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Judith Alms & Christine Tamásy

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Social entrepreneurship ecosystems in the Baltic Sea region: searching for rural perspectives

Judith Alms and Christine Tamásy

Department of Human Geography and Interdisciplinary Centre for Baltic Sea Region Research, University of Greifswald, Greifswald, Germany

ABSTRACT

The Baltic Sea region faces diverse and uneven challenges, underscoring the need for new regional and rural development approaches. Social entrepreneurship gained attention for its potential to strengthen rural well-being and resilience. A supportive social entrepreneurship ecosystem (SEE) helps entrepreneurs to fulfill this role. However, spatial specificities of these ecosystems remain underexplored. This article delivers a qualitative document analysis of SEEs in six selected countries within the Baltic Sea region and it assesses representations of rurality. The findings reveal that most strategies and supportive structures within the ecosystems lack emphasis on the particularities of rurality for social entrepreneurship.

KEYWORDS Social entrepreneurship; social entrepreneurship ecosystem; rurality; Baltic Sea region; document analysis

The countries of the Baltic Sea region (BSR), which comprises Denmark, Estonia, Finland, Germany, Iceland, Latvia, Lithuania, Norway, Poland, and Sweden as adopted by the Council of the Baltic Sea States (CBSS), represent different welfare state traditions but share concern for service provision in rural areas. While natural landscapes and rural lifestyles frequently constitute an integral part of regional and national identity (Cimdiņa 2014; Gisselman et al. 2017), rural areas across the BSR face multiple challenges, including an aging population and outmigration (Greblikaitė, Rakštys, and Caruso 2017; Lundgren, Randall, and Norlén 2020; Plüschke-Altof 2019). These challenges can be understood as an early expression of what Garretsen, Kitson, and Yang (2025) describe as an era of crises and megatrends. In response, scholarly attention shifted toward regional and rural development with an emphasis on sustainability and resilience. In addressing this polycrisis with polysolutions (Parnell, van Hout, and Del Fante

CONTACT Judith Alms judith.alms@uni-greifswald.de Department of Human Geography and Interdisciplinary Centre for Baltic Sea Region Research, University of Greifswald, Institute of Geography and Geology, F.-L.-Jahn-Straße 17a, 17489 Greifswald, Germany

2024), a focus on economic growth is giving way to more comprehensive approaches that encompass ecological and social transformation, along with economic, ecological, and social resilience (Howaldt and Schwarz 2022; Pascariu et al. 2023). The difficulties in ensuring the provision of services and infrastructure for rural communities increased the importance of the emerging concept of social entrepreneurship (SE) as a potential solution (van Twuijver et al. 2020).

SE is defined as 'the creation of social value through innovation with a high degree of participation, often involving civil society and often of economic importance' (Lundgaard Andersen and Hulgård 2016, 23). One way to enable social entrepreneurs to fulfill this desired function, particularly in rural areas, involves the development of a supportive social entrepreneurship ecosystem (SEE). The ecosystem approach is frequently employed by policymakers to create an attractive institutional and legal framework and foster support entities, as well as education and research institutions, for SE (Roy and Hazenberg 2019).

As the geographic discussion of SEEs has been raised recently, there is still a lack of understanding of the articulation of different spatial realities within such ecosystems. This article examines the national SEEs of six selected countries in the BSR and the extent to which rurality is addressed within these ecosystems. To achieve this, the study employs an in-depth document analysis by using a qualitative research approach. Adopting an ecosystem perspective, it explores historical developments, legislative frameworks, and actor constellations across different national contexts. By analyzing relevant SEE documents, the study assesses the representation of rurality within these ecosystems and evaluates the implications of ecosystem structures for fostering rural SE. It reveals that social entrepreneurship is increasingly recognized as a tool for rural development. There is still, however, little articulation of the specific opportunities and challenges of rural SE in strategies and related supportive structures within the examined ecosystems.

Social entrepreneurship for rural development

There are numerous definitions of SE, which lead to varying understandings; as a result, the concept remains vague in both academia and practice. As Mair and Martí state (Mair and Martí 2006, 37): 'We view social entrepreneurship broadly, as a process involving the innovative use and combination of resources to pursue opportunities to catalyze social change and/or address social needs.' It emphasizes the innovative aspect of SE and presents two perspectives on the phenomenon. On the one hand, it is seen as a way of pursuing opportunities, such as, leveraging lower prices to establish a sustainable production site in a rural area. On the other hand, it is viewed

as a need-driven innovation, for example, filling gaps left by dismantled state services in remote rural areas.

