

Outsiders and Intrapreneurs: The Institutional Embeddedness of Social Entrepreneurship in Germany

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Abstract The social entrepreneurship discourse in Germany has become more prominent at a time when the deeply rooted corporatist traditions of social provision have come under pressure for marketization. This article examines the potential role of “social entrepreneurs” in the institutionally established German welfare state. The article analyzes the opportunities and constraints that new players face. Drawing on survey data and case studies in the areas of elderly care and advancement of children with immigrant background, the analysis retraces the structure and diffusion of social entrepreneurial projects. It concludes that the simple transfer of the social entrepreneurship model is unlikely. The analysis suggests that successful social ventures in Germany adapt the notion of social entrepreneurship to prevalent institutional realities. In the context of more encompassing social services, dense decentralized networks, and different cultures of philanthropism, new players have a complementary role that stimulates rather than dominates the process of social innovation.

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Résumé En Allemagne, le discours sur l'entrepreneuriat social est de plus en plus présent, à une époque où les traditions corporatistes de disposition sociale profondément ancrées sont soumises aux pressions de la commercialisation. Le présent article porte sur le rôle potentiel des « entrepreneurs sociaux » dans l'État providence allemand intégré au niveau institutionnel. L'article analyse les occasions et les contraintes des nouveaux acteurs. En se basant sur des données de sondage et des études de cas portant sur les soins aux personnes âgées et le développement des enfants d'immigrants, l'analyse retrace la structure et la diffusion de projets d'entrepreneuriat social. Elle conclut que le transfert simple du modèle d'entrepreneuriat social est improbable. L'analyse suggère que les organismes d'investissement social allemands à succès adaptent la notion d'entrepreneuriat social en fonction des réalités institutionnelles dominantes. Dans le contexte de services sociaux plus inclusifs, de réseaux denses et décentralisés et de cultures philanthropiques variées, les nouveaux acteurs doivent jouer un rôle complémentaire plutôt que dominer le processus d'innovation sociale.

Zusammenfassung Der Diskurs über soziales Unternehmertum in Deutschland hat in einer Zeit, in der die tief verwurzelten korporatistischen Traditionen des Wohlfahrtsstaates durch Vermarktlichung unter Druck geraten sind, an Bedeutung gewonnen. Dieser Beitrag untersucht die potenzielle Rolle „sozialer Unternehmer“ im institutionell etablierten deutschen Sozialstaat. Es werden die Opportunitäten und Einschränkungen analysiert, denen die neuen Akteure begegnen. Der Artikel stützt sich auf Umfragedaten und Fallstudien aus den Bereichen Altenpflege und Förderung von Kindern mit Migrationshintergrund, um die Struktur und Verbreitung sozialunternehmerischer Projekte zurückzuverfolgen und kommt zu dem Schluss, dass die einfache Übertragung des Modells von Social Entrepreneurship nicht angemessen ist. Die Analyse zeigt vielmehr, dass erfolgreiche soziale Unternehmen in Deutschland das Konzept des sozialen Unternehmertums an vorherrschende institutionelle Realitäten anpassen. Vor dem Hintergrund umfassender Sozialdienstleistungen, dichten dezentralisierten Netzwerken und unterschiedlichen Philanthropie-Kulturen übernehmen neue Akteure eine ergänzende Rolle, die den Prozess der sozialen Innovation vielmehr stimuliert als dominiert.

Résumén El discurso del emprendimiento social en Alemania ha pasado a cobrar mayor importancia en un momento en el que las tradiciones corporativistas profundamente enraizadas de la provisión social sufren la presión de la marketización. El presente artículo examina el papel potencial de los “emprendedores sociales” en el estado de bienestar alemán establecido institucionalmente. El artículo analiza las oportunidades y las restricciones a las que se enfrentan los actores. Recurriendo a datos de encuestas y estudios de casos en las áreas de atención a los mayores y avance de los niños de origen inmigrante, el análisis rescata la estructura y la difusión de los proyectos de emprendimiento social. Concluye que la simple transferencia del modelo de emprendimiento social es improbable. El análisis sugiere que las empresas sociales exitosas en Alemania adaptan la noción de emprendimiento social a las realidades institucionales predominantes. En el

contexto de servicios sociales más amplios, redes descentralizadas densas y culturas de filantropismo diferentes, los nuevos actores tienen un papel complementario que estimula más que domina el proceso de innovación social.

Keywords Social services · Non-profit sector · Social entrepreneurship · Social innovation · Hybridity · Intrapreneurship

Introduction

The social ventures of people like Muhamad Yunus in the developing world or Jamie Oliver in the US and the UK has given rise to an international debate on social entrepreneurship. Influential actors in this debate, such as the Ashoka Foundation or the Schwab Foundation, like to depict social entrepreneurs as heroes, typically from outside established welfare structures, who apply the spirit and methods of business to bring about path-breaking innovations. Recently, proponents have looked to extend this model of social entrepreneurship to countries with institutional arrangements for social provision that differ considerably from those in the developing world or the so-called ‘residual’ welfare states (Titmuss 1958).

Germany is one such country. Being the paradigmatic case of a ‘conservative welfare state regime’ (Esping-Andersen 1990), the provision of social welfare in Germany takes place within deeply rooted traditions of corporatist governance. In the past, either the state or intermediate civil society organizations—the so-called “Wohlfahrtsverbände” (welfare associations)—provided social services (Bode and Evers 2004; Zimmer 1999). Yet, while ‘markets’ have traditionally played a marginal role, fiscal constraints and growing critique regarding the legitimacy of these arrangements since the end of the 1990s have intensified pressures for marketization. Against this backdrop, a specific discourse on “social entrepreneurship” has become more prominent in the public debate. Many see in social entrepreneurs and their innovations a way of resolving the dilemma of having to meet increasing demand for social provision with a decreasing public sector funding base.

But how relevant is social entrepreneurship really for social provision in a country like Germany? Do these organizations provide novel types of services with specific advantages? What role can new organizations with an entrepreneurial style play in such a crowded environment? And, most importantly, how do they contribute to solving social problems in times of increasing demands and stagnating public resources?

