

# Global Innovation Index 2024



Special Theme 2024:  
Unlocking the Promise of  
Social Entrepreneurship

This year's special GII theme looks to the future of social entrepreneurship and asks: What will it take for social entrepreneurship to catalyze transformative innovation and societal impact?

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As part of a broader trend toward innovation with more direct social impact, new social entrepreneurial ventures and start-ups have proliferated in recent years.

Social entrepreneurs set out to develop and fund solutions that directly address social issues with impact on communities, societies, and the world at large while trying to generate revenue by operating within the confines of the market economy.

For many young inventors and innovators, social entrepreneurship offers a chance to align their work with the desire to create positive change in their communities and the world at large. By addressing issues affecting people and places often overlooked by business and government due to misaligned incentives or priorities, social entrepreneurship holds immense potential to generate above-average social returns through the promotion of innovation in the areas that need it most.

Traditional innovation models and ecosystem studies have thus far turned a blind eye to these forms of socially motivated, community-based, and localized innovation models.<sup>2</sup> As a result, innovation policy has not been optimally designed to support social entrepreneurship.

To address these issues, this 2024 edition of the *Global Innovation Index* (GII), with in-depth case studies and contributions by experts ([available online](#)), puts the spotlight on social entrepreneurship, addressing three critical questions for unleashing the potential of this promising new phenomenon:

- What is the state of social entrepreneurship globally?
- How do social enterprises create positive impact, and what role does innovation play?
- How can policy help to unlock the promise of social entrepreneurship?

## The state of social entrepreneurship

Today, social entrepreneurship is a major economic and social force on the global stage, as entrepreneurs develop innovative business models to address some of the world's most pressing economic, social and environmental problems. Current estimates suggest there are 10-11 million social enterprises and up to 30 million social entrepreneurs around the world, contributing roughly \$2 trillion to global GDP (Schwab Foundation for Social Entrepreneurship and World Economic Forum, 2024; British Council and Social Enterprise UK, 2022).

These organizations tackle poverty, helping millions of people globally build sustainable livelihoods through education, training, and employment; they address environmental devastation, developing renewable sources of energy and working with companies to reduce emissions; and they combat racial and social injustice, working to shift cultural norms and organizational practices to ensure previously marginalized groups have full access to economic and social opportunities, among many other issues.

1 This report draws in part on Hanna Hottenrott's Background study for the GII 2024 Special theme, "An economic perspective on social entrepreneurship: Insights and policy implications," Technical University of Munich (TUM) and Leibniz Centre for European Economic Research (ZEW), June 2024, as well as 14 cases studies of social entrepreneurs by Cynthia Rayner and the WIPO and Skoll Centre Workshop: A Conversation on the State of Social Entrepreneurship, held on April 12, 2024, as part of the 2024 Skoll World Forum. Jeroo Billimoria, Soumitra Dutta, Johanna Mair, Alex Nicholls and Cynthia Rayner provided useful comments on earlier drafts. We thank Menna Clark and Jessica Jacobson from the Skoll Centre team for design and administrative support.

2 For earlier work on innovation in the informal economy, see Kraemer-Mbula and Wunsch-Vincent (2016).

## Defining social entrepreneurship

Definitions of social entrepreneurship vary widely around the world, reflecting the diversity of legal systems, regional histories, and financing and policy environments in which social entrepreneurs operate (GII 2024 Expert contribution from Kraemer-Mbula).<sup>3</sup> In this report, we define social entrepreneurship as the process of developing and implementing innovative organizational models to address social and/or environmental challenges, without profit as the primary purpose (see GII 2024 Expert contribution from Dey and Gupta on the nuance between social enterprise and social business).

Because they pursue social and/or environmental purposes through organizational models that often involve commercial activity, social enterprises are hybrids that blur traditional boundaries between the social sector and the market (Dees, 1998; Martin and Osberg, 2003; Smith *et al.*, 2013). As a result, they frequently face competing demands between social impact versus financial success, beneficiaries versus investors, and long-term systemic change versus short-term organizational survival. If not managed effectively, these competing demands can create internal tensions and lead to performance decline (Battilana and Dorado, 2010).

At the same time, competing demands are also the source of social entrepreneurship's innovation potential: that is to say, novel creative solutions emerge when aspects of different institutional worlds – in this case the social sector and the market – are brought together (Smith and Besharov, 2019).

To harness this innovation potential, social enterprises develop governance models, organizational structures, leadership practices, human resources policies and stakeholder relationships that focus attention on the social mission without sacrificing financial viability (Pache, Battilana and Spencer 2024; Smith and Besharov, 2019 ; Mitzinneck and Besharov, 2019; Battilana *et al.*, 2015; Battilana and Dorado, 2010). And they deploy this innovation potential to address a wide range of global challenges, of which economic opportunity is the most common, followed by issues of environment, health, education and inequality (Table 10).

3 See also Bacq and Janssen, 2011; Choi and Majumdar, 2014; Mair and Noboa, 2006; Ran and Weller, 2021; Weerawardena and Mort, 2006.

**Table 10 Top 5 issues addressed by social entrepreneurship globally**

<b>Issue</b>	<b>Example</b>
<b>Economic opportunity</b>	<p><b>Bandhu</b></p> <p>Bandhu is an India-based for-profit social enterprise delivering an AI-enhanced mobile technology platform that aggregates supply and demand for low-income migrant housing. They also train and contract with on-the-ground women community “champions” in order to increase the housing supply for interstate migrant workers.</p> <p>Bandhu’s field and technology teams communicate in a constant feedback loop, with insights from community champions and migrant workers used to improve platform features. Bandhu also works in close partnership with engineering teams from other firms in open-source development partnerships to better understand how to provide for an underserved and understudied population.</p> <p>So far, 160,000 people have accessed the Bandhu platform in order to browse housing opportunities, and 60,000 workers have secured housing.</p>
<b>Environment</b>	<p><b>Green Bio Energy (GBE)</b></p> <p>GBE is a Uganda-based producer of eco-friendly, carbonized briquettes made from recycled materials. In addition to producing and distributing eco-friendly fuel and appliances, GBE provides consulting services to micro-entrepreneurs seeking to build a market for eco-friendly energy alternatives.</p> <p>As part of its model, GBE mobilizes community members to join the supply chain, particularly in waste collection and manufacturing efforts that support briquette production. GBE also invests in customer education explaining the health, economic, and environmental benefits of using their briquettes over charcoal.</p> <p>GBE currently serves 1,000 customers, with annual sales of 600 tons of briquettes, offsetting over 8,760 tons of CO2 emissions.</p>
<b>Health</b>	<p><b>Peek Vision</b></p> <p>Peek Vision partners with governments, non-governmental organizations (NGOs) and large eye health providers across Africa and Asia to provide mobile eye-health screening and referrals that can be delivered in low-resource settings by non-specialists. It also offers a comprehensive data intelligence platform that helps service providers optimize eye health coverage across hard-to-reach populations.</p> <p>Peek’s innovative mobile eye screening and referral technology has been specifically designed to be accessible to non-specialist community workers, bringing services to populations in remote areas at lower costs. Using Peek reduces costs per patient by up to six times compared to a standard eye health program.</p> <p>Programmes using Peek have screened over 8 million people, identifying nearly 1.6 million with eye health needs and connecting more than 840,000 people with care. Peek now screens 100,000+ people every week.</p>
<b>Education</b>	<p><b>Thaki</b></p> <p>Thaki is a social enterprise operating primarily in Lebanon and Jordan. The organization receives and refurbishes second-hand devices – mainly laptops – and loads them with offline learning content for distribution to NGO partners and schools in refugee and vulnerable host communities. Thaki also develops digital literacy training for teachers and has co-developed a digital social-emotional learning program for young children.</p> <p>Recognizing the unique needs of refugee schools, Thaki ensures that educational content can be delivered regardless of circumstances. Internet service is not required in order to access content on Thaki devices; and they have partnered with solar power providers to deploy off-grid electricity solutions for schools.</p> <p>To-date, Thaki has distributed over 5,800 devices to 157 education partners, serving more than 33,000 students.</p>
<b>Inequality</b>	<p><b>Community Design Agency (CDA)</b></p> <p>CDA is an India-based design and architecture social enterprise that meaningfully involves low-income communities in the process of transforming existing public housing and designing new housing communities and workplaces. Their approach preserves the social fabric and empowers marginalized, low-income residents by creating quality and climate resilient neighborhoods.</p> <p>Through innovative participatory processes with local citizens, CDA co-designs spaces tailored to the unique needs of often-neglected communities. CDA also collaborates with local and international partners to explore the viability of new blended financing models for local housing and neighborhood improvement initiatives.</p> <p>CDA has thus far worked across four cities and leveraged nearly USD 1 million in public subsidies through its initiatives in slum redevelopment and neighborhood regeneration, directly and indirectly impacting over 25,000 lives.</p>

Source: Authors' own representation based on data from EUCLID Network, 2022, British Council and Social Enterprise UK, 2022; Catalyst 2030 Annual Membership Survey 2023 data provided to the Authors; Social Enterprise UK, 2023.

Reflecting the diversity of issues addressed, social entrepreneurship is thriving across sectors, including agriculture, education, financial services and energy (see GII 2024 Background study from Hottenrott). Recently, social entrepreneurship has gained increased attention in the health care sector, particularly as COVID-19 highlighted serious inequities and gaps in the services provided by the market and public sectors (see GII 2024 Expert contribution from Kraemer-Mbula). As the global economy increasingly embraces high technology, including artificial intelligence (AI), data analytics, fintech and more, social entrepreneurship is venturing into these areas as well (see GII 2024 Expert contribution from Kraemer-Mbula; GII 2024 Case study contribution from Rayner on Bandhu, Fairtrasa, iKure, Peek Vision, and WeRobotics).

