certain groups such as migrants and unskilled people (Althammer and Lampert, 2014). While the national level of the government has always been responsible for social insurance, social service provision in Germany lies primarily in the hands of local governments. However, the principle of subsidiarity implies that social services are not provided by the municipalities themselves but by non-government entities. Until recently these were primarily non-profit organizations affiliated with one of the six German Welfare Associations (Beößenecker and Vilain, 2013; Bode, 2012, p. 215-350). These associations are the Caritas, closely affiliated with the Catholic church; the Diaconia, affiliated with German Protestantism; the Arbeiterwohlfahrt (AWO), the Worker’s Welfare Association; the Parity (DPWV), the Association of Non-Affiliated Charities; Deutsches Rotes Kreuz (DRK), the German Red Cross; and the Zentralwohlfahrtsstelle (ZWS), the Central Welfare Agency of Jews in Germany. These ‘umbrella associations’ represent their membership that consists of service-providing organizations operating locally. With the exception of the Parity the associations stand for specific norms and values (Bundesarbeitsgemeinschaft, 2015).

The Welfare Associations look back upon a long history of providing services in the social policy domain (Zimmer and Obuch, 2017). They, therefore, have well-established links with the public sector. The most common legal form of the service-providing membership organizations used to be the voluntary association (Verein). Currently the non-profit limited liability company is becoming more popular (Birkhölzer, 2013, p. 21; Zimmer et al., 2013). Their services are predominately financed through social insurance allowances and public money. Local governments are the key financiers of many social services (Evers et al., 2011; Dahme and Wohlfahrt, 2011). This is particularly the case for services related to the children and youth welfare domain, which also constitutes a prime area of activity for social enterprises in Germany (Scheuerle et al., 2013, p. 20-26).

In Germany, social service provision has traditionally been highly regulated and legally codified. However, in accordance with the overall trend of marketization, the former exclusive partnership between local governments and non-profits affiliated with the German Welfare Associations has been liberalized and de-regulated during the last decades (Bode, 2012). Step by step, non-profit providers without ties to the Welfare Associations (Backhaus-Maul and Olk, 1994) and later, commercial providers were accepted as contractors of social programs.

Also, the German Welfare Associations turned out to be very responsive to new trends and organizations that were originally without any affiliation. Many of those non-profits established in the last decades, such as the self-help groups of the 1980s or the socio-cultural centers of the 1990s, have become a member of one of the Welfare Associations. Very often they affiliated with the Parity, the Welfare Association without ties to a particular ideology or religion (Schmid and Mansour, 2007). In Germany, social service providers have to be legally acknowledged and have to meet codified requirements of service quality in order to be eligible for public contracts. These requirements might hinder newcomers from getting easy access to the service markets. However, it is a way to guarantee quality standards. Also, the Welfare Associations help their new members to upgrade their services and their administration by providing training and expertise.

Nevertheless, the liberalization of the market for social service provision has significantly affected the non-profit organizations active in this area, which, indeed, have become more business-like. With the goal of adapting to a changed environment, they have streamlined their governance structure, professionalized positions of authority as well as operative personnel. They have adjusted to a competitive environment and have accustomed to changed modes of financing...
such as competitive tendering [Zimmer, 2014]. However, the majority of non-profit organizations affiliated with the German Welfare Associations still remain less entrepreneurial than their for-profit competitors [Zimmer and Paul, 2018]. By and large, they tend to expand their services in those fields where they have been active for a long time. In terms of funding, they refrain from tapping into financial resources that are not guaranteed by German social laws, in particular philanthropic funds.

Against this background of a changed policy environment, increasing influence of neo-liberal ideas, and alongside the emergence of new social risks, the discourse on social enterprises emerged in Germany.

Social Enterprises on the Advance
Since the granting of the Nobel Price to Muhammad Yunus and his Grameen Bank in 2006, the concept of social enterprise has received increasing attention worldwide. Private and public initiatives took up the idea of “combining societal goals with entrepreneurial spirit”, which constitutes the core of the definition of a SE put forward by the European Union. Among the promoters of SEs are private foundations, company-sponsored networks such as Ashoka as well as the European Union that launched an encompassing support initiative for social enterprises and the social economy. Selected European national and regional governments either set up programs supporting the development and scaling-up of SEs or codified new legal forms specifically tailored for social entrepreneurial activities [cf. Borzaga and Santuari, 2001; Kerlin, 2012].

Compared to the international momentum, support for SEs in Germany is far less pronounced. The discourse community is limited to academics, few stakeholders in the administrations of Germany’s national and regional governments and practitioners that set up support infrastructures for SEs such as Impact Hubs or Social Labs [Obuch and Zimmer, 2016; Grohs et al., 2014; Rummel, 2011, chap. 2; Evers and Schulze-Böing, 2001; Zimmer and Hallmann, 2016]. The majority of government programs as well as foundation funding streams earmarked for the support of SEs have been time-limited and phased out [Unterberg et al., 2015]. Financing possibilities at the capital market are not easy to access [Scheuerle et al., 2013, p. 40-48].