In order to answer these questions, this article explores the role of ‘social entrepreneurs’ in the German welfare state. Building on the insights of New Institutionalism as well as empirical evidence from two sectors of welfare production (youth welfare for immigrant children¹ and culturally sensitive

¹ Many school achievement tests (e.g., PISA, IGLU) of the past years have shown that the educational achievement of pupils with an immigrant background is significantly lower than that of non-immigrant pupils in all main competence sectors (especially reading). As a result, demands have emerged for an active educational advancement of pupils with immigrant background (Gogolin et al. 2003).

care²), the paper examines both the opportunities and restrictions for new players in social provision in terms of four hypotheses. First, while the German welfare state imposes significant constraints on new players, reforms and fiscal pressure of the last decades have created opportunities for social innovation. However, we suspect that social innovation in Germany is more likely to emerge from established players in the form of ‘social intrapreneurship’ than from new entrants to social provision in the form of ‘social entrepreneurship’ (Hypothesis 1). Second, varying institutional constellations in different sectors articulate these pressures in divergent ways. It is conceivable, then, that the sector of elderly care provides opportunities for social entrepreneurs while innovations in the sector of child and youth care innovations are more likely to originate with social intrapreneurs (Hypothesis 2). Third, we hypothesize that these differences shape entrepreneurial strategies. Social entrepreneurs in the field of child and youth care will need to cooperate with faculty at schools who control access to the target group. This is unlikely to be as pronounced for the field of elderly care (Hypothesis 3). Fourth, we hypothesize that social entrepreneurs rely more heavily on earned income than social intrapreneurs who can fall back on organizational or public funds (Hypothesis 4).

The article proceeds as follows. First, it outlines the international discussion on social entrepreneurship with a view to understanding social entrepreneurship as a specific style of action. Second, the article develops hypotheses from an institutionalist point of view about the relevance of this specific concept of social entrepreneurship to the German context. After providing an overview of methodology, the results on the relevance of social entrepreneurs in two policy fields are presented. In the conclusion, we discuss the empirical relevance of social entrepreneurship and the contributions that social entrepreneurs make to the German welfare state.

From Organizational Forms to Styles of Action (and Back): Terminological and Theoretical Perspectives on Social Entrepreneurship

Scholarly interest in social entrepreneurship has grown significantly in the last decade. While many agree that scholarship on social entrepreneurship ‘is still in a stage of infancy’ (Hoogendoorn et al. 2010, p. 2, see also Dees and Anderson 2006;), many approaches have evolved that aim to explain social entrepreneurship and its potential for generating social value. Despite increased attention from researchers, a generally accepted definition of social entrepreneurship is yet to emerge (e.g., Dees and Anderson 2006; Defourny and Nyssens 2010; Hoogendoorn et al. 2010; Mair and Martí 2006; Nicholls 2006; Teasdale 2011; Young and Lecy 2014).

² Culturally sensitive care for the elderly aims at improving the living conditions for persons in need of care by respecting the special needs that result from their cultural backgrounds. In practice, projects focus on elderly persons with an immigration background living in Germany.

Review essays identify two basic approaches within the conceptual debates (Dees and Anderson 2006; Kerlin 2006; Defourny and Nyssens 2010; Grohs et al. 2015; Hoogendoorn et al. 2010; Teasdale 2011): One focuses on organizational and legal characteristics, the other on styles of action. The first approach is derived from research on “social enterprises,” generally associated with continental European scholars and practitioners, focuses on organizational and legal characteristics of social ventures with a limited capacity for making profit. The other approach, associated with North American and English-speaking European scholars, understands social entrepreneurship to be a style of action not necessarily bound to any particular organizational form. The first line of argumentation emerged from research on ‘social enterprises’ (Defourny 2001; Kerlin 2006, 2013; Bode and Evers 2004); the second, in turn, stems from the discourse on social entrepreneurship in a narrower sense and emphasizes the problem-solving capacities of ‘social innovations’ (Nicholls 2006; Dees and Anderson 2006; Defourny and Nyssens 2010; Shier and Handy 2015). Based on Hoogendoorn et al.’s (2010) typology, we can differentiate the approaches as depicted in Table 1.

Whereas the “Social Enterprise” school of thought emphasizes the legal form of a non-profit enterprise with a limited capacity for profit making, the “Social Innovation” argument conceives of social entrepreneurship as an innovative style of action, rather than a specific organizational form. The divergent emphases of the two approaches have caused a certain confusion in the literature. This is confounded by the fact that the understanding of the basic terms ‘social’ and ‘entrepreneurship’

Table 1 Two understandings of social entrepreneurship *Source* Authors’ compilation, based on Hoogendoorn et al. (2010, p. 10)

Distinctions	American tradition		European tradition	
	Social innovation	Social enterprise	EMES approach	UK approach
Unit of observation	Individual	Enterprise	Enterprise	Enterprise
Link mission-services	Direct	Direct/indirect	Direct	Direct/indirect
Legal structure	No constraints	Non-profit	Some constraints	No constraints
Innovation	Prerequisite	Not emphasized	Not emphasized	Not emphasized
Profit distribution	No constraint	Constraint	Limited constraint	Limited constraint
Earned income	Not emphasized	Prerequisite	Not emphasized	Important
Governance	Not emphasized	Not emphasized	Multiple stakeholder involvement emphasized	Multiple stakeholder involvement recommended

not only differs across institutional and disciplinary contexts but also due to the motivation and the normative orientation of individual authors.

Some authors, most prominently Dees and Anderson (2006), argue that combining the two schools helps overcome their respective limits. While it is true that social enterprises without innovations are not per se ‘entrepreneurial,’ it is also true that research into the way social enterprises typically blend philanthropic and economic objectives may shed light on some important theoretical issues (Dees and Anderson 2006, pp. 47–48).

With this insight in mind, a broader approach to the social entrepreneurship terminology, based on the constituting terms *social* and *entrepreneurship*, includes a much wider spectrum of actors and a wider range of services than are covered by the mainstream social entrepreneurship/social enterprise discourse. The term *social* here refers to the specific tasks (orientation towards a common good) and the claim to impact on societal problems. These tasks concern services that address people facing specific problems or who are in need of help at certain phases in their lives.

Drawing on the sociology of organization, the term *entrepreneurship* can be characterized by strategy, innovation, and responsible risk taking (Ricketts 2008). In contrast to a bureaucratic, rule-following mode of action, a strategic orientation is typified by its orientation towards results and targets. Strategic action includes the use of methods and instruments that allow an organization to react to underachievement (management). Innovation is the second basic characteristic of entrepreneurship: Innovative organizations identify new fields of action or are able to reassess and change established domains. The third characteristic, risk taking, includes the possibility of failure and is marked by the internalization of business risks.