## The origins of social entrepreneurship

Perhaps it is unsurprising that there is not yet a uniform definition of social entrepreneurship, the term itself being relatively new. It first emerged in the late 20<sup>th</sup> century to describe the innovative work being done by a new wave of leaders who sought to address complex social and environmental challenges by combining aspects of business and non-profit organizations (Nicholls 2008; Bornstein and Davis, 2010; Zahra and Wright, 2016; Stephan, Uhlaner and Stride, 2015). This “hybrid” approach to addressing social issues started to spread in the early 2000s, with steadily increasing media mentions and a growing number of social enterprises over the subsequent two decades (Litrico and Besharov, 2019).

While social entrepreneurs themselves played a significant role in this growth, they were not alone; the development of the field was the product of active work undertaken by a diverse set of actors promoting innovation and entrepreneurship as a means of addressing complex social problems (Nicholls, 2010).

*Alliances and networks* formed in the early days of social entrepreneurship to share visions and business models and advocate for legal, policy and financial change in support of these new kinds of ventures. Ashoka, founded in 1980, is widely recognized as one of the first networks established to support social entrepreneurs globally. It created a community where knowledge and experience were freely shared, and collective advocacy was harnessed in order to incubate new social entrepreneurs and scale existing work.

Another early pioneer, the Bangladesh Rural Advancement Committee (BRAC), a development organization formed in 1972, has operated, resourced and advocated for social enterprises in Asia for decades.

More recently, Catalyst 2030 was launched at the World Economic Forum in 2020 to catalyze collaboration in the fragmented community of social enterprises, governments, corporations and universities globally, and leverage their collective power so as to accelerate progress toward achieving the United Nations Sustainable Development Goals (SDGs) (see GII 2024 Expert contribution from Billimoria on the critical role of alliances and networks; Catalyst 2030, 2022).

*Philanthropic foundations* interested in sustainable and scalable social interventions and services were also pivotal to the rise of social entrepreneurship. Starting in the late 1980s and continuing through to the present day, organizations such as Echoing Green (1987), the Schwab Foundation for Social Entrepreneurship (1998) and the Skoll Foundation (1999) have operated award or fellowship programmes designed to recognize and promote individual social entrepreneurs. Through events such as the Skoll World Forum, which brings social entrepreneurs together alongside philanthropic leaders, government leaders, academics, and other partners, these funders have proved influential in establishing a global ecosystem of social entrepreneurs.

*Government supporters* also played a role, tapping into the innovative solutions presented by social enterprises aimed at addressing persistent social and environmental problems. The United Kingdom (UK) was one of the earliest adopters of a policy strategy on social entrepreneurship, establishing a dedicated Social Enterprise Unit in 2001 tasked with the goal of building a network of stakeholders and identifying barriers facing the community (Stumbitz *et al.*, 2019, chapter 1). In 2007, the Republic of Korea passed one of the most comprehensive pieces of legislation in Asia, the Social Enterprise Promotion Act, which established the Korea Social Enterprise Promotion Agency (KoSEA) to support social enterprise commercialization

and networks.<sup>4</sup> More recently, international bodies like ASEAN, the Organisation for Economic Co-operation and Development (OECD), the African Union and the European Union (EU) have all promoted social entrepreneurship (see GII 2024 Expert contribution from Klijn and Bonnici).

*Universities and professional associations* have launched academic centers, dedicated journals and conferences on which to build a research base on social entrepreneurship and disseminate insights regarding the impact of social entrepreneurship on communities, environments and economies. Academic centers dedicated to social entrepreneurship, innovation and impact were formed, starting in the early 2000s, often at business schools.<sup>5</sup> Some of these academic centers were established with the support of philanthropic foundations.<sup>6</sup>

## Why is social entrepreneurship important now?

Today, social entrepreneurship is recognized for its ability to address mounting global social and environmental challenges threatening lives and livelihoods, especially those of the most marginalized. Two decades of research has demonstrated the effectiveness of social entrepreneurship in alleviating poverty and other complex challenges.<sup>7</sup> Additionally, in an era of globally high youth unemployment and dissatisfaction with work, social entrepreneurship offers a unique opportunity to educate and engage young people in addressing the societal issues they care about, while at the same time developing local and regional economies (see GII 2024 Expert contribution from Çiftçi).

These positive impacts have garnered the world's attention. International agencies, including the United Nations, the OECD, the International Labour Organization (ILO), the World Intellectual Property Organization (WIPO), as well as local and national governments and academic institutions, have recognized the potential of and calling for greater support for social entrepreneurship. In 2023, for example, the United Nations General Assembly passed a pivotal resolution (United Nations General Assembly, 2023, Res. 77/281) acknowledging the importance of social entrepreneurship and urging member states and financial institutions to bolster their support, stating: "Social entrepreneurship, including cooperatives and social enterprises, can help to alleviate poverty and catalyse social transformation by strengthening the productive capacities of those in vulnerable situations and producing goods and services accessible to them."

Critics have, however, argued that social entrepreneurship could crowd out government activity, emboldening governments to reduce the provision of critical services and rely instead on a patchwork of social enterprises to fill any gaps (Ganz, Kay and Spicer, 2018; Giridharadas, 2018). Indeed, there is evidence to suggest that, as some governments scaled back welfare programmes in the late 20<sup>th</sup> and early 21<sup>st</sup> centuries, social enterprises, along with associations, non-profit organizations and cooperatives, stepped in to fill these voids (see GII 2024 Expert contribution from Dey and Gupta).<sup>8</sup>

But recent research has also shown that social enterprises can be effective in highlighting deficiencies in existing public and market solutions and in catalyzing innovative public and private activity to address long-term, systemic challenges.<sup>9</sup> Social entrepreneurs often collaborate with governments and private enterprises to build lasting solutions to pressing challenges. Tebita Ambulance, for example, an Ethiopia-based social enterprise, has collaborated with policymakers to establish and advance emergency medical service standards in Addis Ababa. Kibret Adebbe, a social entrepreneur with years of medical expertise and founder

4 See Korea Social Enterprise Promotion Agency. Available at: [https://www.socialenterprise.or.kr/\\_engsocial/?m\\_cd=0101](https://www.socialenterprise.or.kr/_engsocial/?m_cd=0101)

5 Examples include the Social Enterprise Initiative at Harvard Business School in 1993, Center for the Advancement of Social Entrepreneurship (CASE) at Duke University in 2002, and the Skoll Centre for Social Entrepreneurship at Saïd Business School, University of Oxford in 2003. For instance, the Skoll Foundation supported the founding of the Skoll Centre for Social Entrepreneurship at Saïd Business School, University of Oxford, to help further grow the field through education and research.

6 For instance, the Skoll Foundation supported the founding of the Skoll Centre for Social Entrepreneurship at Saïd Business School, University of Oxford, to help further grow the field through education and research.

7 For example, on poverty alleviation, Tobias *et al.*, 2013; Sutter *et al.*, 2019; Ghauri *et al.*, 2014; on promoting gender equity, Datta and Gailey, 2012; Haugh and Talwar, 2016; on combatting climate change, Calic and Mosakowski, 2016.

8 See also OECD, 2003; Defourny and Nyssens, 2010.

9 For examples, see Lechterman and Mair, 2024; Mair and Rathert, 2024; Savaget *et al.*, 2024.

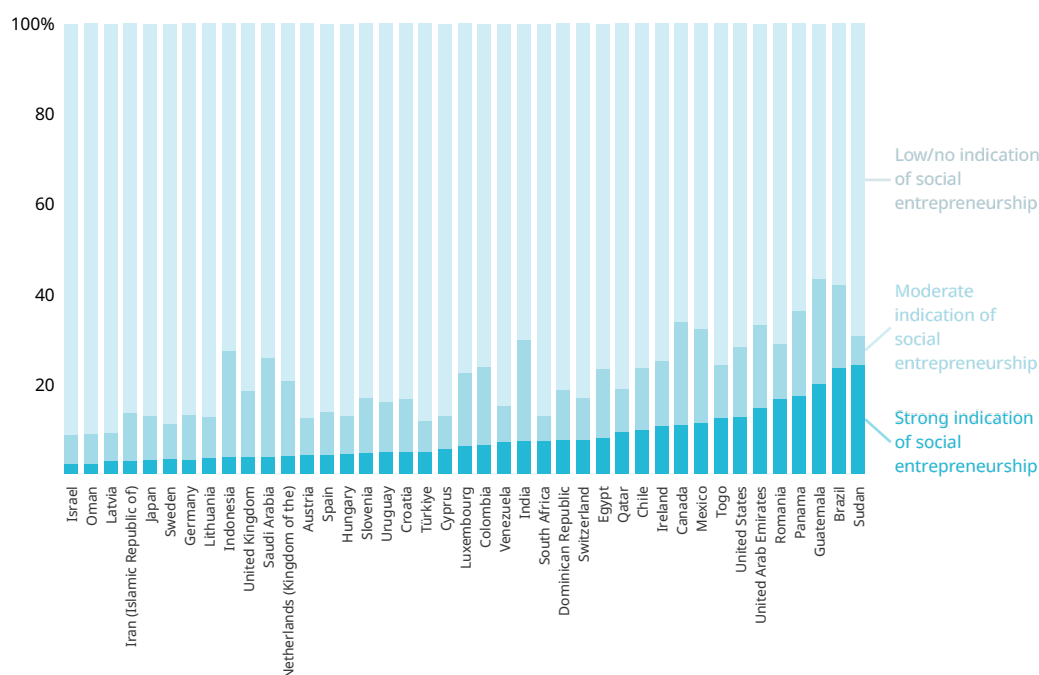
of Tebita Ambulance, worked closely with the Addis Ababa Health Bureau to build the country's first emergency medical service standards and licensing system in 2007. This groundbreaking work allowed Tebita Ambulance to become the country's first private emergency medical services company and set a precedent for other emergency medical service organizations to follow. Today, Tebita Ambulance continues to work with policymakers to update and enhance emergency medical standards in Ethiopia (see GII 2024 Case study contribution from Rayner).