The research community can generally be divided into two schools [Dees and Anderson, 2006]: The Social Enterprise School focuses on economic criteria and perceives independence from transfer payments as the defining feature of a social enterprise [Nicholls, 2006]. In contrast, the Social Innovation School highlights the capacity of SEs to address social problems in an innovative way by developing new social services, concepts, and instruments [Mulgan, 2007]. The perception of the Social Enterprise School serves as a key point of reference for the Anglo-Saxon research community [Mair, 2010, p. 22]. In contrast to this, “the organizational enactment of social innovation ideas and models” [Nicholls et al., 2015, p. 5], combined with a community orientation, constitute the defining features of SEs in continental Europe and particularly in Germany [Defourney et al., 2014; SEFORIS, 2016, p. 4].

Accordingly, research on German social enterprises is fairly in accordance with the Social Innovation School [Jansen, 2013, p. 75; Grohs et al., 2014, p. 150-177]. Despite the lack of a clear-cut definition, there is a common understanding for the German context that a social enterprise should at least pursue a social or ecological goal – i.e. should not be mainly profit-driven – and be either innovative or generate earned income [Scheuerle et al., 2013, p. 12f].

Due to the fuzziness of the concept and the lack of a particular legal form in Germany [ICF, 2014, p. 12], SEs constitute a difficult terrain for empirical research. Exact data on how many SEs are operating in the country is not available [cf. Scheuerle et al., 2013, Part I]. In Europe and specifically in Germany the boundaries to the third sector are blurring [Defourney et al., 2014]. The MEFOSE research consortium [Jansen et al., 2013] sampled about 1700 organizations in Germany meeting the criteria developed for SEs. About 240 SEs took part in the MEFOSE survey [Scheuerle et al., 2013, p. 6]. The German team of the SEFORIS EU-funded research project interviews 107 social entrepreneurs in the country [SEFORIS, 2016, p. 3]; and the survey of the EU-funded EFESIS project that focused on “the new generation of SEs” covered less than 40 SEs [EFESIS, 2016].

Despite the different approaches, the results of the empirical research on German SEs indicate that the welfare domain – such as social services, labour market integration or social inclusion – constitutes the core area of social enterprise activities in the country [Jansen et al., 2013; Scheuerle et al., 2013]. Moreover, the results indicate that SEs tend to be active in more than one field of service provision [Spieß-Knaff et al., 2013, p. 25f; SEFORIS, 2016, p. 6].
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The capacity of bridging areas of activity is perceived as a feature of innovativeness, enabling SEs to address the needs of constituencies in a new way. This can hardly be accomplished by public entities, because their administrative structures do not allow for combinations of activities, which go beyond the limited responsibility of the respective department. Accordingly, SEs in Germany are often researched as an organizational vehicle for social innovations that, often aligned with social investments, constitute an encompassing approach of dealing with societal problems (Kopf et al., 2015; Brandsen et al., 2016). Social innovation or social investment strategies are frequently targeted towards specific societal groups, such as refugees, children from families with a migration background or young adults who face difficulties entering the labour market (Kopf et al., 2015; Schröer and Steffen, 2012; Biggeri et al., 2019). These groups are often disadvantaged in more than one dimension – e.g. in terms of available financial, social or cultural capital – and therefore benefit more from an individualized approach that can straddle the boundaries of different services. The rather rigid funding structures in the regular social services makes such individualized support more difficult within existing offers. This creates a niche for innovative social enterprises (Grabbe et al., 2019; Brandsen et al., 2016).

Case Studies: RheinFlanke and Chancenwerk

In the following, we will present two case studies conducted as part of the EFESEIIS project. The social enterprises under study have been selected for the analysis of the innovative potential of SEs in Germany because they operate in a highly regulated field – child and youth welfare – but address needs that are not covered by the established actors, which should open up room for innovation and change. After elaborating the selection criteria and data collection method and briefly introducing the cases, a comparison will shed light on the organizations’ entrepreneur, services provided, locations, financing strategy, degree of professionalization and scaling-up approach.

Methodology

In line with the project’s research interest, SEs were chosen as case studies that meet the following criteria: They

I. operate in the field of social services;
II. belong to the new generation of SEs, i.e. having evolved in the last 10-15 years;
III. are perceived as ‘successful’ in the sense of economic sustainability;
IV. enjoy a high recognition as social enterprises, proven through e.g. publications or awards;
V. have already scaled-up in terms of enlarging their terrain of operation and/or broadening their spectrum of services.