Our focus in this article is on *social entrepreneurial organizations, combining an organizational focus with a style of action approach*. In contrast to the Social Enterprise literature, we include all organizations without a specific legal form that follow entrepreneurial approaches (in the sense of styles of action). This perspective stresses the role of other actors than mere market or state actors in the European context, namely mutual, cooperatives, and other organization of the social economy concentration on non-profits only (Evers and Laville 2004, p. 36; Defourny 2001). It opens the third sector discussions for different organizational types and adds additional criteria for action styles, understood as ‘intermediary’ or ‘hybrid.’ From this perspective, social entrepreneurial organizations are hybrid organizations (Evers 2005; Billis 2010) that integrate divergent rationales for action. The term *hybridity* is defined here as the existence of several distinct logics of governance within one organization or one organizational field. Hybrid organizations derive from pure logics (such as “the market,” “the state,” and “the community”) and evince specific mixtures of these “pure types” (Billis 2010; Evers 2005). Depending on the specific mixture of these rationales, different variants of social entrepreneurship can result. Social entrepreneurship can be conceptualized as being situated within a triangle, between corners representing a market-driven orientation (including for-profit attitudes), a common good-based community perspective, and a state-oriented position of overarching bureaucratic responsibility. Social entrepreneurial organizations represent specific mixtures of these three governance

modes (Billis 2010, p. 3; cf. the contributions in Brandsen et al. 2010). Social entrepreneurial organizations may be described as hybrid with regard to the integration of divergent logics; in addition, their basic structures cannot be assigned unambiguously to any specific form of organization. Consequently, non-profit organizations in the sense of a “third sector” can be social entrepreneurial organizations, but this non-profit orientation is not necessarily a condition; contrary to the criteria and arguments developed by Salamon and Anheier (1996, p. 125), social entrepreneurial organizations can also be for profit. Following this approach, very different forms of organizations can be assigned to the “new” intermediary social entrepreneurship sector. This spectrum ranges from enterprise-like foundations with capital of several million Euros and corporate-sized staffs to single-person initiatives addressing specific problems and often driven by a special personal concern.

Consequentially, we conceptualize social entrepreneurship from a dual perspective: one perspective based on organizational form, and another on a specific style of action that can be achieved through a variety of organizational and legal forms. So, this paper works with a rather broad definition of social entrepreneurship that includes innovations from both the outside and inside of established organizations (intrapreneurship) (Mair and Marti 2006, Schmitz and Scheuerle 2012). Rather than limiting our analysis to conditions regarding legal form or the necessity of market-earned income, this approach allows us to look at actual social innovations. This research strategy enables us to identify more innovations as well as those actors more likely to change the landscape of social service delivery than would a focus on lone social entrepreneurs with their undeniably innovative but not always (spatially as well as sectoral) scalable ideas.

In the following section, we will demonstrate the virtues and vices of both perspectives in the case of the established welfare state in Germany. We will show that a fixation on organizational factors can obscure the potential for innovation that can result from a relatively dense network of social organizations. A neglect of organizational form on the other hand will neglect the specific institutional embeddedness. To develop this argument further, the next section will highlight the institutional embeddedness of social entrepreneurship.

Bringing Context Back in: The Institutional Embeddedness of Social Entrepreneurship

Discussions of social entrepreneurship tend to view social entrepreneurship as a global phenomenon, often neglecting the variable local institutional context. As an exception, Defourny and Nyssens (2010) highlight in their examination of the European landscape the consequences of institutional embeddedness for the perception and role of social entrepreneurship. Similar, Kerlin (2010, 2013) showed the impact of different welfare regimes on the opportunity structure for Social Entrepreneurship. These researchers have differentiated the various traditions of welfare provision that have led to specific ensembles of institutions with their own inertia and inherent interests. Both distinguish between the UK and Bismarckian,

and Nordic and Southern European welfare state regimes. Bismarckian countries, like Germany, are characterized by a strong corporatist tradition where largely state-funded intermediate non-profit bodies administer social insurances and deliver social services. In the Nordic countries, the public sector itself provides social services. Outside providers have long been limited to culture or leisure membership associations.

Nevertheless, in both types of welfare state regimes, new forms of enterprises and cooperatives have recently emerged in the field of welfare production (for example cooperatives for elderly—*Senioren-genossenschaften*). These kinds of cooperatives are a traditional feature of Southern European welfare state regimes, especially in France and Italy. Here, the term ‘social enterprise’ was used much earlier than elsewhere in Europe and organizations were publicly supported in forms of ‘social cooperatives’. In the UK’s liberal welfare state “charities, relying on voluntary resources, are seen as key actors to solve market and state failures” (Defourny and Nyssens 2010, p. 4). Furthermore, the existing public programs in Britain have faced challenges by private competitors—non-profit as well as for profit—on the market for social services. Defourny and Nyssens’ (2010) comparison implies a possible relationship between the institutional environment and opportunity structures for social entrepreneurship (see Hall and Soskice 2001).

The implied institutional embeddedness of social entrepreneurship leads us back to the fundamental question: how do the specific traditions and institutional configurations of the German welfare state shape the ‘playing field’ for new entrants into social provision? Drawing on the New Institutionalism in organization studies and political science (Scott 2014; Powell and DiMaggio 1991; Hall and Taylor 1996), we can see at least three institutional mechanisms at work, which constrain the opportunity structure of (potential) social entrepreneurs and make some strategies more likely than others: incentives, ideas, and identities (see especially Scott 2014). Kerlin (2013) identifies three factors which influence the opportunity structures for social entrepreneurship: the type of government, the stage of economic development, and the model of civil society. Germany’s opportunity structure, she argues, is influenced by a strong corporatist tradition and a high dependency on state funding. Both factors are important for understanding the specific incentive structures of the German Welfare state. In the following we go beyond this approach and show that not only incentives, but also ideas about a “good” provision of welfare, and the identities and shared norms of the actors involved reinforce each other and lead to a rather stable institutional opportunity structure.