## Regional variation

Social entrepreneurship is a global phenomenon. But there are significant regional differences regarding its prevalence, the issues addressed by social entrepreneurs and their organizational models (Mair, 2020). However, the absence of globally recognized definitions and comparable, high-quality data has left much of this variation unexplored. This lack of clarity has also hindered financial investment and the development of supportive policies at local, national and international levels (see GII 2024 Expert contribution from Bosma).

Evidence from the Global Entrepreneurship Monitor survey – one of the few global datasets asking questions about social entrepreneurship motivation and action, and a close data collaborator for the GII – finds substantial variation in prevalence by country (see GII 2024 Expert contribution from Bosma). The data indicate a strong presence of early-stage social entrepreneurs in Northern and Southern America, with Brazil and Guatemala showing some of the highest relative rates of social entrepreneurship among the countries surveyed (Figure 20).

**Figure 20 Prevalence of social entrepreneurship among early-stage entrepreneurs, 2021–2022**



Source: GII 2024 Expert contribution from Bosma based on data from the Global Entrepreneurship Monitor, 2021–2022.

One of the few attempts to compare the number of social enterprises across countries suggests that China has the highest absolute number, with 2,000,000 social enterprises, whereas the United States has the highest rate of social entrepreneurship, with approximately 38 social enterprises per 10,000 people (Schwab Foundation for Social Entrepreneurship and WEF, 2024). The United States has a healthy ecosystem for entrepreneurial activity in general (ranking among the top 3 most innovative nations in this year's and previous GII editions) and its relatively high percentage of socially-minded entrepreneurs contributes to this robust prevalence (see GII 2024 Expert contribution from Bosma).

However, data on social entrepreneurship are often biased toward a handful of countries, making balanced international comparisons impossible. For instance, less than half of all countries have any publicly available data on social entrepreneurship prevalence; and of those that do, most are either European, South and East Asian or Northern American countries (Schwab Foundation for Social Entrepreneurship and WEF, 2024; British Council and Social Enterprise UK, 2022).

Global comparisons of social entrepreneurship are further complicated by differing definitions. For instance, the UK Department for Digital, Culture, Media and Sport (DCMS) defines social enterprises as those organizations with an explicit social mission, with at least 50 percent of their income from trading activities, and which reinvest at least 50 percent of surplus/profit into their social mission (UK DCMS and BEIS, 2019). In contrast, the Republic of Korea's 2007 Social Enterprise Promotion Act defines social enterprises as having specific legal forms, paid employees, a primary focus on social objectives, a participative decision-making structure, and which direct two-thirds of profits toward social goals (OECD, 2022).

These small differences in definitions can lead to substantial variation in estimates of the number of social enterprises. In the United Kingdom, for example, there are an estimated 113,000 social enterprises as defined by the DCMS; but if the definition is narrowed to enterprises using a specific legal form, the number drops to 35,000; and if it is broadened to include all revenue-generating activities for social purposes, the number exceeds 380,000 (UK DCMS and BEIS, 2019).

Complicating the definition is the variety of legal forms that social enterprises can take, including for-profit, non-profit, as well as various hybrid forms that combine aspects of business and charity (Mair, 2020). Examples of such hybrid forms include the Benefit Corporation in the United States and the Community Interest Corporation (CIC) in the United Kingdom. But even in countries that have such hybrid forms, not all social enterprises use them. In the United Kingdom, for example, while some social enterprises are registered as CICs, many others are charities, sole proprietorships or limited liability companies (Social Enterprise UK, 2023). In Italy, the spectrum of legal forms is so broad that social enterprises are to be found across 15 different legal forms (Euclid Network, 2022). To complicate matters further, some social enterprises register multiple separate entities in order to manage the trade-offs between different legal forms.

Recently, there has been a push for jurisdictions to adopt dedicated legal forms for social enterprises, with the hope of increasing awareness, financial support and opportunities to participate in social procurement (see GII 2024 Expert contribution from Klijn and Bonnici).<sup>10</sup> However, despite this effort, dedicated legal forms remain rare. In a survey of over 80 jurisdictions, only about 20 percent had dedicated legal forms for social enterprises, of which EU countries comprising a large proportion (Morrison & Foerster, LexMundi Pro Bono Foundation and Catalyst 2030, 2022). In most countries, social enterprises choose from among non-profit, for-profit, and co-operative forms.

Overall, the variation in definitions and legal forms has likely had a mixed effect. On the downside, it may have inhibited the growth of social entrepreneurship, as it is challenging for investors and policymakers to identify and support social ventures, thus limiting their potential to scale. On the upside, this same variation offers social entrepreneurs significant flexibility, enabling them to choose a legal form and organizational model that best supports their venture's mission. Therefore, while there is value in establishing uniform definitions and dedicated legal forms, such efforts should be undertaken carefully in order to avoid unduly constraining choice and flexibility for social entrepreneurs.

## Financing

Financing is regularly cited as the most common issue faced by social entrepreneurs globally (Euclid Network, 2022; Social Enterprise UK, 2023). Among European social enterprises, for example, approximately 40 percent reported unmet financial needs (Euclid Network, 2022).

<sup>10</sup> See also OECD, 2022.



While public financing is one of the most important sources of funds for social enterprises, it is unevenly distributed across regions. Moreover, impact investing – widely thought to be a promising and significant source of funding – makes up only a small proportion of the financing received by social enterprises.

Addressing such funding challenges will require a coordinated effort to expand public financing, with funds serving to de-risk early-stage ventures, thereby facilitating the expansion of impact investing and other sources of capital.

The most prevalent and sought after forms of financing globally are grants from philanthropic foundations and government agencies, as well as individual donors (Catalyst 2030 Annual Membership Survey 2023 data provided to the Authors; Centre for Asian Philanthropy and Society, 2019; Euclid Network, 2022). Such funds provide essential support for social enterprises, particularly in the early stages, allowing them to cover operational costs, develop innovative solutions and scale impact without having to worry about interest payments, principal repayment or equity dilution. Other sources include self-financing, private donations, bank loans and, to a lesser degree, impact investing (Table 11).

**Table 11 Top 5 financing sources for social entrepreneurship**

Source	Examples
<b>Public financing</b>	<ul style="list-style-type: none"> <li>·Public grants</li> <li>·Public low-rate loans</li> </ul>
<b>Self-financing</b>	<ul style="list-style-type: none"> <li>·Personal savings</li> <li>·Funding from friends and family</li> </ul>
<b>Private philanthropy</b>	<ul style="list-style-type: none"> <li>·Grants from award and fellowship organizations</li> <li>·Concessionary/catalytic capital</li> <li>·Accelerators/prize funding</li> <li>·Donations and investments from high-net-worth individuals and families</li> </ul>
<b>Debt/loans (including microfinance)</b>	<ul style="list-style-type: none"> <li>·Traditional bank loans</li> <li>·Credit cards</li> <li>·Microfinance</li> </ul>
<b>Impact investing</b>	<ul style="list-style-type: none"> <li>·Socially responsible investing</li> <li>·Green bonds</li> <li>·Social bank loans</li> <li>·Impact venture capital</li> </ul>

Source: Authors' own representation based on data from European Social Entrepreneurship Monitor 2021–2022 (2022), drawing on Mair (2020); Centre for Asian Philanthropy and Society (2019); Siemens Stiftung (2020); British Council and Social Enterprise UK (2022).

*Public financing* in the form of government grants and low-interest loans are among the most prevalent forms of financing for social entrepreneurship. The availability of public financing for social entrepreneurship varies by region, typically correlating with the level of national wealth.

In the EU, approximately 40 percent of social enterprises receive public sector funding. This support is bolstered by various EU-wide social and environmental funds, such as the European Social Fund Plus (ESF+), Erasmus+, and Horizon Europe (Euclid Network, 2022).

In Asia, the public financing landscape is more diverse. In the Republic of Korea, for instance, public financing plays a crucial role, with around 60 percent of social enterprises benefiting from government grants annually, whereas in countries such as Indonesia, Thailand and Pakistan, social enterprises report public financing levels of 20 percent, 10 percent, and less than 10 percent, respectively (Centre for Asian Philanthropy and Society, 2019).

In the absence of formal financial services provided by either government, philanthropy or impact investment, social entrepreneurs turn to *self-financing*. Particularly in developing

countries, self-financing, often coupled with bootstrapping – the practice of getting by with minimum external investment – has become a go-to strategy (see GII 2024 Expert contribution from Afolabi on how social entrepreneurs in Nigeria resort to bootstrapping to navigate the funding landscape, because of there being few viable external financing opportunities).

In Algeria, Indonesia and Türkiye, for instance, more than 66 percent of social enterprises reported resorting to self-financing through family, friends and personal savings as a source of funding (British Council and Social Enterprise UK, 2022).

In the EU, self-financing is less common, with 40 percent of social enterprises reporting using savings and only 16 percent reporting having requested funding from family and friends (Euclid Network, 2022). The UK has one of the lowest rates of self-financing, with less than 10 percent requesting finance from family and friends, likely owing to the presence of a relatively robust governmental, philanthropic and impact investing ecosystem (Social Enterprise UK, 2023).

*Private philanthropy* was key to the emergence of social entrepreneurship in the early 2000s and continues to be a key source of capital with few conditions attached. Today, international philanthropic organizations and high-net-worth individuals and families give millions of dollars globally to social enterprises at all scales, often in the form of grants, but also through equity investment, loans and other financing tools.