Especially the criterion to operate in the field of social services makes the cases under study typical for German SEs. Furthermore, as most SEs in Germany, they provide social services in more than one field of activity, namely education as well as child and youth welfare. Moreover, they operate under the legal forms of an association and private limited liability company with public benefit status, which are frequently used by non-profit organizations in Germany. The remaining criteria were chosen to be able to trace the development and integration of SEs in the German welfare arrangement.

The two case studies were conducted in summer/autumn 2015. Data gathering for the case studies consisted of a combination of site visits, observations, focus groups as well as expert interviews with the chairmen/top-managers (that in both cases were also the founders of the SEs) and with representatives of the managerial staff. Additionally, at the time of writing recent data on the SEs was collected from their websites and annual reports.

The expert interviews and focus groups were transcribed and analysed through content analysis, filtering information according to ex-ante fixed analytical categories (Gläser and Laudel, 2008, p. 46).

The analysis focuses on the topic of social enterprises as “change agents” (Faltin, 2011). We refer to neo-institutionalism and path dependence as a framework for analysing the innovative potential of SEs. From a neo-institutional perspective, existing arrangements are perceived as being – or seeming – more efficient, legitimate or powerful than new alternatives (Bengtsson, 2015, p. 684). Even so, institutional change can occur e.g. if the environment changes, thereby providing opportunities for new initiatives, or if existing institutions fail to address recently emerged problems (Hay and Wincott, 1998).

In order to assess if SEs modernize or revolutionize the German welfare state, the extent of change initiated by the respective SE needs to be clarified. Peter Hall (1993) distinguishes three orders of policy change: first order change encompasses a mere shift of policy settings, second order change comprises a change...
of settings and instruments, and third order change includes the former two plus a change of overarching goals [Bélard and Powell, 2016, p. 135]. First and second order change are similar to the concept of incrementalism, implying only adaptations of existing policies or instruments (cf. Hacker, 2004; Bélard and Powell, 2016). Third order change, in contrast, denotes ‘paradigmatic’ [Hall, 1993, p. 279] change, i.e. significantly changing the institutionalized arrangement and the underlying interpretive framework of policy makers and their objectives.

While Hall’s concept has been developed for the meso-level of policies, it can also be linked to micro- and macro-level change. At the level of the individual enterprise, SEs are assumed to diverge from both commercial businesses and NPOs in terms of the motivation of the entrepreneur, the modes of service provision, financing, professionalization of the staff and their scaling-up approach (cf. Scheuerle et al., 2013). These aspects will be assessed in the case studies. The ensuing discussion will focus on the question if the particularities of SEs in the field of youth welfare trigger path-departing systemic change (i.e. changes on the macro level of the German welfare system) that goes beyond introducing new actors that operate along the same lines as existing ones and draw on existing or institutionalized arrangements, e.g. in terms of funding, that are characteristic for the particular area of service provision (cf. Hacker, 2004). Paradigmatic change would have to change the overall arrangement of the policy field and the logics, norms and values it is based on (Malpass, 2011, p. 311; Baumgartner and Jones, 2009). Relating this distinction to the conceptual framework of the welfare regime approach, paradigmatic or revolutionary change would translate into a shift of key features of the German welfare state such as the principle of subsidiarity and established partnerships between local public and private (non-profit) actors. Furthermore and in line with neo-institutionalism, SEs are viewed as rational actors engaged in strategic learning (Tsebelis, 1990, p. 40). They might revise their perceptions of what is feasible within an institutionalized context and reorient themselves in the light of perceived opportunities and constraints (Hay and Wincott, 1998, p. 952). Therefore, the following case studies of RheinFlanke und Chancenwerk aim at addressing the topics: a) to what extent the policy field determines the behaviour of the SEs, e.g. whether they have adapted their legal form, scaling-up approach or business and financing model to the context, and b) how and to what extent the selected SEs are indicators of a “paradigmatic change” of the traditional welfare arrangement.

Introduction to the Cases: RheinFlanke and Chancenwerk

Both SEs were founded as local initiatives in Germany’s most populous state of North Rhine-Westphalia (NRW) [int. #2; int. #3], where poverty and inequality have been on a steady increase in the last ten years [Der Paritätische Gesamtverband, 2017, p. 16]. Furthermore in NRW, the percentage of inhabitants, particularly children, with a migration background has always been above the German average [Information und Technik NRW, 2015; Städte- und Gemeindebund NRW, 2014]. Hence, NRW constitutes a fruitful terrain for social entrepreneurship in the welfare domain.

Since their foundation, both SEs have managed to scale up in terms of extension of services and branches of operation. RheinFlanke, was established in 2006 and is engaged in mobile youth work. The core idea is to reach deprived adolescents via open sports programs, help them to develop and enhance their social skills and ultimately improve their employment opportunities [int. #2]. RheinFlanke’s geographical scope of activity is regional, with a centre based in Cologne. It has successfully enlarged its scale of operation to eight neighbouring cities since 2008 [Rheinflanke, 2017]. Besides, the SE has received several awards, among them the German Engagement Award (“Deutscher Engagementpreis”)⁵ the PHINEO impact label (“Phineo-Wirk-Siegel”)⁶ and the German Child and Youth Welfare Award (“Deutscher Kinder und Jugendhilfepreis”)⁷ (int. #1).