While the entrepreneurial dimension remains openly defined in Mair and Martí's definition, the EU offers an operational definition of a social enterprise explicitly operationalizing three dimensions: 'social enterprises run commercial activities (economic dimension) in order to achieve a social or societal common good (social dimension) and have an organization or ownership system that reflects their mission (inclusive governance-ownership dimension)' (European Commission 2020, 28). The terms 'social enterprise' and 'social entrepreneurship' are often used interchangeably in academic discussions, particularly in policy documents, such as those examined in this article. As one example of many, the EU refers to these terms without making clear distinctions in the Social Business Initiative (European Commission 2011). Although there is a difference in perspective, since social entrepreneurship describes the process of opportunity seeking, enterprise creation, and development, while social enterprise focuses on the projects undertaken (Chell 2007), the assumption here is that the corresponding ecosystems are largely constituted by the same networks, actors, and framework conditions.

SE is increasingly perceived as a means to overcome the challenges faced by rural areas and to enhance the resilience of rural communities (Christmann 2014; Steiner, Calò, and Shucksmith 2023). In their systematic literature review, van Twuijver et al. (2020) show that most studies attribute positive economic, social, and ecological impacts to SE in rural areas. Driven by a strong sense of community, social enterprises combine a range of often underutilized resources to create social value. They conclude that: 'The "rural" appears to be not just a residual factor but a core issue that shapes the role and form of rural social enterprises' (van Twuijver et al. 2020, 135).

A common notion used to describe the particularities of social enterprises in rural areas is embeddedness. These enterprises are characterized by strong local ties and place attachment. This is a feature that they share with traditional rural entrepreneurs (Korsgaard, Müller, and Wittorff Tanvig 2015), as they build on local resources and often remain firmly embedded in their communities. Richter et al. (2020) further extend the discourse on embeddedness by highlighting the role of rural social entrepreneurs as embedded intermediaries. Both emotional and instrumental place attachments tie them to their rural contexts, while at the same time, these entrepreneurs cross boundaries not only between the spheres of state, market, and civil society, but also across governance levels to engage with national and international partners. This approach allows for a broader conception of rurality, as these actors bridge the gap between rural and urban by integrating urban resources and networks into rural places.

Social entrepreneurship ecosystems

The concept of SEEs has been adopted from entrepreneurship studies, where entrepreneurial ecosystems are a well-established field of research (Schäfer and Mayer 2019). Entrepreneurial ecosystems are understood 'as a set of interdependent actors and factors coordinated in such a way that they enable productive entrepreneurship' (Stam 2015, 1765). de Bruin, Teasdale, and Roy (2023, 348) adjust this ecosystem definition to SE by defining SEEs as: 'a dynamic mix of interacting elements, actors, and environmental conditions, all with the intention of sharing value within and beyond a community. Human and social capital, markets, policy, finance, culture, and supporting structures all interact to influence formal and informal networks.' The practices of SE are characterized by sensitivity to the perspectives of various stakeholders. It also requires an understanding of the needs of target groups and ways of founding and managing an enterprise, which typically involves collaboration with partners in areas such as administration, finance, or legal matters. By integrating target groups or their representatives into decision-making processes and articulating their needs, social enterprises can even be viewed as actors of deliberative democracy (Roy, Dey, and Teasdale 2021). The focus on a social mission and the use of entrepreneurial methods to achieve it suggests that the ecosystem for these entrepreneurs is more diverse and complex than that of profit-oriented entrepreneurship (Ricket et al. 2023).

Another key difference between a SEE and a traditional entrepreneurial ecosystem is the more pronounced role of the welfare state in the former. Notably, strong welfare states, such as those in the Nordic countries, can be considered the most important partners within a SEE (Enjolras et al. 2021). On the one hand, welfare states provide services that compete with those offered by many social enterprises, which may limit SE to niche service areas. On the other hand, by establishing a policy framework, the welfare state can encourage both external actors and its own agencies to buy goods and services from social enterprises. Social procurement practices, therefore, serve as a powerful tool for creating market opportunities for SE (European Commission 2020; Roy et al. 2025).