Among European social enterprises, roughly 20 percent received funding from foundations between 2021 and 2022 (Euclid Network, 2022). While international philanthropic organizations have received much attention, domestic philanthropies are also a key source of financing, often in the form of grants. In Japan, more than half of all funding for social enterprises came from domestic foundation grants between 2018 and 2019 (Centre for Asian Philanthropy and Society, 2019).

Debt financing through *loans* is a less common form of financing for social enterprises, with the highest concentration in regions where public and philanthropic grants are less available. India and Sri Lanka have reported some of the highest rates of social enterprise debt financing at roughly 40 percent (British Council and Social Enterprise UK, 2022). In many parts of Africa, including Côte d'Ivoire, Egypt, Ethiopia and Rwanda, loans from commercial banks and microfinance organizations are a dominant financing source (Siemens Stiftung, 2020). However, loans in these countries often come with high and occasionally predatory interest rates, as well as significant collateral requirements (Siemens Stiftung, 2020). In response, new approaches to debt financing that offer concessionary interest rates have started to emerge, but these are not yet widespread (see, e.g., GII 2024 Case study contribution from Rayner on Grupo Mamut).

The *impact investing* market has grown substantially over recent years. Several estimates put the size of the global impact investing market in the low trillions of dollars (Hand, Ringel and Daniel, 2022; Volk, 2021). Yet impact investing still represents only a tiny fraction of the global pool of investable capital; and it is not a significant source of funding for most social enterprises. Notably, financing through impact investing is rare, even when access to advanced financial markets is available. Under 10 percent of social enterprises in regions with advanced capital markets request funding from incubators, business angels, impact investment, venture capital or venture debt (Social Enterprise UK, 2023; Euclid Network, 2022). One reason for such low rates of impact investing is that many social enterprises are too small to attract interest from investors – small ticket sizes create prohibitively high search and transaction costs for direct investment (Nicholls, 2021c).

Impact investing capital is also unevenly distributed globally, with funds concentrated in Europe and Northern America (Hand, Ringel and Daniel, 2022). Although current impact investors plan to step-up funding to social enterprises in developing economies, they are often not well connected to the ventures that are most in need of funding, creating a matching problem. Additionally, regional disparities in capital can inadvertently elevate certain issues over others. For example, the Global Impact Investing Network (GIIN) data suggest that today's impact investors tend to prioritize climate change mitigation and adaptation, while other issues like education and housing receive less attention in comparison (Hand, Ringel and Daniel, 2022).

## Innovation and impact in social entrepreneurship

The global impact of social entrepreneurship is vast and varied, spanning issues such as access to education, sustainable clothing, peace promotion in conflict zones and the preservation of indigenous cultures. Across this wide range of issues, social enterprises share a common trait: they use innovation to create and scale impact, not just to drive financial performance (Seelos and Mair, 2017).

Innovation occurs first and foremost in the organizational models social enterprises adopt. And it is also evident in how they develop product and process improvements and use intellectual property (IP). Innovation in social entrepreneurship is often decentralized and deeply embedded within local contexts, with active participation from community members. Additionally, because many social enterprises operate in areas with limited public infrastructure and investment, they often assume roles that commercial innovators typically avoid, involving shifting the political, economic, social and cultural systems that perpetuate social and environmental problems.

### Organizational model innovation

Social enterprises innovate within organizational models by embedding their social or environmental mission into one or more aspects of the business – namely, the customers they serve, the people they employ, the products or services they produce, or the broader ecosystems in which they operate (Table 12). Each of these approaches offers a distinct pathway to impact and is associated with distinct types of innovation activity.<sup>11</sup> While some social enterprises focus on a single pathway, many adopt multiple pathways, innovating across multiple dimensions of their organizational models.

11 Delivering impact from innovation activities requires that social enterprises translate these activities into outputs, outcomes and, ultimately, impact. See Nicholls, 2021a.

**Table 12 Organizational pathways to impact in social entrepreneurship**

Pathway	Source of impact	Core innovation activity	Examples
<b>Customer</b>	Customer or market segment served	<ul style="list-style-type: none"> <li>• Process innovation</li> <li>• Consumer education</li> <li>• Marketing and branding</li> </ul>	<ul style="list-style-type: none"> <li>• Target customers who lack access to essential products or services</li> <li>• Provide affordable solutions to underserved communities in low-resource contexts</li> <li>• Engage underserved communities in product and service development</li> </ul>
<b>Employee</b>	Population employed	<ul style="list-style-type: none"> <li>• Process innovation</li> <li>• Employee education and training</li> </ul>	<ul style="list-style-type: none"> <li>• Hire from under-employed and marginalized populations</li> <li>• Provide skills development opportunities otherwise unavailable to employees</li> <li>• Provide flexibility and other benefits that suit under-employed populations</li> <li>• Prepare employees for sustainable, long-term employment opportunities</li> </ul>
<b>Product/service</b>	Products or services sold	<ul style="list-style-type: none"> <li>• Product/service innovation</li> <li>• IP</li> <li>• Open sourcing</li> </ul>	<ul style="list-style-type: none"> <li>• Create products or services that surpass existing solutions in terms of social or environmental benefits</li> <li>• Design products or services that empower customers to have positive social or environmental impact</li> <li>• Develop socially or environmentally sustainable production processes</li> </ul>
<b>Ecosystem</b>	Ecosystem surrounding the issue or problem area	<ul style="list-style-type: none"> <li>• Systems innovation</li> </ul>	<ul style="list-style-type: none"> <li>• Advocate for policy reforms</li> <li>• Support research</li> <li>• Build networks</li> <li>• Invest in awareness and education</li> </ul>

Source: Authors' own representation, adapted from Besharov et al., 2019.

Social enterprises adopting the *customer pathway* achieve impact by providing essential products or services to specific populations or market segments that would otherwise have no or limited access (Box 4). The focus is often on reaching those populations that have been marginalized or stigmatized on the basis of income, race, gender or other characteristics, or have simply gone unnoticed by business and government. For example, microfinance organizations offer small loans and other financial products to the ultra-poor, often women, who could not otherwise access capital for starting a business.

The most important innovation activities associated with the customer pathway tend to involve process innovation, particularly to develop delivery systems to reach the target market, although there may also be innovation activities tailoring existing products or services so that they align with the particular needs of the target customer segment. Process innovation often involves education of consumers leading to an awareness of benefits that may, in turn, lead to changes in household or individual behavior. A core innovation within microfinance

organizations, for example, is to develop processes for reaching the ultra-poor, while a secondary innovation involves adapting loan products and other financial services to meet the needs of this same demographic (for example, through group lending).

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#### Box 4 The customer pathway in action

**Organization:** Sustainable Organic Integrated Livelihoods (SOIL)

**Geography:** Haiti

**Year founded:** 2006

**Revenues:** Approximately EUR 2–3 million

**Financing:** Government and multilateral agencies (71 percent); donations (25 percent); earned income (4 percent)

**Legal structure:** Non-profit organization

**Background:** In Haiti, only 17 percent of the population has access to improved sanitation facilities – the lowest level in the Americas. To address this critical issue, SOIL was co-founded by Dr. Sasha Kramer and Sarah Brownell to provide a full-cycle sanitation service that treats human waste in order to limit the spread of disease.

**Business model:** SOIL targets Haitian households without access to centralized sanitation systems, offering low-cost container-based toilets and collection services. The collected waste is processed into organic compost and marketed under the *Konpòs Lakay* brand for agricultural use in farming and reforestation efforts.

#### Innovation activities:

*Process research:* SOIL has a dedicated research team focused on understanding sanitation issues in Haiti and improving services to meet customer needs.

*Product/service adaptations:* To better reach key populations, SOIL has developed portable household toilet models which do not require built infrastructure.

#### Innovation linkages:

*Innovative financing tools:* SOIL collaborates with the Haitian government, international development banks, and private funders to explore how blended finance can ensure the sustainability of public service provision through a combination of public and private financing.

**Impact:** SOIL's impact is evident in the more than 3,200 households and 19,000 individuals for whom they have provided toilets, collection services, and composting waste treatment which has helped limit disease, improve living standards and personal dignity, and expand healthy forests.

Source: Authors' own representation based on the GII 2024 Case study contribution from Rayner.

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Social enterprises adopting the *employee pathway* (also known as work integration social enterprises) (Box 5) generate impact by hiring under-employed or marginalized populations to work in the organization and supporting them with the training and skills development that will enable them to remain within employment (Joyce *et al.*, 2022). Often, such individuals face challenges in finding jobs due to societal biases and stigma, limited skills and education, or disabilities. In addition to providing a direct source of income and offering meaningful work to individuals from these populations, social enterprises engaging the employee model often invest significantly in enhancing their employees' skills and supporting them in securing new job

opportunities that offer higher wages, thereby helping to break the cycles of poverty and bias (see, e.g., Smith and Besharov, 2019).

The most important innovation activities within the employee pathway often involve process innovations. Examples are redesigning hiring processes so as to identify candidates with potential for upskilling and restructuring workflows so that they align with the abilities rather than the limitations of the target employee population. Employee education and training are also crucial innovation activities. Social enterprises adopting the employee pathway frequently invest heavily in their human capital so as to overcome challenges related to poverty, stigma or disability, thereby fostering future innovation potential.

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### Box 5 The employee pathway in action

**Organization:** iKure

**Geography:** India

**Year founded:** 2010

**Revenues:** Approximately EUR 2 million

**Financing:** Earned income (95 percent); grants and other sources (5 percent)

**Legal structure:** For-profit company

**Background:** Access to primary health care services in rural India often requires patients travel long distances at significant cost. Sujay Santra, an IBM and Oracle IT engineer from West Bengal, founded iKure to bring quality primary services to rural communities via a hub-and-spoke model after watching his father go through the challenges of rural health care.