The second case, Chancenwerk, started upon the initiative of a group of students in 2004 [int. #3]. Its goal is to fight the problem of unequal opportunities in the German education system, in which disadvantages for children with a weak socio-economic or migration background persist. In order to combat these disadvantages, the founder and executive chairman invented an innovative tutoring model and collaborates with schools to implement it. From a small association teaching a dozen of pupils in a medium-sized city in NRW, it has developed into a successful SE coaching more than 3600 students all over the country [Chancenwerk, 2018]. Apart from its regional and numerical growth, Chancenwerk disposes a high level of recognition as social enterprise, which is reflected in several awards [int. #3; int. #5].

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Comparison of the two social enterprises

**Foundation and Entrepreneur**

RheinFlanke started as a local street football project in Cologne. It was developed by two experienced social workers, who focus on issues of empowerment (int. #1). This also characterizes their approach in RheinFlanke:

We support young people in discovering their needs and fostering capacities. We strengthen their strengths and show ways. We accompany and capacitate them, making them find their position in the game of life and feel as a valuable part of society. (int. #1)

As one of the founders was the pedagogic coordinator of a foundation active in youth welfare, it was his task to elicit innovative concepts in the field. In the context of the Football World Cup hosted by Germany in 2006, he came across projects that used football to enhance adolescents’ social skills and development. Such approaches had already successfully been tested in other German metropolises, but had not yet reached Cologne. Together, the two founders decided to launch a street football league there. They soon received positive feedback and invitations by local governments to scale-up and start further projects. They institutionalized RheinFlanke as a private limited liability company with public benefit status (gGmbH) in the following year (int. #2).

Chancenwerk was established as an association in 2004. Two university students – sister and brother – of Turkish descent founded the social enterprise due to their own experience in the German school system: Born in Germany to Turkish migrants and struggling with the German language, both had had difficulties in school. Notwithstanding the only minimal support and partly discouragement by their teachers, they had worked their way up the school system to attend university. They realized that public policies did not support disadvantaged children sufficiently and developed an innovative tutoring model to remedy this (int. #3). One founder describes the approach as follows:

I empower the students. The education system is a monster. If you fight the monster, you will always lose because the monster is not fair. I don’t fight the monster. I help the students to circumvent the monster. (int. #3)

The founder is dedicated to running the SE with strategic skills and entrepreneurial ambition, which he attributes to his educational background in engineering (cf. Gostrer, 2015). According to his sister, his entrepreneurial skills, motivation and visibility single him out as the founder and entrepreneurial spirit of Chancenwerk (Chancenwerk, 2014; int. #5).

Two years after its foundation, Chancenwerk was chosen out of 550 charitable associations to win the startsocial competition and its founder became an Ashoka fellow. The fellowship included a three-year scholarship that enabled him to quit his job, dedicate his time thoroughly to the organization and develop a business plan to refine and expand Chancenwerk (int. #3). Moreover, being an Ashoka fellow has turned him into a role model for other social entrepreneurs and helped to increase the visibility of the enterprise (Grabbe, 2015, p. 62).

In sum, the founders of both enterprises possess entrepreneurial spirit and the willingness to take matters into their own hands for addressing the problems they perceive. They have created new organizations, based on the awareness that their ideas could not be implemented within existing structures. However, the founders of RheinFlanke perceive themselves primarily as social pedagogues, whereas the founder of Chancenwerk underlines his entrepreneurial orientation.

**Service Provision**

RheinFlanke provides ‘mobile’ youth work to gain access to youth that are difficult to reach with programs put in place by schools, such as young people from difficult socio-economic backgrounds or migrants (int. #2). Professionals employed by RheinFlanke approach these adolescents on football grounds or schoolyards with the aim of establishing trust-based relationships through low-threshold sports offers (int. #2). Football serves as a starting point to get in contact with the target group of children and youngsters. After a while, the adolescents resort to RheinFlanke’s additional programs that aim at aiding youth in the challenging transition from school to working life and comprise individual and group work, counselling and training (int. #1).

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8. The startsocial competition is an annual contest for civic engagement initiatives under the patronage of Chancellor Angela Merkel. For further information see: https://startsocial.de/ueber-uns (last accessed 20 March 2018).

