

Social Entrepreneurship Versus Intrapreneurship in the German Social Welfare State: A Study of Old-Age Care and Youth Welfare Services

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Abstract

Germany is a classic example of a conservative welfare state. The production of social services is characterized by a deeply rooted tradition of corporatist governance, in which the “market” has wielded only marginal influence. Since the late 1990s, these corporatist arrangements have been challenged by the growing pressure for marketization; at the same time, a new discourse on social entrepreneurship and innovation has gained importance. This article examines the empirical impact of the social entrepreneurship movement in two domains: old-age care and youth welfare. We discuss the potential role of social entrepreneurship in these fields and argue for a realistic view of the potential for new actors in established governance arrangements. Our observations lead us to conclude that social innovation has developed not primarily as the result of challenges from new actors but rather from intrapreneurship: social innovations originating from within the established organizational field.

Keywords

social services, social innovation, social entrepreneurship, intrapreneurship, Germany

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Introduction

Germany has long been classified as an ideal-typical example of a conservative welfare state, as characterized by the dominant role of status-oriented social insurance, the decentralization of residual benefits, and a corporatist mode of governance for social services (Arts & Gelissen, 2010; Castles, 1993; Esping-Andersen, 1990; Palier, 2010). The “market” has had only marginal influence in these arrangements. Since the 1990s, some of the key organizational features of German welfare production have come under stress due to fiscal constraints and the impact of new interpretative schemes (Heinze, 2009). Discourses regarding marketization and “new players” in the field of social services have grown in importance. The role of social entrepreneurs, the activation of civil society, the privatization of public services, and the establishment of public–private partnerships have all gained prominence. Despite vigorous debates on the subject, there has been a distinct lack of empirical research on the proliferation of these new actors and their integration into established institutions of welfare production. This contribution will attempt to fill some obvious gaps by addressing the following two questions:

1. Which roles are suitable for social entrepreneurs in the established and highly developed system of welfare production in Germany?
2. How can social entrepreneurs be integrated into established structures of welfare production and cooperation in a beneficial manner?

In the course of the article, we will first outline the international discussion on social entrepreneurship, developing an understanding of social entrepreneurship as a specific style of action (section “Conceptualizing Social Entrepreneurship: From Organizational Forms to Styles of Action”). In the section “From Global Concepts to Local Institutions: Established Structures and Their Challenges,” we will then hypothesize the relevance of the specific concept of social entrepreneurship in the German context from an institutionalist point of view. After providing an overview of recent developments in the German welfare sector (section “Welfare Provisions in Two Sectors: The Perspective of Organizational Form”), we will finally present initial data on the relevance of social entrepreneurs in two fields of action (section “First Insights From the Field: Identifying Styles of Action”).¹ In the conclusion, we will discuss the empirical relevance of social entrepreneurship and the contributions that social entrepreneurs make to the German welfare state, including possibilities for further research.

Conceptualizing Social Entrepreneurship: From Organizational Forms to Styles of Action

A new phenomenon in German discourse—a relatively late arrival in comparison to the Anglo-Saxon world—is the hyping of social entrepreneurship, together with the claim that “everyone can change the world” (Bornstein, 2007; Bornstein & Davis, 2010; Elkington & Hartigan, 2008). Using similar slogans, charismatic organization-founding “entrepreneurs” have been promoted by intermediary organizations such as Ashoka and

Table 1. Two Understandings of Social Entrepreneurship.

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	Nonprofit	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

Note. EMES = Emergence of Social Enterprise in Europe, and is an European Research Network on Social Entrepreneurship. Source. Adapted from Hoogendoorn, Pennings, and Thurik (2010, p. 10).