**Business model:** The iKure model is based around 10 health care hubs and 160 peripheral clinics serving rural patients. Central to the model are the community health workers that iKure selects, contracts and trains from within the communities in which it works. These health workers visit homes, collect and capture diagnostic data, and return to peripheral clinics to access services for patients.

**Innovation activities:**

*Employee training:* iKure invests heavily in training its community health workers, who often have minimal prior expertise and may lack those basic skills, such as using a smart phone, that are often essential for securing employment.

*Process adaptations:* Given that many of iKure's community health care workers operate within rural settings where internet connectivity is either low or non-existent, iKure has invested in and developed a remote data collection system using point-of-care devices powered by GPS.

**Innovation linkages:**

*New technology training:* To efficiently and accurately capture health data, iKure trains their community health workers in using the latest available portable diagnostic tools.

**Impact:** iKure's impact can be seen in the more than 120 woman community members contracted to provide health services in "last-mile" communities. In addition, iKure operates 10 health care hubs and 160 peripheral clinics, providing treatment to more than 3 million individuals across over 6,400 villages.

Source: Authors' own representation based on the GII 2024 Case study contribution from Rayner.

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Social enterprises adopting the *product/service pathway* generate impact by developing and selling socially- and environmentally-friendly products or services (Box 6). In some cases, these offerings address significant social or environmental challenges directly, as is the case with social enterprises that provide critical health services such as primary eye care or diarrheal medication. In other cases, the product/service pathway entails offering more socially or environmentally sustainable versions of existing products or services that have negative externalities, as is the case with social enterprises that sell products made from recycled or renewable materials. And in some cases, the offering may be a mix of both, for example, illustrated by Eco Femme, an Indian producer of reusable, low-cost menstruation pads.

The most important innovation activities associated with the product/service pathway tend to involve product innovation, including research and development (R&D) and engineering innovations to design more sustainable or socially beneficial products or services. Product/service innovations often require significant “action research,” in which social entrepreneurs engage deeply with community members so as to understand their needs and desires. These organizations may also pursue IP to protect and legitimize their investments, although many social entrepreneurs find the patent process to be costly, time-intensive and, ultimately, difficult to enforce within the contexts in which they operate. Additionally, some social entrepreneurs use open-sourcing of their product/service innovations as a means of generating further impact, rather than focusing on IP protection in order to capture market share, as is common in much commercial innovation.

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### Box 6 The product/service pathway in action

**Organization:** Eco Femme

**Geography:** India, with international sales

**Year founded:** 2010

**Revenues:** Approximately EUR 250,000

**Financing:** Earned income (75 percent); grants (25 percent)

**Legal structure:** Unique legal entity that allows for commercial and non-commercial activities

**Background:** More than one-quarter of the world’s population is of reproductive age. Yet many do not have access to products or education on maintaining healthy, dignified menstruation. Such a circumstance is especially acute in areas where basic sanitation infrastructure is lacking, or menstruation is stigmatized. Further, traditional menstrual products are not sustainable, often using a substantial amount of nonrecyclable materials. To address these issues, Eco Femme was co-founded by Kathy Walkling, Jessamijn Miedema, Anita Budhreja and Anbu Sironmani.

**Business model:** Combining commercial and non-commercial operations, Eco Femme sells low-cost, reusable, and organic cloth menstrual pads both locally and internationally and uses the revenues to provide menstrual health education and free or subsidized cloth pad distribution. A sliding-scale pricing model is deployed to cater to different populations and ability to pay.

**Innovation activities:**

*Product design innovation:* Eco Femme continuously improves its product design to better meet customer needs and environmental goals. They switched to organic cotton, for example, after reaching a sales threshold that allowed them to source in bulk.

*Pricing innovation:* Recognizing differing income levels among customers, Eco Femme developed a sliding-scale pricing model where wealthier customers help subsidize pads for poorer women.

### Innovation linkages:

*External research consultants:* Eco Femme collaborated with a research consultant to develop a comprehensive monitoring and evaluation module for its menstrual health education.

*Training non-profits:* Eco Femme extends its impact and reach by training and working with a large network of approximately 60 NGOs and individuals in menstrual health education and distribution of its cloth pads throughout India.

**Impact:** Since 2010, Eco Femme has distributed nearly 1.4 million pads, impacting nearly 90,000 girls and preventing approximately 104 million disposable pads from reaching landfills.

Source: Authors' own representation based on the GII 2024 Case study contribution from Rayner.

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Social enterprises adopting the *ecosystem pathway* create impact by mobilizing diverse groups of social actors to effect transformation within local, regional or even global ecosystems (Box 7). Outside actors engaged within these models encompass a wide range of stakeholders, including fellow social entrepreneurs seeking collaboration on products and services, underserved populations, policymakers, academics, journalists and others. By advocating for policy changes, engaging communities, supporting research, fostering networks and investing in awareness and education, the ecosystem pathway can generate varied and lasting impacts at a significant geographical scale.

In the ecosystem pathway, engaging in systems innovation is the core activity. This can take several different forms, including shifting policy, engaging communities, supporting research, building networks, and undertaking awareness and education initiatives to achieve social or environmental change. Across all these forms, systems innovation involves engaging with stakeholders in a collaborative rather than competitive manner. In markets where policies and standards are unreliable, public infrastructure limited and consumers unserved, the focus is on creating a viable sector with a healthy number of actors, rather than protecting market share.

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### Box 7 The ecosystem pathway in action

**Organization:** WeRobotics

**Geography:** Global

**Year founded:** 2015

**Revenues:** Approximately EUR 2-3 million

**Financing:** Donations (25-60 percent), earned income (10-40 percent), in-kind donations of technology and services (30-35 percent)

**Legal structure:** Non-profit organization

**Background:** Drones, when combined with data and AI technologies, can significantly enhance decision-making regarding a wide variety of issues, including climate action, disaster management and agriculture. Local experts are often best placed to deploy these technologies. Yet they are often disconnected from international partners and tech firms. WeRobotics began as a collaboration between Sonja Betschart and Adam Klaptocz of Drone Adventures and Patrick Meier and Andrew Schroeder of UAViator. The co-founders established a network of Flying Labs in over 40 countries so as to integrate local expertise with drone, data and AI technologies, and thereby enhance international development initiatives.

**Business model:** WeRobotics provides a platform for local drone, data and AI experts to connect with global and local organizations and industries, deploying and improving drone and associated technologies in this highly regulated and expertise-intensive sector. The WeRobotics



network connects local “Flying Labs” (independent organizations with technological expertise) in over 40 countries across Africa, Latin America, and the Asia Pacific regions.

#### **Innovation activities:**

*Network-building:* WeRobotics’ activities focus on validating local expertise and facilitating a network that is fully driven by local agency, accountability and self-sustainability, with sharing and collaboration as its core values. Additionally, the network provides opportunities for experts to expand their knowledge and connect with potential collaborators to develop new technologies.

*Awareness and education work:* Local technology experts in developing regions often struggle to gain legitimacy with large international technology firms and policymakers. WeRobotics works to shift such a mindset by demonstrating the value of incorporating local expertise.

*Process improvements:* WeRobotics developed an annual application process to license local experts to join the Flying Labs network, ensuring a network with high standards and reliability.

#### **Innovation linkages:**

*Open sourcing organizational structure:* WeRobotics spends significant time and energy documenting, improving and sharing its model and structure so that other organizations can copy their locally-led approach.

*Connecting to existing drone and AI innovators:* By providing pro bono drone and AI technology to local experts and companies, WeRobotics enables them to learn and deploy these technologies for local projects.

**Impact:** WeRobotics has developed 41 Flying Labs with 56 partners and 266 local and international supporters, and it has made 498 opportunities available through its network since 2019.

Source: Authors’ own representation based on the GII 2024 Case study contribution from Rayner.

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## **Product and process innovation**

Social enterprises are actively engaged in product and process innovation. A survey of European social enterprises, for instance, found that 60 percent planned to scale in the near future by introducing new products or services; 30 percent by implementing new processes; and 20 percent by investing in either new equipment, information technology (IT) or computer software (Euclid Network, 2022). Globally, similar trends can be observed. More than 50 percent of social enterprises in Morocco, Nigeria, the Philippines, Thailand and Viet Nam also plan to scale through the development of new products and services (see British Council, 2018a, 2018b, 2019, 2020, 2022; British Council and Social Enterprise UK, 2022).

We see a similar emphasis on product and process innovation among social enterprises reported in the GII 2024 Case study contribution from Rayner. Grupo Mamut, for example, a Bolivian manufacturer of rubber products recycled from tires, has recently reinvested roughly USD 500,000 into the creation of a sustainable materials laboratory to research and develop new products. In an example of process innovation, Community Design Agency in India has continuously refined its participatory design processes so they better meet the needs of low-income housing residents.

Beneath the surface, there are nuances in how social enterprises pursue innovations. In particular, social entrepreneurs often engage local communities in the innovation process, with R&D frequently involving those people most affected by the issues that social enterprises seek to address, rather than occurring in labs, innovation centers or meeting rooms far way (see GII 2024 Expert contributions from Montoya Castaño on Participatory Action Research

at Universidad Nacional de Colombia; Kraemer-Mbula on R&D practices among African social enterprises).

This proximity to the problem is what allows social enterprises to create innovative products and processes. An example is Fairtrasa International AG, a global social enterprise that distributes produce from organic smallholder farmer cooperatives in Latin America, Africa and Asia to retailers and wholesalers across Europe. After years of working with smallholder farmers, Fairtrasa realized that these farmers often lacked the resources or expertise to engage with the latest technology or local best practices for organic, regenerative farming. This led them to develop a three-tiered model to train and organize smallholder farmers globally (see GII 2024 Case study contribution from Rayner).