A first attempt at classifying national SEEs applies evolutionary theory to the study of SEEs (Hazenberg et al. 2016). The authors identify seven key areas that are essential for SEEs: procurement policies and regulation; financial activities for ecosystem growth; inclusive labor market practices; collaborative stakeholder systems; training and education; impact measurement and dissemination; and overarching system drivers. Through an analysis of 10 European ecosystems, they developed a typology that classifies national-level SEEs along two dimensions: the degree of reliance on state support versus a private-sector orientation and the scope of operation, ranging from local to

international. This framework results in four distinct SEE types: statist-macro, statist-micro, private-macro, and private-micro. The statist-micro type is characterized by a strong dependence on locally administered state funding, particularly through procurement and community-based instruments. In contrast, the private-macro type is characterized by limited state subsidies and a strong emphasis on financial sustainability among the social enterprises (Hazenberg et al. 2016). This classification is applied in this article to discuss the results of the analysis of the six national SEEs.

The challenges of rural areas, as well as the features of SEEs outlined here, illustrate that the BSR is excellently suited for the study of rurality within SEEs. Linking the concept of SEEs to rurality reveals a research gap. The different welfare systems and entrepreneurial support structures in the BSR create diverse structural conditions that shape the national SEEs. Nonetheless, these countries share the intensifying challenges of service provision in rural areas.

Analytical framework

The BSR comprises countries with different welfare systems and historical trajectories. It is beyond the scope of this article to provide a comparison of all countries within the BSR. Instead, the aim is to compare the different welfare models within the region – specifically, the Nordic, Baltic, and Central European models. Selecting Denmark, Sweden, Finland, Estonia, Latvia, and Germany ensures a comparison of SEE development between these different welfare traditions, while also enabling a comparison between countries within the same tradition.

To examine the SEEs, and specifically the role of rural areas within them, this document analysis draws on policy documents and reports from various public entities. Relevant documents were selected by the following criteria:

(1) Publication body: The publishing entity must be of international or national importance for the SEE
(2) Year of publication: The documents must be published in the last 10 years (2016–2025)
(3) Content: The document must focus on the SEE; no documents on other topics mentioning SE as a side aspect were considered

Documents were identified through snowball sampling. First, country reports and fact sheets were collected from the EU Social Economy Gateway. Second, the body of documents was enriched by adding national laws and strategies. This step involved identifying the key actors in each SEE and searching their websites for relevant documents. Third, the lists of works of the authors of all identified documents were consulted to identify further contributions. This

sampling resulted in a total body of 47 documents, which were then analyzed in depth. This directed sampling method enabled the identification of documents considered central by actors within the SEE, thereby permitting insights into the image the SEE has of itself.

Carol Bacchis' (Bacchi 2009) 'What's the problem represented to be? (WPR)' approach guided the first steps of analysis for each document; an approach that was first applied by Johansson and Gabrielsson (2021). This post-structural approach originates from policy analysis and aims to critically interrogate a document to uncover its implicit assumptions and problem representations. It emphasizes silences, as well as the not-represented and unproblematized (Kupiainen et al. 2023), which ensures a close examination of the positioning and problematization of each document related to SEE development. As a second step in the analysis, the implications of these positionings for rural areas were examined, which permitted the identification of the effects of the problematization on SE in rural areas, even if these enterprises and areas were not explicitly addressed in the document. Finally, the third step of analysis involved examining the sections of each document that directly addressed rurality and SE in rural areas. Therefore, the documents were searched using the keywords 'rural' and 'countryside,' or in German-language documents, 'Land' and 'länd.'- In the next section, each country is introduced and historical developments and welfare-state structures are reviewed. Thereafter, the SEE is described, including the current role of the welfare state, the stakeholder system, financial structures, and the importance rendered to rural areas within the ecosystem.