A Mapping of the German Institutional Framework

Ever since Bismarck established the social insurance system in the 1880s, the German welfare state consisted of two substantially different logics. The first concerns the provision of social services which is the responsibility of local governments. The second logic manages the national social insurance bodies that deal with so-called ‘standard life risks.’ This dual architecture reflects basic

historical legacies. Long before the advent of centrally administered welfare state institutions, local governments provided services such as poor relief in cooperation as well as competition with the churches. In the course of the nineteenth century this basic social policy function expanded to the areas of public health, child welfare, and housing. Over time, a corporatist mode of governance evolved at local level. Here, the responsibility for social service provision is divided between local governments and non-profit organizations organized in so-called welfare associations (Wohlfahrtsverbände) (Zimmer 1999). This constellation was underpinned by legal provisions that guaranteed the privileged access of these non-profit organizations to both welfare provision and political decision-making bodies (through “functional representation” in local committees). According to the “subsidiarity principle” enshrined in all major social security acts, public bodies must refrain from providing services if there is a non-profit organization performing the same function. Services were subsidized by local governments according to the principle of cost coverage, and local governments generally refrained from introducing standardized measures of quality control. These formal rules of the game, structuring the incentives, were supported by informal rules of complementary ideas (“subsidiarity”) and identities (“local partnerships”) that stabilized them, creating considerable “path dependencies” (Pierson 2000; Mahoney 2000).

This corporatist mode of governance faces severe fiscal constraints and a constant critique of its effectiveness and legitimacy, which might change the opportunity structures for new providers. In the past 30 years, the financing of social services has become a rather contentious political issue—especially since increasing expenditures have met with stagnating public revenues. Demographic and social challenges are likely to aggravate this situation in the years to come. Scholars agree that demand for social services is growing—notwithstanding differences over precise amount (cf. the contributions in Evers et al. 2011). In particular, the growing number of economically inactive elderly people and people of very advanced age will put pressure on health and long-term care costs (cf. contributions in Heinze and Naegele 2010). Additionally, rising numbers of single households, divorces, and female occupation may undermine the ability of families for self-administered care. In sum, demand is on the rise while capacities for self-help seem to be in decline (Schneiders 2010, p. 137ff).

On the other side of the age spectrum, child care and youth welfare policy faces divergent challenges. Decreasing birth rates mean that infrastructure remains underutilized. In part, the expansion of facilities for children below the age of 3 years as well as increasing female occupation compensates for this shortfall. Oversupply is particularly apparent in East German regions with a low level of fertility. Since the introduction of the Child and Youth care Act in 1993, the nominal expenditure in this area has doubled. Growing number of single parents and so-called ‘patchwork families’ produce a wide heterogeneity of juvenile life courses. This, in turn, leads to an increasing demand for family support thereby straining municipal budgets.

These pressures triggered different responses in the social service sector. One way of dealing with these pressures was the implementation of managerial reforms. These instruments, modeled on New Public Management (Pollitt and Bouckaert 2011), were often subsumed under the headings of ‘managerialism’ or

‘marketization’ (Evers and Heinze 2008). These measures did not primarily aim at reducing services. Rather, these reforms sought to bring about a more efficient and effective allocation of resources. In this context, the introduction of competition—including private sector actors and ‘social entrepreneurs’—played an important role. Even traditional providers of social services (who had been out of the grasp of market mechanisms in the past) introduced the thinking and instruments of managerialism.

Due to the traditional dual structure of welfare production in Germany, managerial discourse evolved in two directions during the 1990s. First, in the realm of the public providers the so-called ‘New Steering Model’ (NSM) was the dominant blueprint for managerial reforms (Kuhlmann et al. 2008). Second, the ‘social management’ movement embraced similar modernization ideas for the non-profits. The purchaser–provider split, introduced with formal contracting, provided the link between the two arenas. Promoting competition between providers by replacing the traditional principle of cost coverage by fixed prices as well as the abolishing the privileges of the charities complemented these developments. Similar provisions in all relevant welfare legislation (social care act 1995; social assistance act 1993; child and youth care act 1996), formally abandoned the old corporatist model of welfare production in terms of institutionalized incentives (Scott 2014).

So far, the real impacts of these reforms have been limited. Despite tendencies towards privatization and marketization, the so-called *freigemeinnützigen* (non-profit) organizations continue to provide the majority of social services in Germany. For decades, the five largest welfare organizations³ have provided the lion’s share of social services in Germany. At the moment, over 1.5 million employees work in over 100,000 establishments of these welfare organizations. They provide about 4 million people with care, treatment, activation, and counseling services (BAGFW 2014). Since the 1970s, welfare organizations have become some of the largest employers in Germany with staff numbers comparable to multinational corporations. The reaction of these organizations to the challenge of NPM has varied, ranging from the introduction of certain managerial instruments (e.g., controlling or marketing) to the contracting out to autonomous service providers (Dahme et al. 2005; Heinze and Schneiders 2013). The integration of new players faces a number of obstacles resulting from institutional inertia, functional considerations, and manifest interests in the service sector. The supply of social services is a complex process, owing both to the specifics of the services themselves and to the necessary exchanges between producers and consumers (cf. the contributions in Evers et al. 2011). Since the mid-1990s (with the introduction of long-term care insurance, the reform of employment services, the decentralization of assistance for disabled people, etc.), there has been a further differentiation on the part of public payers; this has meant greater confusion for beneficiaries and providers, as service providers must reach agreements with several public and quasi-public bodies concerned with

³ These five (i.e., the Catholic *Caritas*, the Protestant *Diakonisches Werk*, the German Red Cross, the socio-democratic *Arbeiterwohlfahrt*, and the grassroots and secular *Paritätische*) provide the majority of social services in Germany. In the health sector, old-age services, child care, youth welfare, and the care of the disabled, these associations (under the umbrella of BAGFW, or *Bundesarbeitsgemeinschaft der Freien Wohlfahrtspflege*) have dominated the “market.”

the financing and supervision of social services. Subject-oriented support models without intermediate service providers continue to be an exception. For example, in the mandatory, government-run long-term care insurance (Pflegeversicherung), the costs for housing are not automatically taken over, instead those monies are paid as ‘Care housing’ to the people who need care, which offers them more choices and self-management. Since 2008, people with disabilities have the option to obtain a ‘Personal Budget’ instead of ‘Services’ which enables the clients to ‘buy’ the services for themselves. So far only a few clients take advantage of this option. The very important area of child care is mostly financed in the triangle of social service delivery. Only the city of Hamburg established a voucher system to increase parents’ choice of placement—here again though the instrument hits a barrier due to the lack of available places.

