Co-production of social innovations and enabling ecosystems for social enterprises

Sofi Perikangas
School of Management, University of Vaasa, Vaasa, Finland, and
Harri Kostilainen and Sakari Kainulainen
Diaconia University of Applied Sciences, Helsinki, Finland

Abstract

Purpose – The purpose of this article is to show (1) how social innovations are created through co-production in social enterprises in Finland and (2) how enabling ecosystems for the creation of social innovations can be enhanced by the government.

Design/methodology/approach – This study is a descriptive case study. The data comprises focus group interviews that were conducted during a research project in Finland in 2022. The interviewees represented different social enterprises, other non-profit organisations and national funding institutions.

Findings – Social enterprises create social innovations in Finland through co-production, where service innovation processes, activism and networking are central. Also, to build an enabling ecosystem, government must base the system upon certain elements: enabling characteristics of the stakeholders, co-production methods and tools and initiatives by the government.

Originality/value – The authors address an important challenge that social enterprises struggle with: The position of social enterprises in Finland is weak and entrepreneurs experience prejudice from both the direction of “traditional” businesses and the government which often does not recognise social enterprise as a potential partner for public service delivery. Nonetheless, social enterprises create public value by contributing to the co-production of public services. They work in interorganisational networks by nature and can succeed where the traditional public organisations and private businesses fail.

Keywords Social enterprise, Co-production, Social innovation, Ecosystem

Paper type Research paper

Introduction

Traditionally, the Finnish service system is built on strong public services. However, the Finnish model has gradually been dissolved, such that a market for other types of operators has been created alongside public operators, even though the public body remains responsible for services vis-à-vis customers. Social enterprises (later SEs) are an example of such operators. SEs are defined by the OECD as “any private activity conducted in the public interest, organised with an entrepreneurial strategy, whose main purpose is not the maximisation of profit but the attainment of certain economic and social goals, and which has the capacity for bringing innovative solutions to the problems of social exclusion and unemployment.” This paper is interested in how social innovations are co-produced by SEs in Finland, and how they can be accelerated.
SEs have been studied for some time, and certain challenges exist: some SEs are not financially sustainable (Powell et al., 2019), issues related to SE ecosystems need more research (Defourny et al., 2021) and “a clear understanding of how institutions can support the process of social innovation is yet to be developed” (Phillips et al., 2015, p. 454). Enabling ecosystems have been suggested as means to support social innovations by SEs, but there are several challenges related to the creation of effective enabling ecosystems for SEs. Potentially high short-term costs to support the ecosystem might prevent decision makers from looking at longer-term benefits. Also, SEs contribution to the society is often measured merely on financial terms by policy makers. A culture that SEs could help build, that would support sustainable economies in terms of equity, inclusion and justice, ceases to exist in the policymakers’ priorities. Biggeri et al. (2018, p. 303) Finland has a long tradition in research of SEs and hybrid organisations, but systematic policies from government to enhance social innovations by SEs are still missing (Lillberg et al., 2023).

Thus, our research questions are: How are social innovations created in social enterprises in Finland and in which ways could governments strive to build enabling ecosystems for social enterprises? We address the first question by describing the needs to which the social enterprises are contributing, how they are organised and managed, what their characteristics are, and how social innovations are understood and (co-)created in the context of social enterprises (Defourny and Nyssens, 2021; Evers and Ewert, 2021). The second research question is approached by discussing what the enablers and incentives for SEs are, what measures are already in action, and what kind of future potential the interviewees see for SEs. Our data comprises focus group interviews with SEs that were conducted during a research project by VNTEAS (Government’s analysis, assessment, and research activities).

In this article, we first introduce recent literature concerning the relationship between social innovations, co-production, SEs, and enabling ecosystems. Social innovation refers to “the design and implementation of new solutions that imply conceptual, process, product, or organisational change, which ultimately aim to improve the welfare and wellbeing of individuals and communities” (OECD, 2021). Co-production can be understood as different processes, methods and acts, or approaches that employ citizen action and/or citizen voice (Loeffler and Bovaird, 2021).

Our article is a descriptive case study. As a result of the study, we present a theoretical framework that builds upon key requirements for an enabling ecosystem, that could help SEs to thrive. Social innovation ecosystems are networks and communities that support and promote the development and scale of social innovation (Valkokari, 2015). We conclude the paper by claiming that SEs have the potential to co-produce public good through their social innovations, but that they need support from the government. Furthermore, more up-to-date ways of understanding social enterprises are needed in the future.

Social innovations and social enterprises
Social innovations can be positioned having an agenda to solve social, economic, environmental, and institutional problems through transforming society (Portales, 2019; Houtbeekers, 2018). The definitions of innovation vary, but, in general, the concept always implies an interest in creating social change by addressing a specific need or a specific problem (Portales, 2019, pp. 2–3). Already early on, innovations were seen to bring a new social order, impacting social and technological culture through change and novelty (Portales, 2019). Social innovation as a concept has been contested several times in history for being imprecise and used in challenging ways, and this makes it important to try to define and understand it, especially because of its current buzzword position in society and the public service sphere (Ayob et al., 2016, p. 636). Satalkina and Steiner (2022, p. 584) define social innovation as “an intervention that is targeted toward structural changes within a social dimension that, in
terms of different functional settings (e.g. technological, business, organizational), are oriented on systemic improvements of societies”. They position social innovation in a threedimensional framework that specifies function-, aim-, and outcome-oriented interventions.