9. Mobile youth work: a community-based concept used in social pedagogy and social work that aims at approaching adolescents (target group) in their immediate surroundings, i.e. visiting the places that are usually frequented by youth.
Similar to RheinFlanke, Chancenwerk also strives to open up perspectives for children and adolescents with a low socio-economic status or migration background, who continue to be disadvantaged in the German school system despite public efforts at supporting them. The main innovations of Chancenwerk are the following: firstly, the SE shall ensure access to high quality tutoring for children who lack the financial means to avail themselves of private lessons. Secondly, tutoring shall not only assist the students, but also strengthen the motivation and self-esteem of the tutors. Thirdly, the SE shall enhance contacts and cohesion among participants within schools (Gostrer, 2015, p. 48-51). To achieve these objectives, the founders have developed a tutoring model called “Learning Cascade”: Senior high school students receive tutoring by university students and in return supervise younger ones. Thereby, they deepen their own knowledge, acquire social and pedagogic skills, and experience the empowerment of being able to help someone (int. #4; focus group #1). After fourteen years in operation, Chancenwerk cooperates with partner schools in underprivileged urban areas throughout Germany. Due to the success of its concept, Chancenwerk also extended the “Learning Cascade” to companies, inviting trainees to present and demonstrate their professional skills in schools (int. #4).

In sum, both SEs have developed innovative services to reach disadvantaged target groups that have so far been at the margins of public or private support programs, or who are difficult to reach because their needs do not fit neatly into the logics and categories of public programs (cf. Lützenkirchen, 2014).

**Financing**

RheinFlanke’s annual budget has surpassed 3 million Euro in 2016. Public authorities contribute the major share (70 percent), while the enterprise also generates resources from private sponsors such as foundations (30 percent). No income is gained through final users. Eleven public contractors presently sponsor RheinFlanke, including the European Union, the German Federal Government, the regional government of NRW, and particularly the municipal governments the SE is co-operating with. The biggest sponsor is the European Integration Fund (app. 450,000 Euro annually), followed by the support of the municipal governments (int. #2). The bulk of these public funds is project-based. Nevertheless, the SE generates a smaller share of its funding via reimbursements of local governments for the provision of regular youth services according to the German Social Code (int. #2; RheinFlanke, 2018, p. 101).

As public authorities and the EU in particular tend to oblige contractors to contribute about 30 percent own funds, RheinFlanke pays particular attention to the recruitment of sponsors and private donors. Presently, 25 prominent individual donors and private foundations support RheinFlanke, most of them with regional ties or specific links to the sports sector (such as the Lukas Podolski and the Dirk Nowitzki Foundations) (int. #2). The founders of RheinFlanke underline that their fundraising is based on the public benefit they generate: “I’m not the one begging for money, I have a social product to sell.” (int. #2)

Unlike RheinFlanke, Chancenwerk does not generate the lion’s share of its income via public funds. Having started as an initiative based exclusively on volunteers, organizational growth and professionalization have increased costs and thus, the need for funding (int. #3). By now, the organization relies primarily on donations by twenty local foundations and ten firms10 and to a smaller extent on income-dependent membership fees of high school students (up to 20 Euro per month) (Chancenwerk, 2018a). In 2014, Chancenwerk has also become legally acknowledged as an official provider of child and youth welfare services (int. #5). According to German social law, Chancenwerk is now eligible for receiving public funds as compensations from the “education and participation package”, a program initiated by the Federal Ministry of Labour and Social Affairs that ensures support for children from low-income families. It is financed by the local governments [Bundesministerium für Arbeit und Soziales, 2015, p. 6].11

With its hybrid financial structures, Chancenwerk generates annual revenue of 1.5 million Euro. 73 percent of income are donations and CSR funds, 13 percent are membership fees and 14 percent are compensations for services by public authorities (Chancenwerk, 2017, p. 41). The founder underlines that being selected as an Ashoka Fellow and the success of the model in an increasing number of cities facilitates access to private sponsors, while donors highlight his persuasive and convincing personality (Gostrer, 2015, p. 53-55).

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10. This strong role of philanthropic funding is an exception in the German context, where the role of donations for third-sector service provision is generally small (Grohs et al., 2014, p. 54f). 
11. According to the founder, access to these funds is difficult because several actors are involved in their disbursal and responsibilities are not always clearly assigned. Even though, the program is a highly attractive source of funding, which is why a staff member was hired to improve its use by Chancenwerk (int. #3). Moreover, Chancenwerk has begun to conclude cooperation agreements with municipalities in order to minimize administrative effort (Ramos, 2016).
The funding structures of both SEs vary: While RheinFlanke relies mainly on public funds, Chancenwerk draws on a multiplicity of funding sources, based on the specific situation in each city. However, their access to philanthropic funding also has similarities: Both particularly access locally or regionally active donors such as small foundations or local businesses, and both underline that they do not beg for money but that they aim at convincing donors of the benefits they create or the “products” they sell.

Degree of Professionalization
RheinFlanke’s governance and employment structure is thoroughly professionalized. The founders administer the organization as managing directors, based on a clear division of responsibilities. In addition, they decide on the strategy of the SE and take the major decisions [int. #1]. Within these limits, the sub-divisions of RheinFlanke are operating independently.