For new cross-cutting services that transcend established structures and processes (which are codified by social law), it can be difficult to adequately construct structures of financing, since there is often a high level of regulation prescribed by social legislation that mirrors the established structures of welfare production. Hitherto, the close local networks of established actors, the local government, and civic initiatives were often able to compensate for these centrifugal tendencies by organizing exchange networks to a certain extent. In this landscape, social entrepreneurs encounter numerous institutional obstacles. There is frequently no public entity that is financially responsible for new services, such that lobbying becomes a necessity for innovators. In addition, in established action areas, markets are often “closed” by corporatist arrangements between welfare bureaucracies (as the purchasers) and established charities (as providers). They form close networks and are able to reach the necessary coordination between fragmented offers. Although several corporatist *residua* have been removed by law, there are still many provisions biased against private providers in other laws (e.g., in the Child and Youth Care Act (SGB VIII)) that regulate market entry and participation rights. The last issue (for example, in some fields of youth welfare the official acknowledgement of an orientation to the common good (“*Gemeinnützigkeit*”) is still required (see §§ 79, 80 SGB VIII).

We assume that the objectives of new actors are rather difficult to accomplish in the strongly institutionalized landscape of the German state and the welfare organizations (background hypothesis). However, the porosity of these corporatist structures has increased over recent years. The agency structures in the social service sector have been radically altered due to the changing institutional framework. Internal restructuring as well as a new balance between various (sometimes new) types of social service agencies can be observed. We assume that these changes support the development of social innovations within established structures as well.

Social Entrepreneurship in Two German Social Service Sectors: Hypotheses

Janelle A. Kerlin has argued that a high involvement of third sector organizations in welfare provision creates a favorable environment for the development of social entrepreneurship in times of fiscal austerity (Kerlin 2013, p. 94). In the following,

we will contend that, to the contrary, the strong tradition of third sector involvement in Germany has been a significant barrier for the development of social entrepreneurship by new actors.

From this perspective, the closely knit institutional networks of the German welfare state with its powerful welfare associations, specific incentives, ideas, and identities makes it rather difficult for new actors to pursue and achieve their objectives. However, corporatist structures in Germany have become more porous. Changing institutional frameworks have meant that the agency structures of the social service sector have also transformed significantly. Not only have established service providers restructured internally (Grohs and Bogumil 2011), commentators also point to a new balance between various (sometimes new) types of social service agencies (Dahme et al. 2005; Grohs 2010). These challenges, we suspect, have promoted social innovation in established structures as well as with new social service providers. Thus, we hypothesize that due to the German institutional landscape social intrapreneurship (Mair and Martí 2006) in established service providers contributes more to social innovation than the social entrepreneurship of new actors (Hypothesis 1).

Nevertheless, these trends do not apply to all social service sectors in the same way. For our study we chose two sectors in which these changes have had different impacts. While the sector of child and youth care is characterized by a high persistence of established structures (Grohs 2010), the sector of elderly care has been subject to a considerable liberalization (Schneiders 2010). We therefore conclude that the sector of elderly care provides more opportunities for social entrepreneurship than the child and youth care arena. Here we expect innovations to primarily result from social intrapreneurship (Hypothesis 2). Since schools control access to the target group, we furthermore anticipate that social entrepreneurs operating in the child and youth care sector need to cooperate to enter corporatist actor networks (Hypothesis 3). Finally, we presumed that social entrepreneurs would rely more on earned income than social intrapreneurs who can more readily draw on organizational or public funds (Hypothesis 4).

Methodology and Data

The following section presents the results of our research on the proliferation of social entrepreneurial practices in the fields of old-age care and youth welfare. In so doing, we test the hypotheses developed in “[Bringing Context Back in: The Institutional Embeddedness of Social Entrepreneurship](#)” section. The data originate from two quantitative online surveys designed for identifying innovative projects in both sectors. In a second step, two interview-based case studies for each sector complemented and deepened the surveys. We selected the cases according to theoretical considerations. To sharpen our focus, we concentrated on the promotion of children with an immigrant background and on the delivery of culturally sensitive care for older people. These subfields are crucial cases because both are specific niches that are likely to be more open to innovation than traditional policy subdomains.

Since organizational structures do not help to distinguish new from old actors in this field, it is difficult to identify social entrepreneurs in the social services market. The question of finding and accessing the relevant actors was thus critical. Since schools control the access to children with immigrant background, we contacted the headmasters of (nearly) all primary and special needs schools in Germany. In the field of culturally sensitive care for older people, finding and accessing subjects was even more difficult. Here, we applied cumulative snow-ball sampling to obtain information on social innovations by new and established actors. We are aware of the potential sample bias towards established actors in our data and acknowledge that care should be taken when drawing general conclusions from our results. The questionnaires of the survey were adapted to both subfields, but both covered comparable closed questions to the main issues of our interest, i.e., the initiative of the projects, the cooperation with other actors, their financing, and governance structures. In the child care sector, we contacted 15,238 primary and special needs schools. Out of 1605 (11 %) completed questionnaires, we identified 821 projects specifically aimed at children with an immigrant background focusing mostly on language skills. In the sector of care for older people, we contacted 1100 organizations. Out of 155 completed questionnaires we identified 55 projects in the field of culturally sensitive care for older people, focusing mainly on counseling and recreation.

For the case studies, we conducted a total of 10 interviews; respondents included heads of schools and care establishments, professionals, cooperation partners, and financiers of the projects. The interviews were prepared with a thorough analysis of available documents and information presented online. The interviews were semi-structured in nature and took between 45 and 90 min. The guideline comprised 12 lead questions dealing with the issues in a rather open way, leaving enough room to direct the conversation to aspects not anticipated by the interviewers. The interviews were conducted by at least two interviewers to avoid interviewer biases. The interviews were transcribed and analyzed by applying a qualitative content analysis. Recurrent themes and topics were classified in several sequels by the researchers (Mayring 2014). Our presentation in this paper condenses these classifications of specific interest for the research question (for a detailed analysis of the cases see Grohs et al. 2014).