Social innovations typically involve a multi-agent network that has come together to design, deliver, and sustain new services. Studies show that actors from third sector organisations, voluntary work and social enterprises in particular are seen as the most effective producers of social innovations because of their understanding of specific client needs which enables their focus on a specific problem (Windrum et al., 2016, p. 151). In the research literature concerning social innovations, the innovation element typically relates to “the newness of the ideas themselves, [and] the newness of the collaborative forms of social relations involved in both the idea generation and the implementations of these ideas”, and one can distinguish between completely new solutions and improvements in an existing solution (Ayob et al., 2016, p. 648). According to Portales (2019, 4), social innovation has four key elements: The satisfaction of a need, the innovation of a solution, a change of social structures and relationships, and an increase in society’s capacity to act. Social innovations can redefine the structure of social power relations because of their emancipatory nature (Ayob et al., 2016, p. 648; Henry et al., 2017).

Social innovations have been achieved effectively through co-creation by third-sector organisations and SEs (Windrum et al., 2016, p. 151). SEs have been studied through corporate social responsibility (CSR) studies which argue, from a wider perspective, that CSR mediates profitability even in for-profit enterprises (Phillips et al., 2015, p. 429). Addressing societal change through social innovation requires changes in the design, organisation and delivery of the services of products (Windrum et al., 2016, p. 152). Social entrepreneurs work within a framework where social innovations and a business approach meet, “bringing about social outcomes” that answer to a specific need of a certain specific community (Phillips et al., 2015, p. 430). Phillips et al., (2015) specifies that the goal of a SEs is not in bringing shareholder wealth, but in achieving the radical transformation of services or production processes. Thus, SEs could be central contributors to societal change.

SE operators are more sensitive than public and commercial actors in responding to changing environments and customer needs in certain situations because their services are based in the grassroot initiatives (Terstriep et al., 2020, p. 887). SEs are also seen to produce social sustainability through social innovations (Kamaludin, 2023, p. 10). SEs often operate in markets that are not interesting enough to (purely) profit-making companies, or where the public sector has not been able to meet the needs of the population. This enables social enterprises to quickly meet the needs of citizens who otherwise would be in danger of dropping out of the service cycle, making them especially vulnerable. Co-production has an opportunity to include the disadvantaged citizens in the service development and delivery process (Eriksson, 2022), making it a potentially effective way for SEs to seek social innovations.

Co-production of social innovations

The traditional view of co-production is in co-delivery, where state actors and citizens concurrently and jointly act to provide or improve public services. Citizens can take different roles in different phases of a co-production process (Cepiku et al., 2020, pp. 3–4). Co-production is often a mix of individual and collective acts, that can both enhance social innovation in different ways. Governments should seek ways to support both in different phases of public service design and delivery (Pestoff, 2015, p. 6). Sicilia et al., (2016, pp. 9–10) argue that co-production is relevant in public service provision because of its potential to deal with a range of factors in a service delivery cycle. They also note that a “co-production cycle” includes the planning, design, delivery, and evaluation of the service. Thus, social innovation can be seen as a part of co-production process, where change is achieved through collaboration, leading to new ideas,
empowerment for the actors, and, finally, societal impact (see Figure 1). There has been some research into the process of social innovation (e.g. Phillips et al., 2015, p. 431; Ayob et al., 2016; Crossen-White et al., 2022), and, viewing social innovation as part of a co-production process offers an opportunity to study the principles and elements that are central to the production of social innovations. Social innovations are characterised by their efforts to solve systemic problems that require a common playing field between social subsystems (Carayannis et al., 2021). Social innovation processes consist of parts where new or unmet social needs are identified, solutions to respond to these needs are developed, the effectiveness of the solutions is evaluated, and effective social innovations are scaled up (Carayannis et al., 2021).

Windrum et al. (2016, pp. 153–154) list three areas where a service innovation perspective can be related to social innovation:

(1) Social innovations lead to new or modified services which improve the quality of life of individuals and communities. (2) Citizens are not simply passive consumers of services but active participants, who co-create, trial and implement innovations and, through actively using these innovations, help to diffuse service innovations. Driven by a desire to “solve their own problems”, citizens innovate in ways that deliver better services and social welfare. (3) Intermediation of social innovation by knowledge-intensive service organisations: knowledge-intensive public, third sector or private sector service businesses may play a leading role in organizing and diffusing social innovations in service sectors. These organisations may be intermediaries, acting on behalf of users.