the Schwab Foundation. The term *social entrepreneurship* has received considerable attention in academic and practical discussions in recent years. Despite the term's ubiquity, no generally accepted definition has thus far been established (e.g., Dees & Anderson, 2006; Defourny & Nyssens, 2010; Hoogendoorn, Pennings, & Thurik, 2010; Mair, Robinson, & Hockerts, 2006; Nicholls, 2006; Teasdale, 2011). Studies on social entrepreneurship have become increasingly abundant over the past decade. Even though researchers generally agree that scholarship on social entrepreneurship "is still in a stage of infancy" (Hoogendoorn et al., 2010, p. 2; see also Dees & Anderson, 2006, p. 39), a wide variety of approaches have evolved that attempt to comprehend social entrepreneurship and gauge its potential for the creation of social value. Two basic methods can be distinguished: One focuses on organizational and legal characteristics, the other on styles of action. The first line of argumentation is generally derived from research on "social enterprises" (Bode & Evers, 2004; Defourny, 2001; Garrow, 2013; Kerlin, 2006, 2012); the second, from the discourse on social entrepreneurship in a narrower sense, concentrating on "social innovations" (Dees & Anderson, 2006; Defourny & Nyssens, 2010; Nicholls, 2006; Squazzoni, 2009). Based on the analysis of Hoogendoorn et al. (2010), these approaches can be differentiated as depicted in Table 1.

Whereas the "Social Enterprise" school of thought emphasizes the legal form of a nonprofit 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. This conceptual discrepancy has led to certain confusion in the literature, as the understandings of the basic terms *social* and *entrepreneurship* can also differ. Interpretations of the social entrepreneurship terminology vary based not only on the institutional context but also on the disciplinary affiliation, motivation, and normative orientation of the authors involved.

Most common in the "Social Innovation" branch of the literature is a focus on individual personalities of social entrepreneurs as representatives of the phenomenon as a whole. This concentration on individual actors results from their prominent positions within their organizations. Often, such actors have developed a new field of action or

a new approach to a social problem, thereby ensuring the success of their organization. The social entrepreneur in this sense is motivated by a pressing social issue and the desire to develop solutions; the promotion of Ashoka scholarships is based on this understanding (Ashoka, 2010). In general, this commitment can be explained biographically, and the willingness of such individuals to take risks is often based on this type of philanthropic attitude. This view may be useful with respect to the management of media attention, but it limits the research object to a very small group of actors. Research along this line would be excessively dependent on individual self-perceptions.

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 discourse. The term *social* here refers to the specific tasks (orientation toward a common good) and the claim to affect 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 toward 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). In a certain sense, this approach follows the European tradition of third-sector research, which is based on a focus on the type of organizations, the intermediary nature of the third sector and specific sociopolitical constellations (Evers & Laville, 2004a, p. 11). 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 nonprofits only (Evers & Laville, 2004a, 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 (Billis, 2010; Evers, Rauch, & Stitz, 2002) that integrate divergent rationales for action.² 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, Dekker, & Evers, 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, nonprofit organizations in the sense of a “third sector” can be social entrepreneurial organizations, but this nonprofit 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. The existence of social entrepreneurial organizations demonstrates that the definition of the third sector as a category for organizations that belong neither to the market nor to the state (as described by the John-Hopkins-project) is no longer an appropriate characterization of the empirical structures and functions of such organizations (for the United Kingdom and the United States, see the contributions in Billis, 2010), but can be understood as intermediate sector (see Evers & Laville, 2004b). 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 a capital of several million Euros and corporate-sized staffs to single-person initiatives addressing specific problems and often driven by a special personal concern.

Consequently, 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. 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.

From Global Concepts to Local Institutions: Established Structures and Their Challenges

Discussions of social entrepreneurship tend to view social entrepreneurship as a global phenomenon, often neglecting the variable local institutional context. Exceptions such as Defourny and Nyssens (2010) and Kerlin (2012) have revealed the institutional embeddedness of social entrepreneurial action. 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. Bismarckian welfare states such as Germany are characterized by a strong corporatist tradition of largely state-funded intermediate

nonprofit bodies that administer the social insurance system and deliver social services. In the Scandinavian countries, the state relies heavily on its own organizations; outside providers are limited to culture or leisure membership associations. However, in recent years in both countries, new forms of enterprise and cooperatives have emerged in the field of welfare production. Those cooperatives are a traditional feature of Southern European countries and France, where the notion of social enterprise developed earlier than elsewhere in Europe and has been publicly supported in the form 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 & Nyssens, 2010, p. 4). Furthermore, the nation’s existing public programs have been challenged by private (nonprofit and for-profit) competitors in the market for social services. This comparison between countries indicates that there are institutional complementarities (see Hall & Soskice, 2001) between the institutional environment and the role and forms that social entrepreneurship can take.