In order to map patterns of social innovation in Germany, we located the projects within four dimensions developed from the broad definition of social entrepreneurship introduced in “[Bringing Context Back in: The Institutional Embeddedness of Social Entrepreneurship](#)” section. The first dimension is the *degree of innovativeness*: do the projects really provide new services according to professional standards or are they just relabeling old approaches? The second dimension is the *initiating impulse*: are the projects founded by new organizational actors (‘entrepreneurs’) or do they emerge from existing institutions (‘intrapreneurs’)? The third dimension is the degree of *inter-connectedness*: do projects stand on their own (according to the images of the ‘heroic’ social entrepreneurship discussion—see e.g., Elkington and Hartigan 2008) or are they integrated in local policy network? Finally, we analyzed the mode of internal *governance*: do innovators operate according to managerial practices adopted from the private sector or do they follow a classical bureaucratic

Table 2 Patterns of social entrepreneurial action: basic dimensions

Pole 1	Dimension	Pole 2
Innovator	Innovation Innovative organizational features New professional approaches	Incrementalist
Entrepreneur	Impulse Outsiders or insiders as founders	Intrapreneur
Solitaries	Interconnectedness Degree of integration in established networks Willingness to cooperation	Networkers
Managerial	Governance Use of Managerial instruments Documentation and outcome reporting	Bureaucratic

Table 3 Case studies

Case	Description	Actors	Financing	Particularities	Problems
Children 1 (C1)	Language courses with integration of parents and elder siblings	Primary School, Municipality, local association	Foundations	Flexible adaption of the project's goals	Financing
Children 2 (C2)	High School Students support younger pupils	Charity Network, Primary School, High School	Donations/ Fees	Social Franchising	Cooperation of schools
Elderly Care 1 (E1)	Advice and Group Work	Welfare Association, local network	Own resources/ Public Funding	Integration of the target group	Concurrence about target groups
Elderly Care 2 (E2)	Shared flat for people with dementia disease	Social entrepreneur, migrants 'association, housing company, welfare association	Foundation/ nursing care insurance	Legal structure	Legal situation

logic? Table 2 summarizes this analytical approach and depicts the basic operationalization of these dimensions.

Empirical Results

The following section presents results of this research. The quantitative data will be triangulated by evidence from our four case studies. The case studies include interviews with key actors out of four innovative projects from both sectors (two case studies for each, see Table 3).

First, we will provide a short overview of the 821 projects in the child care field and the 55 projects aimed at care for older people. In child care, 739 projects (i.e., 90 %) focused on language skills. Further, the survey showed that teaching the child's mother tongue (355 projects: 43 %), the promotion of key skills (321 projects: 39 %), as well as individual educational counseling (284 projects: 35 %) were common activities. In terms of impacts, 73.5 % (461 out of $n = 627$) of respondents report an increase of the pupils' (linguistic/mathematical/social) competences. As many as 76.7 % (478 out of $n = 623$) of the people surveyed see improvements in the social integration of the children. Respondents assess the future prospects of the projects very positively. 304 schools (37 %) plan further or similar projects and 265 (32 %) schools aim to integrate the projects into their normal operations. In 75 projects (9 %), actors intend to increase the personnel involved. While 73 projects report facing conceptual reorientation, only 54 (7 %) projects will end with the termination of funding.

Most projects in the field of culturally sensitive care for older people focus on counseling (mostly legal advice 14 projects, 26 %) and leisure activities (13 projects, 25 %). Other projects provide actual care for older people (8 projects, 5 %) or housing (3 projects, 2 %). Here, 61, 2 % (30 out of $n = 49$) of respondents report better integration of older people with a immigrant background, 79, 6 % (39 out of $n = 49$) see more satisfaction within the target group and 71, 4 % (35 out of $n = 49$) point to an improvement in the quality of care.

Like in the other policy domain, the assessments of the projects' future prospects seem to be mostly positive. 21 organizations (38 %) plan further/similar projects, 20 organizations (36 %) intend to integrate the project into normal operations. While 10 (18 %) organizations fear that the projects will end when the initial funding runs out, 13 (24 %) projects changed their focus.

Professional expertise served as a benchmark to assess the innovativeness of the projects in both fields. In the child and youth welfare sector, we analyzed project descriptions according to the following standards outlined by the German "Bund-Länderkommission zur Förderung von Kindern und Jugendlichen mit Migrationshintergrund": the material focus, work methods, target groups, and temporal focus (Gogolin et al. 2003).⁴ These criteria enabled the identification of a total of 152 innovative projects compared to 444 ventures classified as 'traditional' projects. In the sector of elderly care, self-assessments yielded 27 innovative and 21 traditional.

⁴ The following qualifications had to be met to classify a project as "innovative"

(1) *Material focus* Projects to promote the German language and the native language as well as projects to promote intercultural abilities.

(2) *Work methods* Projects that are offered at a minimum frequency (more than once a week).

(3) *Audience* Activities that involve the parents of children.

(4) *Temporal dimension* Transgression of classical timeframe: projects that will continue after the primary school at school etc. (holistic approaches).

The Origin of Social Innovation: Intrapreneurship Prevails

Both new and established actors in the specific fields initiated projects. In the field of the promotion of children with immigrant backgrounds, the ‘established’ actors are schools, heads of schools, and school boards. In turn, parent-led initiatives, support associations, foundations, and companies count as being ‘new players.’ In the field of culturally sensitive care for older people the ‘established players’ include long-serving agencies (e.g., advisory services by municipalities or social security agencies) or specialized employees of charities. In turn, the ‘new players’ include individuals outside of these institutions, citizens’ groups or immigrant associations. As a third option, some projects in both fields were instigated by both ‘established’ and ‘new’ actors (what we may call a ‘mix’).

Our first hypothesis concerned the origin of social innovations in child welfare and care of older people. A considerable amount of innovation, we assumed, takes place in established structures (see Table 4) in which committed individuals develop new services for people in need. The evidence suggests that this holds true in both policy domains under consideration. Our second hypothesis stipulates that the relatively liberal old-age care sector provides more opportunities for entrepreneurship than the relatively regulated sector of child and youth welfare and education. Again, the data show that the variation of initiators differed significantly between both fields: old-age care features far more social entrepreneurs in the strict sense than the sector of child and youth welfare. Yet while intrapreneurship undoubtedly dominates the child and youth welfare sector, entrepreneurs can more easily reach this policy community if they initiate a project with established actors, as was the case for about 20 % of the observed cases.