Ayob et al. (2016, p. 649) also suggest that co-production can be linked to more radical models of social innovation where it challenges current narratives and power relations by engaging and empowering disadvantaged people. According to Henry et al. (2017, 788), behind social innovations, there is an intent to alter power relations in society which are central drivers of social problems. One challenge to co-production as a means of producing of social innovations is that social innovations often remain local and temporary (Brandsen et al., 2016). One reason for this may be failing to delineate the specific responsibilities of government and co-producers, establishing financial processes and ensuring the continuity of service delivery (Steen et al., 2018, p. 285). This makes altering power relations to achieve societal impact quite challenging, which is why collaboration between all relevant stakeholders, and the creation of an ecosystem around them, would be desirable (Carayannis et al., 2021). Wu et al. (2015) suggest establishing co-production platforms as means to enhance social innovation through partners’ skills. Also, research suggests that governments and initiators of social innovation platforms utilise systematic tools and methods for co-production, thus making the work repeatable and scalable, and ensuring its continuity beyond one project or a pilot program (Henttonen et al., 2020; Perikangas et al., 2022).

**Figure 1.** Social innovation pathways link to co-production

_Source(s):_ Adapted from Ayob et al. (2016)
**Social enterprise ecosystems**

Different terms have been in use for the systems that aim to support the capacities of social enterprises, but we use the term enabling ecosystem as a supportive environment around SEs. An enabling ecosystem for SEs is one that enhances the social innovation capacities of SEs. (Biggeri et al. (2018, p. 300–301) Different problems related to enabling ecosystems for SEs exist. For instance, there are inefficient ways to use financial resources, which stand out in projects with high power distance between stakeholders (Hazenberg et al., 2018, p. 116) Thus, financial resources are needed, but they need to be utilised in a way that creates most impact in the society. In addition, financing of the SEs is often centralised to the known actors, and scaling is difficult for smaller SEs. On the other hand, sometimes small, local actors create a lot of impact within a small area, and act in replacement of the public services (Hazenberg et al., 2018, p. 118–119). Also Mazzucato (2019) has reported that ecosystems for mission oriented business and innovation endeavours need understanding and emphasis on the public sector capabilities, financing mechanisms, and citizen engagement. The ecosystems may also suffer from ill characteristics of the actors, causing imbalance of the power relations between the actors and hindering collaboration (Hazenberg et al., 2018, p. 117) Thus, certain enabling characteristics are needed from the actors in an enabling ecosystem.

Biggeri et al. (2018, pp. 191–193) have listed several features for an enabling ecosystem, indicating them to create conditions that may have positive effects for SEs. These features contextualise within the rough themes of identification of the needs of goods and services, socio-institutional context where the needs are recognised and collective agency that works toward fulfilling the needs. The role of citizens is central in social innovation ecosystems. Their contribution is needed to evaluate whether the needs and aims of the desired innovations are right (Rocha et al., 2021; Paananen et al., 2021). Newth and Woods (2014, pp. 207–208) list four contextual elements to consider for social innovations: (1) the organisational context, (2) the market in which SEs participate, (3) the informal institutions, (4) the formal institutions. In general, a social innovation ecosystem requires contribution from several different actors, including NGOs, private businesses and universities. Lindsay et al. (2018) suggest the use of a collaborative governance model to enhance co-production of social innovations. Thus, an enabling ecosystem for SEs could utilise a collaborative management framework to ensure successful service delivery as a part of it.

Finnish Universities including Universities of Applied Sciences play a significant and crucial role in Finnish innovation policy. The Finnish government has recognised the importance of universities of applied sciences fostering innovation and economic growth by bridging the gap between academia and industry. Universities often establish entrepreneurship hubs, incubators, and accelerators that provide infrastructure, resources, and networking opportunities to support the development of innovative startups, recently even for social innovations and social entrepreneurship.

**Method and data**

This paper addresses the question of how social innovations are produced, and how could governments enable them. We approach these questions through a descriptive research design, where interview data is analysed through depictions of the needs, organisation and management and characteristics of social innovations in social enterprises (Anastas, 1999). In addition, the enablers, incentives, and future potential for social enterprises are described. Later, we discuss how the results appear from both institutional and individual perspectives (Figure 2).

The data collection was carried out as part of a project funded by the Prime Minister’s Office that surveyed social innovations in social enterprises (Lillberg et al., 2023). The researchers arranged semi-structured thematic focus group interviews in May 2022 (Schorn, 2023).
Nine social enterprises (SE1–SE9, see Appendix) were represented in the interviews, in addition with two Finnish ministries (later in quotations, EN1 and EN2). The interview themes were (1) the societal needs and solutions from SEs, (2) the orderers and producers of solutions, and (3) enablers and future for SEs and social innovations. The themes were determined by the recent discussion in the European and Finnish contexts of social innovations by SEs, where the role of public organisations, need for public policies, and better understanding of SE ecosystems have been recognised. (see ie. Benoit et al., 2021; Lillberg et al., 2023). The interviews lasted about 90 min each. All interviews were conducted in Finnish, and quotations in Findings section were translated into English by one of the authors. The authors used researcher-triangulation to ensure the correctness of the translations.