Ever since Bismarck’s creation of the social insurance system in the 1880s, the German welfare state has been marked by a division between two substantially different logics: the provision of social services as the responsibility of local governments, and the administering of “standard life risks” by national social-insurance bodies. This architecture reflects fundamental historic legacies: Long before the establishment of the centrally controlled welfare state, local governments were the providers of services such as relief for the poor—cooperating but also competing with churches. During the 19th century, this basic social policy function was expanded to include the areas of public health, child welfare, and housing. Since then, a corporatist mode of governance has emerged at the local level, with a division of labor developing between local governments and nonprofit organizations; this often originated in church parishes and was later organized into the so-called *Wohlfahrtsverbände* (welfare associations).

These established arrangements have faced severe fiscal constraints. For at least the past 30 years, the financing of social services has been controversial, in particular because expenditures have increased as public revenues have stagnated. The current German social budget is 750 billion Euros (BMAS, 2010). More than 40% of the federal budget is used to fund activities in the sectors of labor, social affairs, and health. In comparison, the sector of education and research represents only about 5% of the federal budget, for a total of 10 billion Euros in 2009 (BMF, 2009). A considerable segment of social services is financed by municipalities, which spend about a quarter of their budgets on social purposes. This proportion has risen steadily in the recent decades, reaching 40 billion Euros in 2009 (Anton & Diemert, 2010, p. 11). The municipalities have only limited control over their revenues; as a result, they must cope with the problem of rising demand in times of austerity.

Due to demographic and social challenges, predictions indicate that this situation will be aggravated in the years to come. There is a consensus that the demand for social services will rise, although scholars disagree on the precise amount (Evers, Heinze, & Olk, 2011). With a growing number of elderly people out of work and increases in life expectancy, demographic changes will balloon expenses in the areas of healthcare and old-age care (Heinze & Naegele, 2010). In addition, social changes

such as the rising number of single-person households and the increases in divorce and female employment will have an impact on the ability of families to provide self-administered care. Overall, demand will rise as the capacity for self-help drops (Schneiders, 2010).

On the opposite end of the age spectrum, childcare and youth welfare must meet different challenges. Decreasing birthrates have induced the underutilization of infrastructure. This is balanced in part by the expansion of facilities for children under 3 as well as by the increase in female employment. The former East Germany, which features a particularly low birthrate, exhibits an especially high degree of oversupply. Since the introduction of the Child and Youthcare Act in 1993, the nominal expenses in this area have doubled. Changing family structures, including increasing numbers of single parents and the so-called “patchwork families,” have resulted in a large heterogeneity of juvenile life courses. This, in turn, has led to a rise in the demand for family support, stressing the budgets of the responsible municipalities.

One method of dealing with such pressures has been the implementation of managerial reform measures. These instruments have been modeled after the international paradigm of New Public Management (Kuhlmann, Bogumil, & Grohs, 2008; Pollitt & Bouckaert, 2004) and have often been lumped together under the categories of “managerialism” or “marketization” (Evers & Heinze, 2008). These strategies are not primarily aimed at the reduction of services, but rather at a more efficient and effective allocation of resources. In this context, the activation of competition has played an important role, with private actors and social entrepreneurs sometimes serving as competitors to the established system. These developments have even induced the introduction of managerial instruments and logics within the established social-service providers, which were traditionally outside the scope of market mechanisms. Owing to the dual-structure legacy of welfare production (i.e., by public providers and non-profit organizations), the managerial discourse since the early 1990s has been of two different types. In the realm of public providers, the “New Steering Model” (NSM) was the predominant blueprint for managerial reforms (cf. Kuhlmann et al., 2008). For nonprofits, a “social management” movement embraced similar ideas of modernization. With the introduction of formal contracting, a purchaser-provider split was created, linking the two arenas. The establishment of competition between providers went hand in hand with the replacement of the traditional principle of cost coverage by fixed prices, as well as the abolishment of the privileges of charities. The abandonment of the old corporatist model of welfare production was brought about by similar provisions in all the relevant welfare acts (the Social Care Act of 1995, the Social Assistance Act of 1993, and the Child and Youth Care Act of 1996).

The effects of these reforms have thus far remained limited. Despite tendencies toward privatization and marketization, the majority of social services in Germany are still provided by the so-called *freigemeinnützigen* (nonprofit) organizations. For decades, the five largest welfare organizations³ have provided the lion’s share of social services in Germany, as demonstrated by both the number of their employees as well as by the number of their facilities. At the moment, more than 1.5 million employees work in more than 100,000 establishments of these organized charities. Roughly four

million people receive care, treatment, activation, and consultant services through these establishments (BAGFW, 2009). Since the 1970s, organized charities have become some of the biggest employers in Germany, quantitatively comparable with 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 of autonomous service providers (Dahme, Kühnlein, Wohlfahrt, & Burmester, 2005).