Apart from the managing directors, the organization is governed by a supervisory board consisting of two lawyers and a local celebrity. A board of trustees, mainly leading figures from TV, politics and local economy, support RheinFlanke with advice and serve as door openers to get into contact with potential donors and sponsors [int. #2]. The organization’s 50 employees are professionals from the field of social work and tend to be young (aged between 25 and 35). Many of them are university graduates who frequently work for RheinFlanke for a limited time span and use this experience as an important experience and stepping-stone for the further advancement of their professional careers [int. #1]. RheinFlanke only marginally resorts to volunteers, as they want to assure “reliability, professionalism, and security” [int. #1] for their vulnerable target group. Furthermore, RheinFlanke engages in professional outcome evaluation. One member of staff functions as a quality manager and conducts internal evaluations (RheinFlanke, 2018, p. 81). In addition, the organization has undergone external evaluation and was awarded the PHINEO label that measures the societal impact of organizations in Germany [int. #1].

Chancenwerk’s governance structure is equally professionalized. Apart from the founder and executive chairman, the association is managed by an executive board consisting of three staff members. In addition, there are three voluntary bodies: the members’ general assembly, the directorate and an advisory council. The latter consists of university professors, investment managers and entrepreneurs (Chancenwerk, 2017, p. 35). The organization engages around 70 employees who - similar to the founders - have often experienced disadvantages and therefore wish to “act for change” [int. #3]. Additionally, the organization resorts to approximately 260 university student volunteers who teach senior students in exchange for payment and/or university credits (Chancenwerk, 2017, p. 40). Tutors receive training on topics such as role perception, teaching competences and learning strategies (Grabbe, 2015, p. 23).

The governance of Chancenwerk reflects its mission as an organization that builds on the expertise and engagement of its employees. There is little bureaucracy. Based on the input and advice of the pedagogic coordinators, the board is responsible for the overall strategy of the SE, while everyday decisions are taken independently by employees [Grabbe, 2015, p. 26]. Great efforts are undertaken to promote commitment and team spirit. To this end, teambuilding activities such as workshops or multiday trips for employees and volunteers take place on a regular basis (Chancenwerk, 2018a). Finally, in order to demonstrate the success of its business model to its donors, Chancenwerk engages in digital evaluation. Since 2017, online-based surveys have been used frequently to collect and evaluate feedback of students, teachers and parents (Chancenwerk, 2018b, p. 31).

Both enterprises are formally incorporated and operate with professional staff, in particular in the management and executive functions. Volunteers are either viewed sceptically [RheinFlanke] or are trained in order to provide high-quality services [Chancenwerk]. Though bureaucracy or hierarchical co-ordination is minimal in both SEs, the leadership role is given to the executive chairman or managing directors. Additionally, impact evaluations contribute to the professionalization of the SEs.

Scaling-up approach
Since its foundation, RheinFlanke has expanded its sites, activities and number of employees due to the continuous demand for cooperation by additional local governments (Brüntrup, 2016, pp. 18f). An important milestone for the scaling-up process was to become a legally approved provider of services for adolescents in 2008. As such RheinFlanke works as a contractor for local governments [int. #2]. In order to get easier access to public funding, the founders stress that it was useful to become a member of one of the German Welfare Associations. RheinFlanke joined the “Paritätischer Wohlfahrtsverband” in 2009 [int. #2]. In the
following years, RheinFlanke replicated its youth work approach in several cities in the Rhine area. This was chiefly initiated by requests of youth offices and local politicians (Brüntrup, 2016, p. 20). Further, a funding approval by the European Union (European Integration Fund) in 2012 increased RheinFlanke’s annual budget by 450,000 Euro for three years. In 2013 the Lukas Podolski Foundation was contracted as a big private sponsor, boosting RheinFlanke’s nationwide popularity at once (int. #1). Both allowed the social enterprise to diversify its services and scale up from local to larger operations in the following years (int. #1). Against the background of the recent efforts of local governments to integrate refugees, the SE has further enlarged its activities and cooperation with local governments by starting to operate reception facilities for minor refugees (int. #2; focus group #2). The scaling of RheinFlanke – in terms of both regional coverage and scope of activities – is mainly triggered by demands of local public governments, thus diverging from the business model of scaling that can be summed up as a supply-based strategic approach (cf. Brüntrup, 2016).