The selection process of the interviewees was based on a division of different types of SEs. The division was between organisational actors in the early stages of operations, longer-term organisational actors, and corporate social enterprises. The last group involved governmental actors that could work as enablers of social innovations. After the division, one of the researchers listed 20 actors that were invited to the interviews. The criteria for the shortlist were that the SEs must have cooperation with both the governmental organisations and private institutions and/or the civil society. The list was compared against a quantitative data set of 3,670 Finnish SEs, to ensure the representativeness of the interviewed SEs (The Centre of Expertise for Social Enterprises, 2022).
Each interview followed the same structure. Each interviewee was asked to comment on each topic, and discussion between the group participants was encouraged. We used thematic analysis in coding of the data (Nowell et al., 2017). Figure 3 depicts the process. The comments that indicated one or several of the themes which we relate to the creation of social innovations and building or enabling local or national ecosystems to support them were collected. After the initial coding, member checking was conducted (Lincoln and Guba, 1985). It allowed the researchers to establish the fit between respondents’ views and the researcher’s representation of them. Afterwards, focused coding and creation of the themes were conducted, and as a result, the researchers constructed a theoretical framework of the interconnectedness between co-production of social innovations and enabling ecosystems for social enterprises (later, see Figure 4).

Figure 3. Coding process and the analysis stages of the data

Data

Analysis stages

Source(s): Author’s own creation

Figure 4. An enabling ecosystem and its requirements in relation to co-production and a social innovation process

Source(s): Author’s own creation
Findings
Our findings indicate that the co-production of social innovations by social enterprises in Finland follows the process that Ayob et al. (2016) presented quite well (see Figure 1). Collaboration in the form of co-production could be seen in all interviewees’ cases, and it had often led to system-level solutions. Through engagement, the actors had been empowered, which became visible in changes in the social power relations within the co-production process. Also, societal impact had been achieved to a degree, in the form of new practices that the organisations working with social enterprises had adapted.

What needs are social enterprises contributing towards?
The interviewees mentioned the following reasons for social enterprises to exist: Serving groups with special needs, reducing inequality, enhancing inclusion, and the creation of public value. All the interviewees from social enterprises agreed that the need for a social innovation is always born from customers’ needs. A co-production approach was embraced in all of the social enterprises. According to an interviewee from SE5: “Reduction of inequality and strengthening participation fit well for social enterprises. People are made the subjects of their own cases. They get to design, implement, and evaluate the services offered to them.” The social innovations created by the social enterprises aimed at solving several social problems through addressing a specific need, for instance, to enhance social wellbeing for ageing people. An interviewee from SE1 stated: “We knew about the volunteers’ waning interest in committing to long-term work. On the other hand, we knew about elder peoples’ loneliness. We decided to combine these two problems.”

The need for a social innovation could also be system-oriented and structural. In SE7, the social innovation was to work as a mediator between small wellbeing service providers and their potential customers, in this case, governmental institutions. The interviewee from this organisation told that: “Our enterprise brings together services by single actors and offers “stronger shoulders” in relation to the customers. . . Co-production and service integration require value-based commitment.” Through their values-based approach and strong networks, they could offer chances for smaller and more specific service providers. New forms of social relations are born when people collaborate.

How are social enterprises and their services organised and managed
In nearly all the interviewees’ responses, the strong role of the target group, the beneficiary, was mentioned in the co-production of the service. They had participated in the development of the service, but in most cases acted as co-producers within the networks that acted for their benefit. An interviewee from SE9 stated: “People are actors with strong agency, not objects. Our aim is that the users of the services are also the developers of the services.” In SE5, the development of the services had happened in roundtable discussions, where solutions were sought together. In case SE7, the social enterprise worked closely with private companies, forming networks, and setting shared goals.

The ability and willingness to take risks was seen as central in enhancing social innovations. The interviewee from SE5 mentioned: “One big foundation is about to start collaboration with a family enterprise that creates carbon neutral living solutions made of wood. This kind of combination attracts interest; it’s a social innovation. They take a risk to build better services for a certain target group.” They considered this to be a social innovation. They also mentioned digitalisation as a form/or mediator of social innovation, as well as service design. “There’s digital start-ups relating to mental health and [a] good life that solve the problems of different patient groups”.

Platform thinking and networks were also mentioned as ways to organise, along with lean and start-up thinking. At the same time, the ways of organising were seen as social
innovations. The interviewee from SE9 said: “Creating the network was a sort of social innovation. The network forms an ecosystem which helps the small actors create rather big operations”, and “The operational model is the social innovation.” Service integration was also seen as a way to organise and manage social enterprises and their environment. The interviewee from SE7 said: “We work as an integrator. We collect individual services together and offer “stronger shoulders in relation to the buyers of the services.” Social innovations are born in collaboration, and as a result people are empowered which can change power relations between the SEs and the government in a positive way.