A second difference involves social enterprises' commitment to the use of innovation for positive social impact. This approach introduces added costs, complexities and ethical responsibilities to the innovation process. For instance, before launching Greenhope, an Indonesian producer of biodegradable resins, co-founder Sugianto Tandio spent 10 years developing and patenting a fully biodegradable resin made from cassava starch (see GII 2024 Case study contribution from Rayner). Despite having the option of stopping at a partial solution, Tandio persisted in creating a product that was 100 percent biodegradable, driven by a commitment to ensure that the product would do no harm.

Even seemingly simple innovation activities, like diffusing a technology from one place to another, can come at a significant cost, when social enterprises engage in meticulous cultural sensitivity research so as to ensure that products or processes they develop will have the desired positive social impact. For example, Smart Start, an early childhood development training and licensing service operating in South Africa, changed from a cost-effective playgroup model educating kids two days a week to a more frequent programme, after research revealed that many families lacked access to child care during off days (see GII 2024 Case study contribution from Rayner).

The work underlying this report also found some significant spillover effects of innovation in social enterprises. Specifically, the introduction of new products and practices in social enterprises has often been found to stimulate private sector innovation in more formal corporations or governmental institutions (see GII 2024 Background study from Hottenrott).

## Social entrepreneurship and intellectual property

The use of IP among social enterprises varies widely. Some organizations invest heavily in traditional IP to secure patents and trademarks, others adopt open-source or other non-restrictive models, and many fall somewhere in between (see GII 2024 Expert contribution from Kraemer-Mbula).

Traditional IP activity is often concentrated in social enterprises operating in sectors that require heavy investment in R&D, such as technology and medicine (see GII 2024 Expert contribution from Kraemer-Mbula). Patents and trademark rights not only enable social enterprises to develop long-term revenue from innovation investments, but also serve as powerful signals of legitimacy for organizational models that may be regularly contested by investors, suppliers and partners. For instance, Greenhope has invested significant resources in securing six patents across the United States, Singapore and Indonesia. However, patenting can be costly and may not be the most reliable vector of protection in regions where IP rights are weaker. Bandhu, for example, considered applying for a patent, but ultimately decided against it, because of the expense and complexity involved (see GII 2024 Case study contribution from Rayner).

Trademarks, in turn, offer social enterprises the opportunity to legitimize their brand and protect their investment in brand equity, such as in community outreach and customer and supplier education. Trademarks to protect their main brand name are fairly common among social enterprises worldwide. In a sample of over 300 social enterprises from the Skoll

Foundation and Schwab Foundation awardee communities, 37 percent had active trademarks, with a median of two trademarks per venture.<sup>12</sup>

Many social enterprises, however, do not engage in filing for formal IP protection. Since the primary goal of social entrepreneurship is not necessarily profit but social impact, these organizations often do not resort to formal IP but use different means to diffuse product and process innovations so as to help scale benefits. Open-sourcing software and other technologies for the benefit of other social enterprises, governments and even corporations is a common scaling tactic (see GII 2024 Case study contribution from Rayner on Bandhu, Community Development Agency, WeRobotics). But the potential role of formal IP is often underappreciated or unknown. Even with a strong emphasis on collaboration, social enterprises may benefit from learning more about and utilizing IP, and correspondingly from greater policy support to develop this capability – a point returned to in the concluding section of this chapter which is on policy implications.

## Systems innovation

Innovation activities do not stop at the factory gates or office door. Beyond product and process innovation and IP activity, social enterprises also engage in systems innovation. This involves novel approaches to shaping the political, economic, social and cultural systems that perpetuate the social problems that social enterprises seek to address (see GII 2024 Expert contribution from Billimoria).

These activities are particularly common in social enterprises emphasizing the ecosystem pathway to impact. This is because they allow social enterprises to shift cultural biases regarding marginalized or stigmatized populations and issues, modernize sector practices and norms, and help alter laws and policies, thereby developing or altering the ecosystem around a focal problem area (Table 13).

Yet systems innovation is not limited to organizations adopting the ecosystem pathway. Eco Femme, for instance, which primarily pursues the product/service pathway, works to destigmatize education about menstruation and menstrual products in India. Fairtrasa, which primarily pursues the customer pathway, has been working to deploy new technology solutions that enable smallholder farmers in developing countries to link directly with consumer-packaged goods firms. And Smart Start, which also focuses on the customer pathway, co-developed first-of-its-kind policies and standards on early childhood development at the national and provincial levels in South Africa (see GII 2024 Case study contribution from Rayner).

Data from Ashoka, whose work supports one of the longest-standing global networks of social entrepreneurs, suggests that these are not just isolated examples: 66 percent of over 800 social entrepreneurs in Ashoka's network have advised policymakers or legislative bodies; 63 percent have achieved legislative change or influenced policy; 62 percent have provided research and or data to policymakers; and 57 percent have convinced government to allocate funds to specific causes (Valera *et al.*, 2022).

12 Authors' data on Skoll Foundation and Schwab Foundation Social Entrepreneur awardees;  $n=323$ .

**Table 13 Forms of systems innovation in social entrepreneurship**

Form of systems innovation	Description	Examples
<b>Policy shifts</b>	Influencing or changing policies to better support social and environmental goals	<ul style="list-style-type: none"> <li>· Co-creating policies and standards with peers and governments</li> <li>· Seconding staff to government agencies to develop policies and write industry standards</li> <li>· Promoting new entity types and taxation policies for social enterprises</li> </ul>
<b>Research support</b>	Participating in or funding research to advance understanding and solutions for social issues	<ul style="list-style-type: none"> <li>· Sponsoring studies</li> <li>· Providing data to local governments</li> <li>· Partnering with universities to better understand key problems</li> </ul>
<b>Network-building</b>	Establishing and nurturing networks among stakeholders to foster collaboration and resource-sharing	<ul style="list-style-type: none"> <li>· Creating advocacy coalitions of NGOs</li> <li>· Connecting government agencies to relevant local actors</li> <li>· Connecting local suppliers with international markets</li> <li>· Building alliances between businesses and social enterprises</li> </ul>
<b>Awareness and education initiatives</b>	Raising awareness and educating the public or specific groups about social or environmental issues	<ul style="list-style-type: none"> <li>· Launching small business education initiatives focused on impactful procurement</li> <li>· Organizing workshops on sustainable practices</li> </ul>

Source: Authors' own representation. For supporting empirical data, see Mair and Rathert (forthcoming 2024).

## Policy opportunities to unlock the promise of social entrepreneurship

Social entrepreneurship has had a significant impact in tackling complex social and environmental problems. Yet, there are still formidable barriers to overcome in unlocking its full transformative potential. Policy has a critical role to play in removing these barriers and enabling further innovation and impact in social entrepreneurship.

Globally, governments and international bodies have started to develop solutions for some of the innovation challenges social entrepreneurs face (see GII 2024 Expert contribution from Klijn and Bonnici). For example, the OECD has recently produced in-depth manuals for policymakers on developing legal frameworks for social enterprises, measuring social impact, conducting impactful public procurement, and providing training social entrepreneurs. Moreover, many jurisdictions are pushing ahead with advanced policy support. A review of 75 jurisdictions globally found that 20 percent have dedicated legal forms for social entrepreneurship; 30 percent offer government funding support; and 20 percent offer operational support such as training or consulting.<sup>13</sup>

Yet, unlocking the full innovation and impact potential of social entrepreneurship will require more comprehensive action. Drawing on the expert contributions to the GII 2024 Special theme (available online), we highlight the barriers to and opportunities for social entrepreneurship

13 Authors' analysis of LexMundi Pro Bono Foundation Social Enterprise Law Surveys Database. Available at: <https://www.lexmundi.com/guides/social-enterprise-law-surveys>.

across six dimensions: namely, institutional frameworks, human capital, infrastructure, networks, financing, and measurement (Table 14).<sup>14</sup>

**Table 14 Barriers and opportunities in social entrepreneurship**

Dimension	Barriers	Opportunities
Institutional frameworks	<ul style="list-style-type: none"> <li>· Constraining legal forms</li> <li>· Lack of dedicated support services</li> <li>· Limited collaboration between policymakers and social entrepreneurs</li> <li>· Regulatory restrictions</li> </ul>	<ul style="list-style-type: none"> <li>· Specialized legal forms</li> <li>· Dedicated agencies and support services for social enterprises</li> <li>· Spaces for collaboration between policymakers and social entrepreneurs</li> </ul>
Human capital	<ul style="list-style-type: none"> <li>· Complex skillsets required of social entrepreneurs and their employees</li> <li>· Limited knowledge of traditional innovation ecosystem</li> </ul>	<ul style="list-style-type: none"> <li>· Higher education curricula on social entrepreneurship</li> <li>· Social entrepreneurship training programmes</li> <li>· Innovation education programmes</li> </ul>
Infrastructure	<ul style="list-style-type: none"> <li>· Lack of global data collection, standards and definitions for social entrepreneurship</li> <li>· Regional disparities in infrastructure</li> </ul>	<ul style="list-style-type: none"> <li>· Internationally agreed standards and definitions</li> <li>· National data registries</li> <li>· Programmes to help social entrepreneurs reach geographies with limited infrastructure</li> </ul>
Networks	<ul style="list-style-type: none"> <li>· Gaps in global awareness and knowledge</li> <li>· Complexities in public/private research systems</li> <li>· Weak connections between research systems in advanced economies and developing regions</li> </ul>	<ul style="list-style-type: none"> <li>· Public backing of social entrepreneurship networks</li> <li>· Public–private–social sector research partnerships</li> <li>· University partnerships across advanced economies and developing regions</li> </ul>
Financing	<ul style="list-style-type: none"> <li>· Investor knowledge gaps</li> <li>· Insufficient financing for small and mid-sized social enterprises</li> <li>· High self-financing rates</li> <li>· Low and uneven rates of impact investing</li> </ul>	<ul style="list-style-type: none"> <li>· Investor awareness campaigns</li> <li>· Procurement incentives to support social enterprises</li> <li>· Investor incentives</li> <li>· Tax incentives for legal forms that enable pursuit of social benefits</li> <li>· Tailored public financing for small and mid-sized social enterprises</li> </ul>
Measurement	<ul style="list-style-type: none"> <li>· Disagreement about how to best measure impact</li> <li>· Difficulty translating impact into quantitative metrics</li> <li>· Lack of accepted certification processes</li> <li>· Low impact measurement rates among social enterprises</li> </ul>	<ul style="list-style-type: none"> <li>· Investment in impact accounting research</li> <li>· Public or government-supported third-party certification systems</li> <li>· Public support to train and finance social enterprises in impact measurement capabilities</li> </ul>

Source: Authors' own representation based on GII 2024 Expert contributions.