Chancenwerk’s scaling up approach also draws on cooperation with local public authorities and, in particular, schools. However, it does not primarily act upon requests, instead it proactively promotes its approach and seeks new collaborations:

We ask foundations. A lot takes place via networks. You have to be known, you have to travel a lot, you have to communicate with people. It is not enough to sit around and wait. (int. #4)

A milestone in the scaling up process was the selection of founder Murat Vural as an Ashoka fellow in the year 2006. This meant that the organization received professional counselling to set up a business plan. It allowed the organization to expand its reach across the Ruhr area and increase its visibility. With a professional business plan and heightened presence in public, Chancenwerk received its first financial support by a foundation in 2010. This enabled the organization to hire salaried employees. Since then, more and more firms and foundations were won as sponsors. It paved the way for the organization’s continuous expansion to cities in the North and South of Germany.

Apart from this strong support by foundations, Chancenwerk has followed the strategy to intensify its co-operation with local governments in recent years. Thus, it continuously increased the share of funding by the government-financed “education and participation package”, while the share of donations by foundations and firms declined (Chancenwerk, 2014, p. 24; Chancenwerk, 2017, p. 41). In contrast to RheinFlanke, the organization is not a member of a Welfare Association. Instead, it collaborates directly with local schools and public administrations to expand its services and actively seeks for local supporters such as foundations or enterprises to finance the activities in each city of operation (int. #4; focus group #1). Accordingly, the model of the “Learning Cascade” is not applied 1:1, but is adapted to the requirements and resources of each school and city (int. #5).

Both enterprises have significantly expanded their services since their foundation. Critical situations in the scaling-up process of Chancenwerk were the selection of Murat Vural as an Ashoka fellow and the subsequent development of a professional business plan. RheinFlanke could increase its national visibility and reach with start-up financing by the European Union and the Lukas Podolski Foundation. Both enterprises are well-connected in their respective localities and tailor their activities to the actors and conditions present in each context. While RheinFlanke already relies heavily on collaborations with local public administrations, Chancenwerk’s networks are still more diverse and scaling is approached more proactively. However, as Chancenwerk has recently intensified its co-operation with local governments and envisages to continue this approach according to its annual reports, it might follow a similar scaling-up strategy as RheinFlanke in the long run.

Discussion: Revolution or modernization?

The results of the case studies allow discussing the role of SEs for the development of the German welfare regime. More specifically, we question whether the cases might be qualified as carriers of a paradigmatic change of the welfare arrangement in the area of social service provision:

First, both social enterprises were established to remedy today’s social problems with the help of an entrepreneurial approach. While RheinFlanke’s founding fathers were motivated by a perceived need and stimulated by an existing idea, Chancenwerk was established upon personal experience and has developed a novel approach. The majority of social service providers in youth welfare are either public organizations or non-profits that – due to processes
of isomorphism – have become very similar to their public counterparts in terms of governance and organizational culture. In contrast, the recently founded SEs are indeed needs-driven and their entrepreneurial activity is “an end in itself” to address social problems efficiently (Zimmer and Obuch, 2017, p. 2355). Their founders either have a professional background in the field as social workers, or possess entrepreneurial skills due to an engineering/business occupation. The latter are closer to the market logic than more “traditional” founders of NPOs and partly refer to themselves as “generation business school” (Scheuerle, 2013, p. 76). These business school entrepreneurs tend to follow and communicate a logic of investment and return that does not always go hand in hand with the ideas of founders rooted in the traditional non-profit sector or employees of public authorities, who partly see business and social logics as two mutually exclusive domains (Scheuerle, 2013, p. 76). However, going back further in time, Germany’s pioneer social enterprises of the late nineteenth century were also established by charismatic founders with entrepreneurial values (Zimmer and Obuch, 2017, p. 2349). Social entrepreneurship in the welfare domain is thus not thoroughly new in the German context of social service provision guided by the principle of subsidiarity.

Second, RheinFlanke and Chancenwerk stand for a new approach in service provision. They base their work on innovative concepts – be it the combination of mobile youth work and football or the idea of a learning cascade. Both approaches serve as role models and facilitate contacts to local governments and private donors as well as sponsors. Furthermore, the services and programs of the two SEs address relatively new target groups, focusing on deprived adolescents and migrants, which is of particular importance given the high inequality in the German education system and the present context of refugee integration. However, while the concepts and access to the target groups can be considered as novel, path-dependency can be observed as well, in particular as services of youth welfare and mobile youth work in collaboration between public and private organizations under the guiding principle of subsidiarity are well established in the policy field (Fischer, 2011; Schröer et al., 2016).

Third, the social enterprises are locally connected, which is reflected in their financing structures: Both have set-up citywide donor networks with foundations or draw on corporate social responsibility funds. This corresponds to the fact that SEs in Germany are more likely to access novel financial opportunities than traditional non-profit organizations (Achleitner et al., 2013, p. 154). At the same time, both enterprises managed to become integrated into the quasi market of social service provision as recognized providers of youth welfare. In particular, RheinFlanke has adapted to the financial structures of the policy field, as its business model mainly rests upon financial contributions by public authorities, which are not only project-based but also consist of regular youth work services according to the German social code. Chancenwerk seems to follow a similar scaling-up strategy in the long run as it strives to intensify its co-operation with local governments by enlarging its share of income from compensations by the “education and participation package” and downsizing the share of sponsoring by firms and foundations.