Characteristics of social enterprises
When asking about the drivers of social enterprises, one interviewee mentioned activism as a desirable characteristic of a social enterprise: “Social enterprises should be feistier in criticising businesses that grow too big.” Another interviewee, from SE6, mentioned that “Professionalism”, “customer centricity”, and “interpreter of the everyday” are the three elements of a social innovation. The element “interpreter of the everyday” refers to the practical and systemic understanding of how the services work in individuals’ lives. Social innovations can also happen unknowingly and relate to making things differently or better. The interviewee from SE4 described the participants of a social innovation process, when asked about what the development processes of social innovations have been like: “The program for youth was initiated by collecting the perspectives and knowledge of the youth from the experts in the corporation. The youth were strongly involved.” A central characteristic for social enterprise is the involvement of a variety of actors in the social innovation process, this repeated in all the interviewees responses. A good everyday life and the wish to create a good life for everyone were seen as the purposes of SEs. In the future, The interviewee from SE9 stated: “social innovations should produce good life for society.”

The enablers and incentives for social enterprises
The enablers for social enterprises were seen primarily as means for funding. Typically, the social enterprises worked on different projects that received funding from different sources. The interviewee from SE3 noted that: “The development processes [of social innovations] are project based. Implementation and scaling of the services has often been forgotten. . . . [Our] model was born through projects and found its place in municipalities.” In the future, funders could include the government, municipalities, wellbeing services counties, and TE services through public procurements. Suggested by the interviewees, another way to get funding was through different projects, but an enabler for the social innovations was seen to be long-term development. The interviewee from SE2 said: “Social enterprise itself can be a social innovation that solves a social problem. But in such a case, there should be long-term funding.” Another enabler was to make social enterprises and their specialities better understood amongst financial instruments.

The interviewees felt that there were currently no incentives for social enterprises to create societal impact through change. Possible incentives that the interviewees mentioned were a positive perception of social enterprises, tax relief in a situation where profit is reinvested in the operation, conspicuousness, societal valuation, concrete support, such as help in scaling, and prioritisation in competitive tendering. Regulation was seen as central in the creation of incentives, as well as possibility in changing company form. The interviewee from SE8 stated: “A family company could turn into a social enterprise”. Also, fast-paced funding systems were seen as important to respond to fast-changing needs.

Creation of more knowledge about social enterprises and social innovations was seen as an enabler for social enterprises. The interviewee from SE3 told: “Public procurements could create a buyer market, if the procurement departments had knowledge and will to help build
social innovation activity by SEs.” Often SEs struggle in the shadow of traditional businesses. The interviewee from EN2 said: “Innovations and social innovations are not competitors with each other. By research, it is possible to raise the significance of social innovations.”

The future potential of social innovations by social enterprises
In the future, special focus on systems and network management and the needs of the green transition were seen central, although at the same time, the interviewees thought that social innovations should always be grounded on the problems of people’s everyday life. The interviewee from SE2 told: “We are good at developing structures and performance, but weaker on the practical level. Social innovations require smooth cooperation between actors. Consideration of the whole, the eco-social aspect, will be an important theme.” The interviewee from SE4 stated that social enterprises and social innovations could provide a solution to a problem within the professionals in social and healthcare field: “Social innovations would be needed to make the work in social and healthcare field attractive. New ways of meeting people and work.” Also, regional development was seen as a future beneficiary of social enterprises. The interviewee from EN1 said: “From the perspective of the countryside, social enterprises or collective economy could be solutions. The distances [to services in the countryside] are long, for instance. There would be a need to bring actors and people together to produce services. The services could be related to help in everyday tasks, elder people’s habitation, or environmental care.”

Discussion
The results of this study have shown that the purpose of SEs is tightly connected to solving systemic problems that typically the most vulnerable people suffer from (Tuurnas et al., 2015; Määttä, 2012). Relying on strong networks, both volunteer and professional, are ways to organise for SEs. Practical understanding of people’s everyday lives is a central characteristic of SEs. Financial resources, regulation and knowledge of SEs were seen the main enablers and incentives for SEs. In the future, the interviewees wanted to see an emphasis on enabling systems and networks. Thus, building on Ayob et al. (2016), we suggest a framework for building enabling ecosystems for social innovations in SEs (Figure 4). The framework depicts key requirements for an enabling ecosystem in relation to co-production and social innovation process. Next, we explain how (1) Enabling characteristics of the stakeholders, (2) Co-production methods and tools, and (3) Initiatives from the public sector, are key requirements for an enabling ecosystem for social enterprises.

Required characteristics of the stakeholders in an enabling ecosystem
In addition to involving the appropriate stakeholders, a functional social innovation ecosystem requires several characteristics of the stakeholders, such as a willingness to collaborate, openness, trust, and cooperation between different stakeholders, in addition to a supporting platform for the work (Terstriep et al., 2020). The same criteria and characteristics apply to the co-production of social innovations in general (see Carayannis et al., 2021; Crossen-white et al., 2022). Based on the analysis of this study, we consider six characteristics central to a functional ecosystem: willingness to collaborate, open communication, trust, shared goals, right incentives, and resilience.