In addition to the internal modernization in the voluntary sector and a partial expansion of commercial suppliers in specific areas, a further development can be observed: namely, the blending of social engagement with entrepreneurial action. This follows a global trend, which has been labeled “Social Entrepreneurship” (e.g., Nicholls, 2006). 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 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 the financing and supervision of social services. For new crosscutting services that transcend established structures and processes (which are codified by social law), it can be difficult to adequately construct structures of financing, because there is often a high level of regulation prescribed by social legislation that mirrors the established structures of welfare production. 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).

Innovative strategies, which can provide an impetus for qualitative improvement, can struggle in a world that often lacks clearly defined quality standards. Public purchasers view new players with considerable suspicion. Rather than enacting a well-defined quality policy, they often opt for a kind of “quality management by rumor,” which entails a general orientation on the reputation of the operating facilities. 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.

We assume that the objectives of new actors are rather difficult to accomplish in the strongly institutionalized landscape of the German state and welfare organizations (background hypothesis). However, the porosity of these corporatist structures has increased over the 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. We accordingly derive our main hypothesis, that due to the German institutional landscape, social innovations emerge less from new actors (social entrepreneurship) but more importantly from established structures (social intrapreneurship; Mair & Martí, 2006).

Welfare Provisions in Two Sectors: The Perspective of Organizational Form

The conditions of social-service production outlined above have contributed significantly to the fact that, until the 1990s, the vast majority of services were provided by nonprofit organizations, primarily by the largest welfare associations (*Wohlfahrtsverbände*) and their subsidiaries. In addition to these organizations, there was also public provision in the field of youth welfare. Only in the area of old-age care, private-sector providers have gained a significant market share. There are no systematically collected quantitative data available for Germany on the number of social entrepreneurial organizations and their employees, nor on their fields of activity. The official statistics provide data only for unambiguously private commercial companies; the hybrid nature of social entrepreneurial organizations complicates the definite allocation and analysis of their data. However, the sector of social entrepreneurship (in our understanding of the term) is much larger than the small number of accredited fellows of Ashoka or the Schwab Foundation in Germany (40 and 11, respectively) might suggest. In the following section, we highlight the developments in two specific sectors and present new data for two subfields within these sectors.

Old-Age Care

Since the introduction of the long-term care insurance in the mid-1990s, there has been a significant change in the provider structure for *old-age care*. With the abolishment of privileges for charity providers, private-sector organizations have become active in this newly established “market” for care. Drawing on data from the federal statistics on care from 2009 (Statistisches Bundesamt, 2011), it is evident that the majority of stationary care facilities (approximately 55%) are still in the hands of charities. Private-sector providers represent about 40% of facilities, and 5% are under public provision. From this data on facilities, we cannot draw any conclusions regarding the number of care places; the heterogeneity of facilities, especially in private-sector establishments, is huge, ranging from very small private units (approximately 60% provide less than 50 care places) to large facilities. On average, private providers offer fewer places than charity-owned homes (averages of 65 and 77 care places, respectively). Public-sector establishments are even larger (88 places on average).

Taking into account the total number of places provided, the continued importance of charity-provided places is clear. Of the 845,005 places total, 58% are charity-provided, 36% are provided by the private sector, and 6% are publicly provided. In comparison, in 1999, charities held a market share of 63%, the private sector 26%, and the

public sector 11% of care places. Based on data from 1999 and 2009 (the first and the last year with available data following the introduction of care insurance), the following trends can be identified: The number of nursing homes has grown by about 31%. This increase can be attributed in particular to the growth in the private sector (up 50%), as well as to an expansion of charity-based services (up 24%). In contrast, the number of public-sector nursing homes has declined by 17%. These different rates of growth have also resulted in changes in the shares of places provided by the various market sectors.

The data show significant volatility in the care sector, especially since the introduction of care insurance in 1995. Specifically, they demonstrate a shift toward private-sector provision in stationary care. Private-sector providers can be differentiated according to size: There are many small providers; however, there are also a small number of concern-like large enterprises that oversee several nursing homes and are sometimes even listed as corporations.