In general, social intrapreneurs have a comparative advantage in terms of project finance. The case studies showed that intrapreneurs can draw on their organization’s resources (material as well as immaterial) to develop and test new services (for new target groups) or new organizational forms of service delivery. Furthermore, the case studies revealed that established actors play a crucial role in the initiation of projects. Individual actors from established organizations and their personal engagement are important both for the initiation as for the implementation of innovations independent of the formal organizational affiliation. In the field of child and youth welfare these individuals are usually the heads of schools. In two of the case studies (E2 and C1), the influence of established organizations was indirect: feeling constrained by their employers, the initiators decided to independently start

Table 4 Initiation of projects

	Intrapreneur	Mix	Entrepreneur	n
Child care ¹	449	134	46	629
	71.4 %	21.3 %	7.3 %	100.0 %
Elderly care ¹	31	7	11	49
	63.3 %	14.3 %	22.4 %	100.0 %

¹ Chi square test significant results ($p < 0.001$). Mann–Whitney U test shows significant differences between child care and elderly care ($p < 0.01$)

the projects they had originally developed within the organizations. However, E1 presents the opposite case: innovation was triggered and implemented by one of large established welfare associations.

Although the old-age care sector seems to provide more opportunities for entrepreneurship, securing access to the target group is a crucial issue for innovators in both fields. In child and youth welfare, schools and particularly their principals are important (and fierce) gatekeepers. In turn, the traditional ways of addressing target groups no longer work in the sector of old-age care. Culturally sensitive policy outcomes seem not only depend on specifically designed services but also on gaining access in a culturally sensitive manner. This is a problem for entrepreneurs and intrapreneurs alike. An interviewee from case E1 stated that access to older people with an immigrant background requires direct strategy-building relationships using individual contacts. German target groups, in turn, could more easily be contacted indirectly via billboards or newspaper advertising. During project development in case E2, innovators could not convince the intended target group (Turkish immigrants) of the model of a shared flat for their relatives with dementia because the family is primarily responsible for providing care. When the team then decided to focus on the second largest community of Russian immigrants, migrants association successfully mediated access. Case C1 revealed that parents, especially mothers, could only participate if the team assured supervision of the younger children. The team found the innovative solution of entrusting elder siblings with this task thus creating unexpected additional social value. Finally, case C2 particularly focused on instructing high-school pupils in behaving in a culturally sensitive manner (e.g., appropriate clothing) towards the families they were working with.

Social Innovations in Cooperation: Networks Matter

The third hypothesis underlined the importance of cooperation for entrepreneurs to access closed institutional structures in Germany. Regardless of the sector (child or elderly care) or the point of origin (innovation inside or outside institutions), the survey shows that cooperation is important for all types of projects. That said, cooperation seemed to be especially important for social entrepreneurs in the child care sector. Not only does this fit the hypothesis regarding cooperation in general, but also resonates with the findings that the child care sector features more prominent barriers for new actors than the sector of elderly care (Table 5).

Like the survey, the case study findings suggest a strong relationship between project implementation and cooperation, specifically the integration of school principals in innovative projects. As in both case studies from the sector of child care (C1 + C2), the projects critically depended on the cooperation of the schools. Whether it is access to pupils in need or provision of rooms, all interviewees stressed the importance of cooperation for the success of the projects. Actors in case C2, which had at its disposal the initiating charity's nationwide network for scaling, faced problems of convincing principals to participate in the project. In the sector of elderly care, cooperation was less important. However, one of the case studies (E2) featured a considerable degree of cooperation. Here, the high level of cooperation

Table 5 Cooperation of projects

	Intrapreneur	Mix	Entrepreneur	<i>n</i>
Child care ¹	156 36.9 %	72 58.1 %	31 81.6 %	259 44.3 %
Elderly care ²	13 41.9 %	2 40.0 %	5 50.0 %	20 39.2 %

Mann–Whitney *U* test shows significant differences between child care and elderly care ($p < 0.001$)

¹ Kruskal Wallis Test shows *significant differences* between the cooperation of the observed groups ($p < 0.001$)

² Kruskal Wallis Test shows *no significant differences* between the cooperation of the observed groups

resulted from the complexity of the project and the need to circumvent municipal obstacles. At the same time, this unique confluence of committed actors in the participating organizations as well as the legal and financial particularities make it extremely difficult to transfer the innovative project to other municipalities. As the case study in the field of elderly care (E1) was conducted by a local office of a nationwide welfare association, it was surprising that the project did not spread to other local offices even though it received considerable attention from central headquarters. This possibly emerged as the result of the specific local environment that provided room for local communication of relevant actors (roundtable) although the project itself did not involve cooperation.

Our findings support also the view that networks and cooperation depend on the people that work in an organization, since networking and cooperation require a high level of dedication and commitment of the actors. Actors in the school projects and in culturally sensitive elderly care report being very well integrated in their (local) environment. School projects have the highest degree of networking with other schools, local government, and education authorities (measured by the projects' rating on the importance of different external partners). Nearly half of the projects indicate that they are in regular contact with sports clubs and churches. In addition, a quarter of the schools have ties to youth organizations and companies. In turn, contacts with foundations (13 %) or migrant organizations (8 %) are rare.

We have relationships with various local institutions, with the music school, we have certified us as a “power school”, we do a lot with diet and exercise and relaxation. These are three pillars, then we have a school orchestra assembled with the support of the school association and the local music school. (Interview C2)

Moreover, the embeddedness in networks is very high in the facilities for the elderly. About 80 % of institutions indicated that they have regular contact with the local government and charities. More than 50 % of the facilities are in a regular exchange with migrant organizations, churches, and initiatives. In contrast, the facilities are less frequently in touch with foundations (44 %), universities (37 %), and companies (23 %).

In addition to existing networks, our research highlights the importance of a general willingness to cooperate with third parties. This is a measure of the openness of institutions towards their environment. The team observed a high level of willingness in both areas. In the field of elderly care 89 % of the facilities reported that they would like to cooperate with other institutions, preferably foundations and universities. The networking need of schools is somewhat less pronounced with 75 % of all projects. Most schools specifically seek contacts with local authorities, foundations, and corporations.

I am convinced more than ever, that it makes sense to establish as much collaboration as possible. You simply can use these different perspectives. Both those of the experts in the system, and views from the outside (interview C1)

The Funding of Social Innovations: Non-enterprising Projects

The fourth hypothesis focused on the different sources of funding used by intrapreneurs and entrepreneurs. We assumed that social entrepreneurs rely more heavily on earned income than social intrapreneurs who can fall back on organizational and/or public funding. Since there are only few observed cases in the field of elderly care and only a low level of significance in the field of child care, we can accept this hypothesis with some caution. However, the evidence suggests that public funding also plays an important role for social entrepreneurs (see Table 6).