Willingness to collaborate is the first enabling characteristic. All stakeholders must be motivated and willing to collaborate with SEs. The ecosystem must be able to produce new interventions or new programs to meet social needs (Carayannis et al., 2021, p. 237). Participation is a preliminary level of engagement in which citizens share power with public
officials, and inclusion is a key cornerstone for the element to materialise (Rocha et al., 2021, p. 7). At the same time, it makes sense to assess how much regulation is needed and whether new ways of working could be more effective than the old ones. In many respects, public and private work side by side, but in a different environment, a public and SE could also operate in an innovative way in parallel.

Second, open communication between stakeholders ensures that knowledge and resources can move freely. The ecosystem must encourage participation and increase willingness to contribute ideas (Crossen-white et al., 2022). Furthermore, by making it transparent, it helps to shape expectations for the co-production process, and constitutes a base element for communication, consensus building, and dialogue (Rocha et al., 2021, pp. 4–5). Third, continuous, sustainable collaboration requires trust between stakeholders. The ecosystem must develop trust especially among its citizen representatives, and create a sense of ownership in the project (Crossen-White et al., 2022). Trust can be glossed as “trust in people” or “trust in institutions”: good ecosystem governance is facilitated by trust, hence it can create respect and understanding towards institutions, citizens, and political decision making (Rocha et al., 2021, p. 6).

Fourth, collaboration must be based on shared values and goals, so that the stakeholders can work together effectively and achieve the shared goals. The ecosystem must be demand-led rather than supply-driven (Carayannis et al., 2021, p. 236). Modern public governance is based on a needs-based assessment of which service is provided at any time and to whom. The challenge for public administration is to be able to provide services to the masses, but not tailored to the specific needs of the customer. From the point of view of social (and other) companies, the crucial question is whether – and under what conditions – the public sector can hand over its responsibilities to other actors? Fifth, collaboration requires the right kinds of incentives in order to motivate and engage different stakeholders. The ecosystem needs to be participative and empowering of citizens and users rather than “top down” and expert led (Carayannis et al., 2021, p. 236). However, when SEs combine social and economic objectives, their position in the market is more challenging than that of profit-making companies. From a social point of view, it makes sense to organise services for different service needs, even if they do not constitute a market, but the activity is beneficial to society.

Lastly, collaboration requires resilience and readiness to adapt to changing circumstances and needs, forming an ecosystem based on interdependencies. The ecosystem must be open rather than closed in regard to knowledge sharing and ownership (Carayannis et al., 2021, p. 236). In fact, a rapid response to people’s changing needs is a certain type of social innovation, or at least one of its specific features. From the point of view of equity, however, there may be a risk that regions will differentiate from each other and that there will be better support in one region than in another. It would therefore also be important to compile good local practices into generic models and scale them elsewhere.

**Systematic co-production is needed for social innovation**

In the case of all the SEs studied, the mission is either on creating systemic solutions for people in vulnerable positions, or it is on the individuals and changing their actions. Both positions aim at a similar future though: Achieving societal impact by cultural change through the work they do. This requires systematic co-production. Neither top-down nor consumerist market-oriented public service provision is prepared for systematic co-production (Pestoff, 2015, p. 6). Their governance logics differ from the inclusive and collective ideas of co-production (Pestoff, 2015). Thus, creating, scaling, and sustaining social innovations is difficult, unless systemic change is pursued.
According to the interviews, central elements for the creation of social innovations are professionalism, customer centricity, and practical and systemic service knowledge. Social innovations are understood through co-production in SEs. Co-production processes facilitate the production of these innovations by providing tools and mechanisms to bring together professionals, clients, and other relevant actors, and, through service design, to enable the co-creation of practical knowledge and plans for improvement of services and networks (Ayob et al., 2016). Co-production especially has a positive effect on innovation by offering to facilitate the development of skills and experience through knowledge transfer (Wu et al., 2015, p. 2251). In addition, Wu et al., argue that co-production enhances the self-efficacy of all co-production partners. Co-production entails the idea of a community, a network, an ecosystem, a platform and/or an organisation. Social innovations answer to the needs that arise from people’s everyday needs, and a social enterprise has the agility to find those needs in society and react to them. SEs also have an ability to take risks and make mistakes, and accountability is a typical feature (Defourny and Nyssens, 2021; Evers and Ewert, 2021).

The findings can be perceived from both a collective and an individual point of view. Some of the social enterprises represented emphasised individual acts as co-production, some collective acts. Different kinds of co-production in the production of social innovations can be distinguished in the following way: Individual acts of co-production are based on spontaneous or informal acts that can still be necessary as a part of a service. Collective acts of co-production “involve formally organised and institutionalised activities done together with others” (Pestoff, 2015, p. 4). A mix of collective and individual co-production is also common, especially in relation to long-term co-production, where both individual and collective efforts are systematically facilitated (Pestoff, 2015). Social innovations usually need several types of actors within an ecosystem around one or more SEs, and both volunteerism and professionalism with strong customer centricity are present in social innovations by SEs (Defourny and Nyssens, 2021; Evers and Ewert, 2021).