14 The dimensions of policy barriers and opportunities correspond to the GII's input and output pillars.

## Institutional frameworks

### Develop supportive legal and regulatory environments

Globally, the institutional frameworks supporting social entrepreneurship innovation – encompassing regulatory quality, rule of law and agency support – remain underdeveloped. Many countries lack a specific legal form for social entrepreneurship and impose restrictions that limit scaling opportunities. For instance, regulations often prevent directors of traditional for-profit ventures from considering social or public benefits alongside shareholder returns (Morrison & Foerster, LexMundi Pro Bono Foundation and Catalyst 2030, 2022). Such gaps expose social enterprises to legal risks and bureaucratic hurdles. And they restrict access to funding and partnerships, which in turn inhibits organizational growth (see GII 2024 Expert contribution from Afolabi).

Governments have an opportunity to develop facilitative institutional frameworks and regulatory policies that help social enterprises to flourish. Establishing legal definitions for social entrepreneurship is a crucial first step. These definitions should align with international peers and or transnational organizations so as to enable global collaboration, research and funding.<sup>15</sup> Additionally, policymakers should adopt specific legal forms that facilitate the joint pursuit of social and financial goals, such as the Benefit Corporation in the United States and the Community Interest Corporation in the United Kingdom.

Creating dedicated governmental units or departments to support social entrepreneurship is also essential. In a sample of 75 jurisdictions, less than 10 percent had such specialized support.<sup>16</sup> These structures can help legitimize local social entrepreneurial efforts; support nascent social ventures; facilitate collaboration between social entrepreneurs and policymakers; and advocate for the removal of legal and policy restrictions (see GII 2024 Expert contribution from Bilimoria on the importance of formalized government support).

There is also a need for policymakers to collaborate with social entrepreneurs to remove restrictions associated with non-specialized legal forms. Existing regulations designed for traditional non-profit or for-profit organizations often hinder impact and innovation in social enterprises. For example, restrictions on foreign philanthropic investment into non-profits limits access to essential international funding sources for social enterprises (Oelberger and Shachter, 2021).

## Human capital

### Invest in education and training programmes

Social enterprises face substantial hurdles in accessing quality human capital, with many social entrepreneurs reporting challenges in finding employees with the right skillsets (Social Enterprise UK, 2023; Euclid Network 2022). To drive forward more innovation, social enterprises need a workforce that has technical skills in areas such as finance, accounting and engineering alongside relational and cultural skills in areas such as communication and community engagement, and local language fluency, as well as historical and contextual knowledge (Battilana and Dorado, 2010). This unique mix of skills has not been emphasized globally and is further complicated in developing countries by substantial rates of out-migration (see GII 2024 Expert contribution from Afolabi).

Similarly to small and medium-sized enterprises (SMEs), social enterprises may also lack skilled human capital that has the capacity to tap global knowledge and information resources, such as the knowledge incorporated in scientific publications or patent documents, in order to find possible solutions to technical or process challenges.

<sup>15</sup> See OECD guidance on designing legal frameworks for social enterprises; OECD, 2022.

<sup>16</sup> Authors' analysis of LexMundi Pro Bono Foundation Social Enterprise Law Surveys Database. Available at: <https://www.lexmundi.com/guides/social-enterprise-law-surveys>.

Policymakers have an important role to play in ensuring social enterprises have access to the human capital needed for innovation. Growing a supply of capable entrepreneurs with relational and cultural skillsets begins with changes to school curricula so as to emphasize entrepreneurialism with a social impact (see GII 2024 Expert contribution from Çiftçi on King's College Nepal's social entrepreneurship courses). Publicly-supported training programmes can also have a major impact on the prevalence and robustness of social entrepreneurship. For instance, social enterprises that completed the United Kingdom's School for Social Entrepreneurs programme reported an average 40 percent increase in earned income and had a two-year survival rate of 81 percent, compared to 73 percent for UK SMEs (AKOU, 2023).

## Infrastructure

### Promote data collection

The lack of data on social entrepreneurship is a major infrastructure deficiency holding back innovation and impact. As two recent efforts to quantify the number of social enterprises globally reveal, large parts of the world have no data on social entrepreneurship, and in those places that do have data the samples are small, out of date or based on competing definitions (Schwab Foundation for Social Entrepreneurship and WEF, 2024; British Council and Social Enterprise UK, 2022). Without access to comparable and high-quality data, policymakers will struggle to regulate and allocate resources appropriately; impact investors will continue to overlook the role of social entrepreneurship in building economies and changing lives; and social entrepreneurs will miss out on valuable opportunities to catalyze impact.

In addition to developing globally recognized legal definitions, governments must align on data standards and functional definitions for social entrepreneurship. National data registries or regular surveys that gather information on prevalence, legal forms, organizational models, turnover and impact can provide critical inputs for building an ecosystem capable of addressing innovation challenges and scaling social entrepreneurship.

### Assist social entrepreneurs in reaching underserved communities

Regional disparities in innovation infrastructure, including access to information and communication technologies, stable and affordable energy, and government services, are particularly critical for social entrepreneurship, which often targets communities with the least access. Infrastructure gaps are increasingly extreme in both developed as well as developing countries, creating challenges for social entrepreneurs everywhere as they seek to meet the needs of disadvantaged communities. In India, for example, the divide between urban and rural areas in terms of access to health care, financial literacy and gender equity makes it difficult for social enterprises to reach the most vulnerable populations (see GII 2024 Expert contribution from Kannan and Ramanujam on the social enterprises working in India to overcome these barriers; GII 2024 Case study contribution from Rayner on iKure).

National and local governments have a role to play in helping to bridge regional disparities by providing increased support to social entrepreneurs operating within disadvantaged communities. This support could include grants, subsidies, tax benefits and investment in critical infrastructure projects tailored to the unique needs of such regions, thereby enabling social entrepreneurs to operate more effectively and sustainably.

## Networks

### Incubate social enterprise networks

Unlike large corporations and philanthropic organizations, social enterprises often struggle to gain attention, because of their small size and hybrid nature. Moreover, because they blend aspects of multiple forms of organizing, social enterprises do not fit neatly into existing categories. Without visibility and credibility, social enterprises often miss out on impactful partnerships and a deeper engagement with existing support structures for innovation. These issues are particularly acute for social enterprises working with advanced technologies such as AI, data analytics, smart logistics and fintech, where strategic partnerships are becoming

essential for accessing expertise and modern technology (see GII 2024 Expert contribution from Kraemer-Mbula; GII 2024 Case study contribution from Rayner on WeRobotics).

Governments can play a crucial role in addressing these challenges by helping to incubate social enterprise networks and alliances. Organizations such as the Euclid Network in Europe and Catalyst 2030, which represents social entrepreneurs globally, leverage collective strength in order to capture media, government and business attention, and connect social enterprises to valuable public and private partnerships (see GII 2024 Expert contribution from Bilimoria). Policymakers can help to legitimize and grow these organizations by engaging them in meaningful discussion, providing funding and facilitating access to new partners – particularly those with capabilities in advanced technologies who can help to upskill social enterprises.

## Deepen research links between advanced and developing economies

Uneven development of the research and education ecosystem, including accelerators, universities and public research partnerships, further impedes innovation within social enterprises. Concentrated in a few hyper-productive regions, existing innovation ecosystems are ill-equipped to support the local needs of social entrepreneurs, especially in developing regions.

The presence of well-resourced local research universities can substantially benefit social enterprises by helping to identify pressing local issues, legitimize fledging social ventures and diffuse their innovative products, processes and services (see GII 2024 Expert contribution from Montoya Castaño).

At the same time, social entrepreneurs could also better leverage the potential of existing know-how, research, and research institutions and universities. Links between social entrepreneurs and key actors in existing innovation ecosystems are often weak. Social entrepreneurs may not routinely seek solutions within an existing body of knowledge or reach out to universities and public research institutions to collaboratively conduct or commission R&D geared to solving their technological or process challenges. Alongside stronger ties between social entrepreneurs and existing innovation ecosystem actors, there is a need to increase the absorptive capacity of social enterprises. This often due to them not having R&D departments or trained personnel who can digest and apply existing public research results, as well as proactively request new, targeted research for the enterprise's venture.

## Financing

### Raising investor awareness

Social enterprises face challenges in gaining the attention of funders, both public and private, because funders often understand neither social enterprises' needs nor their impact potential, and, moreover, they struggle to verify and compare social impact across ventures. For example, 40 percent of social enterprises report that they have experienced a lack of awareness and understanding among banks, investors and support organizations (Euclid Network, 2022).

To address these gaps, it is crucial to educate private investors, financial institutions and policymakers about the pathways through which social enterprises generate impact. Governments can draw inspiration from award-giving organizations such as the Skoll Foundation and the Schwab Foundation for Social Entrepreneurship, which have positively influenced the trajectory of social entrepreneurship and raised its visibility. Publicly-supported awards and grants can help highlight and finance exceptional social enterprises, while also educating private investors about the positive social impact of these ventures.