In the case of elderly care, in particular, establishments rely on revenues from public care insurance and municipal subsidies. In contrast, in the field of child care, social innovations can generally rely on donations. Our four case studies showed considerable variation in the sources of funding which reinforces the findings from our survey. While case C1 depended mostly on short-term funding by different foundations, case C2 used a mix of participation fees and funds raised during charity events. Using resources of the welfare association itself, actors in case E1 were able to compensate their volunteers via municipal subsidies. Case E2 relied mostly on public nursing care insurance while a deficiency guarantee was assumed by the internal social foundation of the housing company involved in the project.

In sum, the evidence suggests that despite the dearth of opportunities for social entrepreneurs in the German institutional landscape, it is not uncommon for projects outside established structures to access public sources of funding.

Conclusion: The Institutional Embeddedness of Social Entrepreneurship

This article has explored the role and potential of social entrepreneurship in an established welfare state with a dense net of welfare provision and a prominent third sector. It started from the assumption that social entrepreneurship faces different

Table 6 Funding of projects

	Intrapreneur	Mix	Entrepreneur	<i>n</i>
Child care				
Public (basic) ¹	287	77	15	379
	63.9 %	57.5 %	32.6 %	60.3 %
Public (additional) ²	127	43	19	189
	28.3 %	32.1 %	41.3 %	30.0 %
Donations ¹	85	45	13	143
	18.9 %	33.6 %	28.3 %	22.7 %
Earned income ¹	52	25	5	82
	11.6 %	18.7 %	10.9 %	13.0 %
Elderly care				
Public (basic) ²	24	6	10	40
	77.4 %	85.7 %	90.9 %	81.6 %
Public (additional) ²	17	2	3	22
	54.8 %	28.6 %	27.3 %	44.9 %
Donations ²	4	1	2	7
	12.9 %	14.3 %	18.2 %	16.3 %
Earned income ¹	1	0	3	4
	3.2 %	0.0 %	27.3 %	8.2 %

Mann–Whitney *U* test shows significant differences between child care and elderly care ($p < 0.001$)

¹ Kruskal Wallis Test shows significant differences between the cooperation of the observed groups ($p < 0.1$)

² Kruskal Wallis Test shows no significant differences between the cooperation of the observed groups

opportunity structures in the German welfare state than in developing countries or countries with residual welfare regimes. Inspired from neo-institutionalist thinking, we argued, that the incentives, ideas, and identities provided by the institutional setting influence the strategies and locus of social ventures immensely. Let us now return to the questions posed at the outset.

How relevant, then, is social entrepreneurship in Germany? As we have seen, the data suggest that social entrepreneurship plays a marginal role in German social provision. The dense net of third sector organizations and their close ties to public bodies, predominantly local governments, creates tightly knit networks seldom penetrable for new players. Forerunners of today's social entrepreneurs, e.g., the Christian associations of the nineteenth century or the alternative "self-help" movement of the 1970s, now face "associational failure." This begs the question whether entrepreneurial solutions to social problems can viably compete with the state and established associations in terms of effectiveness and efficiency.

Do these organizations provide novel types of services with specific advantages? We have shown that the (assumed) social entrepreneurs in our sample provided services neither particularly different nor superior to those of established organizations. "Intrapreneurship" in established institutions, in turn, brought about

new ideas and innovations in “old-fashioned” organizations. What is more, many of these organizations had introduced managerial reforms during the waves of New Public Management and “Social Management” in the course of the 1990s. Despite the controversial nature of these reforms, the perceived “backwardness” of established welfare associations has little to do with empirical reality (Grohs and Bogumil 2011).

Given these constraints, what role can new entrepreneurial organizations play in a dense and highly institutionalized environment? Do social entrepreneurs generate ‘game changing’ social innovation? The projects identified in our study bear little resemblance to the image of the individual philanthropic entrepreneur celebrated in much of the social entrepreneurship literature. The research revealed no examples of path-breaking innovations that diffuse through and thereby transform the institutional landscape of welfare provision. Instead, we found projects responding to local conditions that were developed in established structures and organizations (so-called “intrapreneurship”). Innovations emerge when established actors cooperate with new actors and are then able to identify new, often hybrid solutions. This, then, would suggest a complementary role of “social entrepreneurs” in the innovation process.

Could social entrepreneurs perhaps infuse social provision with competition? Here, the research provides no evidence of any real competition between existing services and new players as yet. In large part, entrepreneurial projects operate in niches and try to avoid financial risks (Glänzel and Scheuerle 2015). This is unlikely to exert pressure on established players. However, other players observe these new forms of societal action and will often integrate these practices into their own repertoire. In this context, some social entrepreneurs offer new approaches by specifically addressing groups which have so far not considered volunteering (e.g., pupils with migratory background) or consciously rely on ‘trendy’ organizational forms (e.g., ‘Rock your life’). If these practices were to diffuse, new innovative projects could potentially attract additional volunteers into social provision. Furthermore, the majority of the projects that call themselves social entrepreneurs emerged from personal commitments. This suggests an institutionalization of civic commitment—not unlike the institutionalization of the self-help movement in the 1970s and 1980s. Then, a number of projects from the alternative movement gained recognition and funding of state agencies—despite their “anti-state” origins.

The findings on the incorporation in local networks bring us to a last fundamental problem: the focus on single entrepreneurial organizations may distract from a far more urgent issue: how to bring about more cooperation, and networking on the one hand and, on the other more competition and management in the social services sector. Institutions which currently work in parallel need to find new ways to connect; this may avoid potential losses of momentum and consolidate resources with the aim of expanding the local social infrastructure. The new actors in the social sector should be taken into account but their role and contribution should not be overestimated (according to current indications). Here, social entrepreneurs could function as innovation incubators. If they are successful, we should expect to see their incorporation into established structures. In Germany, then, it would seem that social entrepreneurs make a “small but vital difference” rather than “path-breaking change.”

Acknowledgments This study was funded by Stiftung Mercator (Essen, Germany). In addition, we thank Marion Felder for her support in language editing.

Compliance with Ethical Standards

Conflict of Interest The authors declare that they have no conflict of interest.

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