Power relations and societal structures are inherently resistant to change, particularly when coupled with the entrenched interests of powerful actors, thereby positioning the very agenda of the “social” in social innovation as a particularly challenging form of innovation (Newth and Woods, 2014). Different forms of power can affect the opportunities for social enterprises to create change and impact through social innovations. Ideological power, which is related to the norms and values of people; economic power, which relates to the exploitation of resources; and political power, which relates to the regulation of social life are all things to be considered when trying to enhance social innovations (Henry et al., 2017, p. 788). Co-production as a process towards social innovation has the potential to break these traditional power structures if it is systematic and sustainable. The characteristics of acts of co-production as described in the interviews were: digitalisation, service design and governance, networking models, and empowerment of actors. Empowerment of actors was seen central in social innovation processes, creating new forms of power relations, and, thus, contributing to cultural change and societal impact.

According to the interviewees, social innovations are needed where the public sector and traditional businesses have failed, repeating what previous studies have shown (Phillips et al., 2015; Ayob et al., 2016). Thus, the working environment for social enterprises should enable social innovations and encourage them to thrive. There are several methods and tools to stimulate the co-production of social innovations in a systematic way. These include living labs, which are a concrete setting where citizens can participate in an innovation journey; co-production platforms, following for instance the quadruple helix framework, bringing together different actors systematically; and other service design methods and tools that can enhance systematic collaboration (Carayannis et al., 2021; Henttonen et al., 2020; Perikangas et al., 2022).
Enabling initiatives from the public sector

An enabler for social innovation is a network of stakeholders that can lead a joint process towards a shared goal. The interviewees emphasised the networking nature of social enterprises and how co-production is central for them, although they saw a need for a wider enabling ecosystem that would truly make social innovations sustainable and their impact wider, thus producing co-production on a systemic level, with institutions supporting the development of social enterprises (Terstriep et al., 2020, pp. 887–888). The enabling ecosystem was conceived in terms of different initiatives from the public sector that would help social enterprises, and, thus, social innovations, to thrive. These were: Public discourse and cultural change, investments, learning resources, and innovation policy. An enabling ecosystem would create an environment in which social innovations can develop, scale, and impact significant and effective results in communities and societies (Terstriep et al., 2020). Public sector can strive to create initiatives where different actors can take part in. More generally, this aligns with research that suggests collaborative governance and management as means to nurture social innovations, allowing the creation of an enabling ecosystem for service co-production (Lindsay et al., 2018).

Digitalisation and mission-led innovation policies are also initiatives that help to build supportive ecosystems for SEs (Mazzucato, 2019). Digitalisation enables enterprises to reach clients irrespective of their physical location. Digital services may also work as social innovations that are built around one mission, achieving greater sustainability, for instance. Research has addressed the fact that social entrepreneurship can also be seen as a means of enhancing sustainability in deprived urban and rural areas, which may suffer from depopulation and diminishing employment possibilities (Kostilainen et al., 2021, p. 55). Digital co-production can encourage a shift from separate services towards a service ecosystem, and it has potential to enhance inclusion (Paananen et al., 2021; Perikangas and Tuurnas, 2023). Thus, the creation, development, and scaling and sustaining of social innovations need to be equally promoted by the public sector.

Limitations of the study

This study has some limitations. Its small number of interviewees means that the knowledge of Finnish social enterprises was acquired from a limited number of actors. Although the social enterprises were a representative group, representing big, small, newly established, and longer established actors, we cannot claim that all Finnish social enterprises would work in similar ways or have similar agendas. Instead, we recommend more in-depth, as well as perhaps quantitative, studies that would research the themes that arose during this study.

Conclusion

This study has shown how collaboration and partnerships are central to social enterprise ecosystems. In such ecosystems, stakeholders can share knowledge and resources, offer funding, guidance and support for development of social enterprises, or offer opportunities for acquiring new clients. Through an enabling ecosystem, social enterprises can create social impact and contribute to cultural change while doing sustainable business to solve societal problems. Our first research question was: How do social enterprises create social innovations in Finland? We have shown that they do this through co-production, where service innovation processes, activism, and networking are central. Our second research question was: How can governments strive to build enabling ecosystems for social enterprises? According to the results from this study, to build an enabling ecosystem, government has to base the system upon certain elements: enabling characteristics of stakeholders, co-production methods and tools, and initiatives from the public sector.
In this article, we have taken part in the ongoing discussion regarding the relationship between co-production, social innovations by social enterprises and enabling ecosystems. We have presented a theoretical framework that builds upon key requirements for an enabling ecosystem, that could help social enterprises to thrive. For policymakers and social entrepreneurs, we recommend acquiring knowledge on co-production methods and tools, networks and collaborative management. We already presented some examples of recommended characteristics of network actors around SEs, and we suggest governments to build initiatives and development programs that enable SEs to take part in them in different ways.