### Expanding public financing

The availability of financing for social entrepreneurship remains a significant constraint, leading to high rates of self-financing, high-interest debt and overall slow growth. While some governments have made investments into social enterprises, more action is needed to create a supportive financing environment. Tax and procurement incentives, as well as tailored grant funding, are critical levers.



Tax incentives for dedicated legal forms that facilitate the joint pursuit of social and financial objectives can encourage the establishment of new social enterprises and provide additional resources for reinvestment in impact and innovation. Procurement incentives, such as those established by the United Kingdom's Social Value Act (see GII 2024 Expert contribution from Klijn and Bonnici), can help local and national governments to create supply strategies that emphasize public benefits, while enabling social enterprises to grow their trading activities.

Tailored grant funding – which involves promoting funding opportunities; offering size-dependent funding, simplifying application processes; and providing guidance on minimally intrusive impact measurement requirements – can address gaps in mid-range financing and the substantial search and transaction costs associated with applying for grants. These issues are particular challenges for small and mid-sized social enterprises. Tailored grant funding has significant potential to help such organizations to grow and become more attractive to impact investors.

## Creating incentives for private investment

Impact investing has predominantly focused on relatively large, low-risk organizations, leaving most social enterprises with a limited access to the transition funding required for scaling beyond proof-of-concept (see GII 2024 Expert contribution from Dey and Gupta). To mitigate this issue, governments can play a role in reducing the perceived risk associated with investing in social enterprises.

This can be achieved through blended financing mechanisms, concessionary capital and the establishment of funds dedicated to social enterprises, making them more attractive to large institutional investors. Public and philanthropic funders can provide concessional investments so as to lower risk and attract larger sums of private impact capital. Additionally, public support can help to create more robust financing ecosystems through social entrepreneurship funds and funds-of-funds, which facilitate connections between public-private capital and groups of social enterprises. This approach allows investors to customize investments so they align with their capital goals, thereby enhancing the overall growth and impact of social enterprises.<sup>17</sup>

## Measurement

### Investment in public-private certification and measurement approaches

The comprehensive and accurate measurement of social impact remains a challenge for all impact-oriented organizations (see GII 2024 Background study from Hottenrott and Expert contribution from Garg Patel).<sup>18</sup> Over the last 15 to 20 years, coordinated efforts by investors, governments, researchers and impact practitioners have advanced the development of various tools and frameworks for the purpose of systematically quantifying impact. These include metrics taxonomies like the Impact Reporting and Investment Standards (IRIS and IRIS+) and rating services such as the Global Impact Investing Rating System (GIIRS), as well as the 60 Decibels benchmarks (see GII 2024 Expert contribution from Kraemer-Mbula). While these efforts represent immense progress, measuring the impact of social entrepreneurship remains challenging due to limited data, human capital and financial resources, and the localized nature of many of the issues social enterprises address.

Existing efforts to quantify the impact of social entrepreneurship tend to take three main forms.

*Person-based* measures focus on the total number of lives affected. For example, the 3,200 social enterprises in the Catalyst 2030 network have touched over one billion lives, and the Schwab Foundation's 470 social entrepreneurship awardees have reached over 891 million lives over the past 25 years.<sup>19</sup>

<sup>17</sup> For additional detail on policies to support sustainable financing of social entrepreneurship, see Nicholls, 2021b.

<sup>18</sup> See also Zulkefely *et al.*, 2022.

<sup>19</sup> See Catalyst 2030 (available at: <https://catalyst2030.net/>) impact measurement; Schwab Foundation for Social Entrepreneurs impact measurement, 2024.

*Resource-based* measures focus on the amount of money raised or earned by social enterprises, the vast majority of which is invested or reinvested back into their respective social or environmental missions (Euclid Network, 2022). For example, the 3,200 social enterprises in Catalyst 2030's network have raised over USD 2.2 billion in funding, and the 64 social enterprises in the three most recent cohorts of Schwab Foundation awardees have total revenues of over USD 900 million.

And finally, *issue-based* measures focus on metrics tailored to the specific social or environmental challenge being addressed. Assessing the impact of social enterprises working on health, for example, would involve tracking the number of patients screened or receiving medicine, or the number of health products provided; while assessing the impact of social enterprises that tackle inequality might involve tracking metrics, such as the gender pay gap or the political representation of marginalized groups.

Such variation in approaches to measuring impact is a double-edged sword. On the one hand, it makes it difficult for policymakers to assess the overall impact of social entrepreneurship and for investors to make comparisons across different ventures, when deciding where to allocate capital. Among impact investors, for example, the challenge of impact comparison is the single most significant issue today (Hand, Sunderjit and Pardo, 2023). On the other hand, varied approaches to measuring impact help to capture important underlying differences in how social enterprises create impact, which would otherwise be lost if the field converged on a single, standardized metric.

Consider, for example, how impact measurement differs along the customer, employee, product/service, and ecosystem pathways:

- Assessing impact from the *customer pathway* often involves measuring the number of customers reached. Yet it is important to go beyond simple counts of customers and consider what further downstream changes (both positive and negative) occur when new customer segments have access to previously unavailable products or services. Microfinance loans, for example, can impact recipients' economic security and their socio-emotional well-being, as well as that of their families and communities.
- The impact of the *employee pathway* is often assessed by measuring the number of employees hired, the wages paid and the investment in employee training. Yet, as with the customer pathway, it is important to consider downstream impacts as well; for example, the increase in overall lifetime earnings and improvements in self-confidence, self-efficacy and other measures of well-being.
- The impact of the *product/service pathway* is often assessed based on the volume of products and services sold. However, it is also important to consider the longer-term positive and negative consequences of these products. For organizations selling products or services made from recyclable or renewable materials, a crucial measure of impact would be the amount of waste, emissions or pollution saved by customers adopting these products or services instead of conventional alternatives.
- Assessing the impact of the *ecosystem pathway* is particularly challenging. This goes beyond direct measures, such as the number of actors involved or mobilized within an ecosystem. The downstream impact created through the ecosystem pathway can also be measured through tracking changes in legislation and the levels of new knowledge creation, as well as shifts in social norms and attitudes. Overall, this pathway may be both the most important source of impact and the one that is most difficult to measure.

We are still years away from any globally accepted measurement standards for gauging impact. However, policymakers can take immediate action to help improve metrics. National and international support for accounting research on social impact can expedite the development of standardized measures that ensure critical considerations, such as the diversity of social entrepreneurial issues, impact pathways and innovation strategies, are properly accounted for. Additionally, public or state-recognized third-party certification systems can help social enterprises connect with both public resources and impact investors. A key component of any certification process should be supporting social enterprises in developing their impact reporting capacity and ensuring that the certification process is as straightforward as possible. Globally, many social enterprises lack the resources or expertise required in order to establish impact reporting functions and apply for certifications. For instance, 40 percent of European

social enterprises report not having measured the impact they are making at all; and only 20 percent report using an existing certification system (Euclid Network, 2022).

## Conclusion

Social entrepreneurship is more than a trend; it is a transformative approach to addressing some of the world's most pressing social and environmental challenges. By merging the innovative capacity of business with the altruistic goals of the social sector, social enterprises are uniquely positioned to generate significant positive impacts globally. They achieve impact through serving marginalized communities, employing individuals who would not otherwise have access to jobs, and creating socially beneficial products and services. But also by shifting broader societal systems, often serving as catalysts for policy reform, cultural change and economic development.

The potential of social entrepreneurship is vast. Yet, unlocking its full promise requires a supportive ecosystem. Governments, international bodies and the private sector must work collaboratively to create tailor-made enabling environments – including regulatory, legal and measurement frameworks, as well as financing mechanisms, networks and training programmes – that recognize and support social entrepreneurs and their ventures. Incorporating and re-purposing institutions and innovation support mechanisms originally developed for public science and corporate innovation should be part of this process.

At the same time, the onus for change is not confined to the actors that surround social entrepreneurs. There is scope for social entrepreneurs themselves to more actively drive innovation within their enterprises. This can be done through dedicated attention to key activities such as R&D, process innovation, and patenting and trademarking. But it also requires concrete action to embed social enterprises within existing innovation ecosystems; for instance, by tapping existing sources of scientific and technological knowledge, as well as venture capital, R&D tax credits and other innovation finance tools and by collaborating with universities, public research organizations and other entrepreneurs.

Together, by investing in supportive policies, education, infrastructure and financing, and by encouraging social entrepreneurs to engage with existing innovation ecosystems, we can collectively unlock the full potential of social entrepreneurship to drive sustainable development on a global scale.

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The *Global Innovation Index 2024* (GII) takes the pulse of innovation against a background of steady but slow global economic growth, shrinking innovation finance and sluggish productivity.

Tracking the most recent global innovation trends, the GII finds that innovation investments have slowed in 2023, making the outlook for 2024 and 2025 more uncertain than ever. Yet, the picture is not entirely bleak. Technological progress and adoption continue unabated in fields as diverse as supercomputing, connectivity, health and green technologies.

The thematic focus of the 2024 report is social entrepreneurship. It looks at how a flurry of new ventures are finding innovative solutions directly addressing critical societal issues. Examples drawn from around the world showcase successful examples of social entrepreneurship, helping guide innovation policymakers and support schemes to better scale social entrepreneurship ventures for maximum systemic impact.

Core to its economic and social development mission, the GII 2024 reveals who is leading globally in innovation, ranking the innovation performance of 133 economies and highlighting their strengths and weaknesses. Governments around the world use the GII to benchmark innovation performance and improve innovation policy and its impact.

The underlying 133 GII economy profiles can be accessed at [www.wipo.int/gii-ranking](http://www.wipo.int/gii-ranking).

The full report can be downloaded at [www.wipo.int/global\\_innovation\\_index](http://www.wipo.int/global_innovation_index).