This growth is even larger in the sector of ambulant old-age care. Here, we can observe an expansion of private-sector providers by 55%. Despite a growing clientele (up 20%), charities have stagnated in this sector (up 2.2%; Schneiders, 2010).

The considerations presented here describing statistical data do not completely answer our questions concerning hybrid forms of organizations. By taking a closer look, we can find entrepreneurial and market-driven strategies in the voluntary sector of charities as well as in the public sector. Two examples are CBT Cologne, a Catholic “hybrid” that describes itself as a social enterprise and includes numerous entrepreneurial elements, and the Stiftung Liebenau in Baden-Württemberg, which features similar corporate-like structures but also forms part of the Catholic charity system (Schmitz & Scheuerle, 2012).

Increasing numbers of voluntary providers also have subsidiaries in private form, primarily with the intent of circumventing wage agreements with charities. Despite this trend, not all private commercial providers are solely profit-oriented. Especially, among small and medium-sized enterprises, there are many organizations that work on the basis of cost coverage. Thus, the legal form of an organization has increasingly become an empty signifier with respect to the organization’s orientation and mode of action. Likewise, voluntary status (*freigemeinnützig*) no longer necessarily indicates a focus on the “common good” or on any other goals with positive connotations (BAGFW, 2010; cf. the contributions in Hopt, Hippel, & Walz, 2004; and Wendt, 2010).

Youth Welfare

Although some corporatist aspects outlast in the care sector (e.g., local care conferences dominated by welfare associations), there has been a clear shift toward more market-driven modes of governance. A contrasting picture is revealed by an analysis of the field of *childcare and youth welfare*. The principal tasks in this field of action are the maintenance of childcare facilities (*Kindergartens*) and ambulant and stationary services for assisting young people. Although there have been measures enacted to promote greater pluralism and market coordination in this sector as well, the actual

Table 2. Types of Provider (in Percentage) Between 1998 and 2010.

Care	Private sector			Nonprofit sector			Public sector		
	1999	2005	2009	1999	2005	2009	1999	2005	2009
... at nursing homes	34.9%	38.1%	39.9%	56.6%	55.1%	54.8%	8.5%	6.7%	5.4%
... at home	35.6%	43.1%	47.0%	62.5%	55.1%	51.2%	1.9%	1.8%	1.8%
Youth welfare	1998	2006/2007	2010	1998	2006/2007	2010	1998	2006/2007	2010
Youth services	3.0%	2.1%	2.7%	71.6%	72.8%	73.5%	25.3%	25.2%	23.8%
Child day care centers	0.5%	1.0%	1.8%	54.7%	63.2%	64.4%	44.8%	35.8%	33.8%

Source. Statistisches Bundesamt Fachserie 13, Reihe 6.3, Einrichtungen und tätige Personen in der Jugendhilfe. Jg. 1998, 2, 2006, 2010; Statistisches Bundesamt, Pflegestatistik, Jg. 2001, 2007, 2011.

Note. Slight differences in reference periods are due to the availability of data.

effects on real-world welfare provision have been marginal. Measures such as the introduction of prospective service contracts and service charges, the introduction of quality and service contracts in social law (§§78a-g SGB VIII), and the abolishment of privileges for charities have not changed the structures of service provision in any significant way (Grohs, 2010). An examination of the structures of provision in publicly financed measures reveals a surprising continuity over time, at least in Western Germany (cf. Table 2).

In childcare and in youth welfare, only minor shifts in the proportions of the respective types of provision are evident in Western German states (*Länder*). Despite important displacements in the portfolio of tasks (e.g., the expansion of services for children under three and the substitution of stationary with ambulant measures), the old networks of charity-based providers have successfully retained their traditional governance modes. A slight exception can be found in the newly established segment of small-scale facilities for stationary youth welfare, in which a number of private-sector providers have emerged (with a share of around 30% in 2006).

Over the past 15 years, only incremental changes can be observed. On the boundaries, classic structures of welfare production have been blurred, and new kinds of relationships have developed in certain regions. These changes are far from representing a new paradigm or even a steady trend. Actors from the private sector and social entrepreneurs (in the sense of the specific organizational form) play only minor roles. Real transformations in the welfare sector—such as those observed in old-age care—seem possible only under external pressure and hierarchical implementation structures; this is the exact opposite of the social entrepreneurial worldview. The established social infrastructure, at least in youth welfare and children's services, has not been contested by the local actors involved. There is often a lack of alternatives and the informal rules governing entry and positions in the field remain in force; the corporatist intertwining between the big charities and the administration of welfare is far from broken (Grohs, 2010).