To conclude, we suggest wider use of state-of-the-art ways of understanding and driving social innovations by SEs. For instance, local communities as social enterprises and technological advances as potential accelerators for such communities could help us address many current and future challenges, such as an ageing society, loneliness, and unemployment in rural areas. The governments should have an open mindset to start creating enabling ecosystems for SEs. Shared digital platforms and co-production tools and platforms are concrete places and spaces that can be built to create chances for effective collaboration between different stakeholders. We also call for more research on the effect of different types of innovations, social, business, and technology, within these ecosystems (Satalkina and Steiner, 2022, p. 586).

References


Co-production of social innovations


**Corresponding author**
Sofi Perikangas can be contacted at: sofi.perikangas@uwasa.fi
Table A1. Characteristics of the interviewed implementers of social innovation ecosystems

<table>
<thead>
<tr>
<th>Social enterprise</th>
<th>Description</th>
<th>Target group</th>
<th>Type of organisation</th>
<th>Organisational modes of activity</th>
<th>Paid employees</th>
<th>Volunteers</th>
<th>Institutional network</th>
</tr>
</thead>
<tbody>
<tr>
<td>SE1</td>
<td>Creative caring community</td>
<td>Elderly people</td>
<td>Registered association</td>
<td>Based on the community work of volunteers in municipalities</td>
<td>5 + temporary project employees</td>
<td>2,500</td>
<td>23 municipalities</td>
</tr>
<tr>
<td>SE2</td>
<td>Training and project organisation for creation of culture</td>
<td>Mental health survivors and people with disabilities</td>
<td>Registered association</td>
<td>Based on the collaboration in networks and sales and trainings of wellbeing products</td>
<td>12</td>
<td>No identified role</td>
<td>43 member organisations, working in mental health, disability, intoxicant, and culture services</td>
</tr>
<tr>
<td>SE3</td>
<td>Expert organisation for the equal employment</td>
<td>People with disabilities, long-term illnesses and people with partial work capacity</td>
<td>Foundation</td>
<td>Development, advocacy, training, dissemination of information and active networking</td>
<td>11 + temporary project employees</td>
<td>No identified role</td>
<td>45 background organisations + co-operation with employment, rehabilitation and education stakeholders</td>
</tr>
<tr>
<td>SE4</td>
<td>Offers social and health care services and housing</td>
<td>Elderly, disabled, addicts, homeless, children, youth, and other people with special needs</td>
<td>Foundation</td>
<td>Paid services and neighbourhood work with volunteers</td>
<td>2,600</td>
<td>No identified role</td>
<td>Part of a larger foundation group</td>
</tr>
</tbody>
</table>

*(continued)*
<table>
<thead>
<tr>
<th>Social enterprise</th>
<th>Description</th>
<th>Target group</th>
<th>Type of organisation</th>
<th>Organisational modes of activity</th>
<th>Paid employees</th>
<th>Volunteers</th>
<th>Institutional network</th>
</tr>
</thead>
<tbody>
<tr>
<td>SE5</td>
<td>Dedicated to educating the public in matters of home economics</td>
<td>Anyone</td>
<td>Registered association</td>
<td>Collective learning amongst members through different clubs</td>
<td>Approximately 100</td>
<td>38,500 members</td>
<td>Part of the International Federation for Home Economics (IFHE), collaboration and campaigns with organisations and the authorities</td>
</tr>
<tr>
<td>SE6</td>
<td>Produces child welfare services</td>
<td>Expecting families and families with small children</td>
<td>Registered association</td>
<td>Free services and help from experts by experience and volunteers</td>
<td>70</td>
<td>The number of volunteers is not specified</td>
<td>Collaboration with municipalities, families, and research institutes</td>
</tr>
<tr>
<td>SE7</td>
<td>Network platform for producers of well-being services</td>
<td>Public social and healthcare services</td>
<td>Limited liability company</td>
<td>Digital platform and network, collaboration and co-creation</td>
<td>3</td>
<td>No identified role</td>
<td>35 shareholders who collaborate to offer services to public employers</td>
</tr>
<tr>
<td>SE8</td>
<td>Develops and promotes tools based on virtue ethics for organisations</td>
<td>Work environments</td>
<td>Limited liability company</td>
<td>Coaching for organisations and free tools for education of children</td>
<td>3</td>
<td>No identified role</td>
<td>No identified network</td>
</tr>
<tr>
<td>SE9</td>
<td>Open space that offers services and rental spaces</td>
<td>Promotion of mental health</td>
<td>Limited liability company</td>
<td>Co-creative space for events, work, art</td>
<td>6</td>
<td>The number of volunteers is not specified</td>
<td>Shareholder and collaborative associations and projects</td>
</tr>
</tbody>
</table>

**Source(s):** Authors' own creation