Both SEs follow the policy field’s well-established logic of service provision, characterized as “third party government” and a partnership between local public and non-profit actors. Furthermore, the SEs partly cooperate with the Welfare Associations due to the fact that there is a lack of support for SEs in Germany beyond the incubating phase. Hence, SEs willing to enlarge their impact and looking for guidance either turn to new umbrellas such as the Ashoka network or partner with established actors such as the Welfare Associations, which points to path-dependency and adaptation to existing structures with respect to strategy and long-term planning.

Fourth, the organizational set-up and governance structure of both cases are highly professionalized. The new generation of SEs seems to prefer governance arrangements based on leadership values instead of collective governance modes (Zimmer and Obuch, 2017, p. 2355): In both enterprises, the leadership role is assigned to the executive chairman/executive board or managing directors. Moreover, volunteers as service providers are viewed with caution and impact assessments are common. However, while it is a novelty, the high degree of professionalism in both organizations mirrors a general trend in the welfare domain (Droß, 2013, p. 36-38; Langer, 2011). Nonetheless, due to a lack of comparable data it cannot be argued that the social enterprises provide social services more efficiently than established non-profit providers.

In sum, RheinFlanke and Chancenwerk stand out by their innovative way to address social problems through the development of new concepts and social
services. With that, they fit smoothly into the picture of new generation social enterprises as highlighted by the Social Innovation School of thought (Dees and Anderson, 2006). Yet, the two case studies emphasize that the organizations also feature a high degree of continuity and adaptation of their strategies to realities of the policy field: They are equally professionalized and rely on a close partnership with local public authorities (including schools) and Welfare Associations to scale up. This makes it questionable whether they are establishing a new paradigm for the welfare state, because the traditional arrangement (Fischer, 2011, p. 124) of social service provision in youth welfare is largely maintained.

All in all, we argue that the key features of the welfare arrangement are kept well in place and the SEs integrate into the existing structures. However, the case studies illuminate that SEs act as modernizers as they adapt the policies and instruments of welfare provision to changed demands and mobilize additional resources through their innovative approaches that seem more appealing to private donors than traditional ones. Chancenwerk and RheinFlanke surpass traditional policy fields as they combine approaches that are strongly in accordance with the needs of their target groups. Hence, they successfully manage to address social needs and problems in new ways establishing innovative business models that combine conventional public funding with new resources. Moreover, they surpass departmental boundaries and achieve a stronger orientation at the needs and requisites of their target groups than even the reformed public administration (cf. Holtkamp and Grohs, 2012, p. 188).

Summary

The article investigated the role of SEs in the German welfare arrangement, asking whether they are drivers of change carrying revolutionary capacity, or whether they play a more modest role, contributing to the adaptation to changed societal demands.

The analysis of two cases has demonstrated that the principle of subsidiarity, together with the welfare reforms of the last three decades have opened room for entrepreneurialism. However, the predominance of established non-profit organizations, in particular those affiliated with the Welfare Associations, persists. SEs in Germany so far remain less numerous than in other European countries, which partly depends on the German context: There is no specific legal form; public funding for SEs is usually short-term and limited; and the public discourse on the phenomenon is not prominent.

The two cases – RheinFlanke and Chancenwerk – have been selected as examples for successful and sustainable SEs in the field of child and youth welfare. The field is characterized by third party government and hence close cooperation between local authorities and non-profit service providers. Youth welfare is an important area of activity for SEs in Germany, due to prevailing disadvantages for children and adolescents from families with a migration background or with a lower socio-economic status. Both organizations under study have selected a social entrepreneurial approach to address these problems and have developed new instruments for reaching and supporting these target groups. Thus, both conform to the definition of social enterprises by pursuing a social goal and being innovative.

At the same time, as rational actors they closely align their strategies to the German welfare arrangement by drawing on public funding, collaborating with local governments and public authorities and providing services that are innovative but also similar to those of established providers. Moreover, both enterprises have successfully created local networks. This underlines their integration into the existing system further as they have partly joined the networks of the established welfare providers.

Thus, the German welfare arrangement is not revolutionized by social enterprises – at least in the field of youth welfare – even if SEs introduce novel elements in terms of new services and entrepreneurial approaches. These approaches open up access to alternative funding options by “selling” a competitive product and public benefit instead of “begging” for charity.

The extent to which these results can be generalized beyond the field of youth welfare cannot be assessed based on this study. Further research should test these assumptions. Moreover, the differences between the two cases point to the variety of SEs in Germany in terms of their entrepreneurial orientation and innovativeness. Future studies should assess if and how the new generation of SEs impact on the traditional ones and on the further development of the organizational field of social service provision in Germany and beyond.
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