Of course, the data presented in this section is based only on the legal forms of the organizations involved. As we will show in the next section, this perspective obscures the potential for social innovation beyond specific organizational forms. The hybridity

of social welfare production necessitates the consideration of additional factors. In the following section, we will present the first results of ongoing research from a style-of-action perspective.

First Insights From the Field: Identifying Styles of Action

In this section, we present the first results of our current research on the proliferation of a social entrepreneurial style of action in the fields of old-age care and youth welfare. The data originate from two quantitative surveys conducted in each of the sectors. To limit complexity, we focused on the promotion of children with an immigrant background and on the delivery of culture-sensitive elder care. These subfields represent crucial cases, as both are specific niches that can be expected to be more open to innovation in comparison with the traditional fields of action. The identification of social entrepreneurs in the new market of social services is difficult, due to the nonuniform organizational structures of these new actors. The question of how to access the actors was thus critical. With respect to the promotion of children with immigrant background, schools are the principal gatekeepers. Consequently, we contacted the headmasters of (nearly) all primary and special-needs schools in Germany. With respect to the field of culture-sensitive elder care, access was even more difficult. Here, we applied a cumulative snow-ball sampling to obtain information on social innovations by new and established actors. We are aware of the potential sample bias toward established actors in our data, and we acknowledge that our results should only be generalized with care. In the sector of child welfare, we contacted more than 15,000 primary and special-needs schools. Out of 1,605 answered questionnaires, we identified 821 projects designed for the special promotion of children with immigrant background, most of which focused on language skills. In the sector of elder care, we contacted 1,100 organizations. Out of 155 answered questionnaires, we identified 55 projects in the field of culture-sensitive old-age care, primarily centered on advice and recreation.

The projects under investigation were analyzed from the perspectives of organizational form and style of action.⁴ The results of these surveys demonstrate the strong position of the established actors in both fields. As a rule, successful projects are highly embedded within established networks and cooperative arrangements. Aside from a few “star social entrepreneurs,” social *intrapreneurship* dominates; actors from the private sector play only a marginal role.

Only 10 out of 55 projects in culture-sensitive elder care could be classified as socially entrepreneurial from an organizational-form perspective (using the indicators of independent organization, application of private-sector-type management techniques, and legal form). This number did not increase when a style-of-action perspective with a focus on social innovation was applied (indicators: midterm perspective, new target groups, and innovative concepts) Using this perspective, 10 projects were identified. The intersection between the two perspectives was high: Eight projects were identified as innovative from an organizational and a style-of-action perspective—that is, 5% of the entire sample.

The field of the promotion of children with immigrant background presents quite a different picture. Out of the sample of 821 projects, only 14 were classified as social entrepreneurs from the perspective of organizational form; however, from a style-of-action perspective, 78 were identified. Only five projects (0.6%) fulfilled both criteria.

These results complement our investigation of official data in the section “Welfare Provisions in Two Sectors: The Perspective of Organizational Form.” In both sectors, only a minority of projects were classified as socially entrepreneurial in a pure form. These findings correspond to insights from the entrepreneurship literature, in which two types of entrepreneurs—the Schumpeterian innovator and the Kirznerian exploiter of niches (Kirzner, 1999)—are discussed. The more densely an organizational field is populated by competitors, the more often the small-scale exploiter of niches will prevail. Therefore, we assume that in established welfare states with a relative dense network of social services, the type of social entrepreneurship is different from that found in liberal welfare states or states lacking adequate welfare provision.

In the promotion of children with immigrant background, innovative types of action have succeeded within established organizational forms; in contrast, innovation in the field of culture-sensitive elder care is quite limited. The German welfare market is continuously dominated by established actors. Successful social entrepreneurs are densely integrated within the existing networks—with their innovations at times usurped by the established organizations.

It has been demonstrated that the (presumed) social entrepreneurs in our sample do not represent original organizational forms that are superior per se to the offerings of established organizations. Established organizations have themselves demonstrated a considerable degree of innovation and have been able to promote new ideas within their “old-fashioned” structures (intrapreneurship). In addition, many of these organizations introduced managerial reforms during the waves of New Public Management and “social management” in the 1990s. Even if the extent of these developments is still a matter of contention, the perceived “backwardness” of established welfare associations is far from empirically accurate.

The projects identified in our study are seldom consistent with the image of the individual philanthropic entrepreneur celebrated in the social entrepreneurship literature. There are no examples of ground-breaking innovations that have transformed the institutional landscape of welfare provision by means of diffusion. Rather, we found projects that have developed out of established structures and organizations (intrapreneurship), triggered by local issues. Innovations emerge when established actors cooperate and identify new (often hybrid) solutions. This result points to a quite limited relevance of social entrepreneurship in the narrow sense of the word.

Conclusion: Social Entrepreneurship as a Solution for the Problems of the Welfare State?

This sobering analysis sets up a contrast with the public hyping of social entrepreneurship, calling into question the rhetoric that emphasizes “paradigm shifts” and “change-makers.” Our discussion of the specific conditions of welfare production in

the German sector of social services has shown that a simple transfer of Anglo-Saxon models faces severe constraints. First of all, the terminology and concepts must be adapted to the welfare regime in place and be integrated into institutional contexts. With regard to terminology, even the term “social entrepreneurship” has been rejected by most innovators as a label for their activities (justifying our methodological approach *ex post*).

There is no doubt that the visionary character of the social entrepreneurship discourse is attractive, especially to actors outside the social-policy network. For such actors, the discourse seems to open up new options to resolve the dilemma of rising social needs and stagnating public budgets. At the same time, it seems to foster a qualitative surplus through the personal commitment of “entrepreneurs” (neither bureaucrats nor social workers) within the field of social services. However, our terminological considerations, along with an analysis of the terms of production in the German social-service sector, have demonstrated that a simple import of the social entrepreneurship model from the American and British context to the German conservative type of welfare state faces severe constraints. The principal characteristics of conservative welfare states (such as juridification, a high degree of corporatism, and the predominance of social insurance) often hinder the activation of new actors.

In addition, the relatively high degree of social security and the density of services do not allow many niches for innovation, as is the case in the British and American systems. On the other hand, a lack of philanthropic culture hinders the financing of projects beyond state involvement. We assume that these limitations are not specific to the German case, but can be transferred to other countries following a specific European tradition with specific associations and mutualist traditions in their “social economy” (Evers & Laville, 2004a). For “policy-learning” to occur, the terminology and concepts involved must be adapted to the respective regime and the prevailing local context. An adequate understanding of social entrepreneurship in the context of hybrid organizations has yet to be developed for Germany. To investigate the consistency of the international discourse of social entrepreneurship, such theoretical efforts are necessary.

As a conclusion, our analysis shows that the German institutional setting provides specific barriers but also incentives for social innovation. This specific German path favors actors from within established institutions that are embedded in local networks over “new players.” Social innovation is therefore more often a form of “intrapreneurship” than of “entrepreneurship.”

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Notes

1. The research was supported by the Stiftung Mercator within the research framework “Innovative Social Action–Social Entrepreneurship.” A more detailed (German-language) report on the project can be found in Heinze, Schneiders, and Grohs, 2011 and Heinze, Schönauer, Schneiders, Grohs, and Ruddat, 2013.
2. In the research on hybridity, we also find approaches that focus primarily either on the type of organization or the respective styles of action. Styles of action can of course follow other rationales as purely entrepreneurial behavior and innovation (e.g., cooperation). For the sake of our endeavor to explore the potential of the mainstream perception of social entrepreneurship, we concentrate on this small set of potential styles.
3. These five (i.e., the Catholic Caritas, the Protestant Diakonisches Werk, the German Red Cross, the social-democratic Arbeiterwohlfahrt, and the grassroots and secular Paritätische) provide the majority of social services in Germany. In the health sector, old-age services, childcare, youth welfare, and the care of the disabled (under the umbrella of BAGFW, or Bundesarbeitsgemeinschaft der Freien Wohlfahrtspflege) have dominated the “market.”
4. Organizational form was measured by reference to the legal form and basic organizational features. Styles of action were measured by items covering the impulse (who initiates), the collaboration with other actors, the mode of governance, and, finally, the innovativeness of the professional approach (new methods).

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