Searching for rurality

Denmark

In Denmark, the state is the most important provider of social services. In recent decades, the traditionally strong Danish welfare state has been modernized (Greve 2006). Cooperation between the government, businesses, and third-sector organizations has a long history. In addition, the Danish nonprofit sector is larger than in other Nordic countries (Enjolras et al. 2021). Denmark prioritized the development of a SEE mainly from 2007 until 2015, which culminated with the enactment of the law on Registered Social Enterprises in 2014. This registration enables enterprises to demonstrate their status as social enterprises and increase their visibility. Concurrently, the government appointed a National Centre and a National Council on Social Enterprise. Despite this, political attention waned, which resulted in a rapid decline in activities in subsequent years. The center and the council were closed in 2015, and today only the registration remains (Bach and Langergaard

2024). Consequently, ecosystem development lost momentum over the past decade, and while some municipalities remain very engaged (OECD 2023a), political attention has diminished at the national level (Bach and Langergaard 2024; European Commission 2019a). The registration of social enterprises would enable their integration into a social procurement framework, and thereby significantly expand the market for their goods and services. So far, this potential has not been unlocked, except in a few local cases by engaged municipalities (OECD 2022). Most enterprises reported in the European Social Entrepreneurship Monitor (ESEM) have municipalities as their primary customer, with public sector sales representing their most significant source of income (Bach and Langergaard 2024). This underscores the close relationship between social enterprises and the public sector in Denmark.

In Denmark, the term 'social enterprise' is often associated with work integration social enterprises (WISEs), which creates a narrow image of the sector. As work integration is fostered in the general economy, the need for specialized WISEs is lower than in other countries. Many de facto social enterprises do not use the term (European Commission 2019a). The lack of awareness and understanding of SE was identified as the most significant barrier by the respondents of the Danish ESEM (Bach and Langergaard 2024, 55). Denmark's inclusive social welfare structure features well-established public service provision mechanisms, which leave little room for the development of a robust SEE. There is only one small network organization dedicated specifically to SE. Although Social Capital Funds and Social Investment Funds exist, they provide few direct investments to social enterprises. An important stakeholder in the Danish ecosystem is Roskilde University, which established a Center for Social Entrepreneurship in 2006, offers a Master's program, and conducts research in the field (European Commission 2019a).

The Danish SEE documents rarely mention rural areas. The problematizations target the country as a whole without mentioning regional and rural particularities. The EU Country Report states that social enterprises are located throughout Denmark, 'in suburban and rural centers' (European Commission 2019a, 38). As of February 2025, the Central Business Register lists 957 active registered social enterprises in Denmark, of which 101 are located in the capital, Copenhagen. Although this is the highest number for any single municipality, this concentration can still be considered modest. According to the ESEM, 12.5% of enterprises indicate that rural districts are one of their geographical areas of impact, and most orient their activities toward either several municipalities (51.8%) or a single municipality (46.4%) (Bach and Langergaard 2024, 20). These statistics illustrate that a significant number of social enterprises are active in rural areas. No particular needs or

challenges of these enterprises are, however, problematized. The SEE development took a nationwide approach without explicit place-sensitivity.

Overall, the Danish SEE is largely integrated into the general welfare system and is highly dependent on the state, which withdrew much of its national support. Research partners within the ecosystem appear to play a crucial role in its stabilization over time, despite political changes. Notably, while SE is fairly distributed across the country, none of the reports emphasize its potential for rural development.

Sweden

Since the turn of the century, new public management reforms in Sweden have led to the marketization of welfare services. This opened opportunities for SE, but also created competition with large, often international, for-profit service providers (Enjolras et al. 2021). In Sweden, there is no legal form or common definition of SE (Lundgaard Andersen, Gawell, and Spear 2016), and the public sector is crucial both as a buyer of products and as a provider of grants (Mair 2020). According to the Swedish EU country report, social enterprises are integrated into the general economic ecosystem. Policies strongly emphasize neutrality and deliberately avoid favoring any particular legal form or concept. Consequently, social enterprises receive no specific benefits. As most social enterprises are small, many suffer from competitive disadvantages in the procurement process (European Commission 2019d).

In 2018, the Swedish government released the strategy: 'A Strategy for Social Enterprises – A Sustainable Society through Social Enterprise and Social Innovation.' This strategy focused on SEE development and provided three years of funding (Swedish Government 2018b). While the national government did not continue this engagement, some local and regional authorities subsequently adopted their own strategies, which has created a fragmented picture (OECD 2023c). Most Swedish ESEM enterprises describe the national SEE as very weak and rank a lack of continuous public support as the most important obstacle for their business (Mötesplats Social Innovation 2024). Support organizations within the Swedish ecosystem are primarily sector-specific or focus on particular types of social enterprises, like the largest support organization, Companion, which focuses on cooperatives. SE Forum, a national organization for SE, has identified a lack of intersectoral coordination and a shared public understanding of the sector as major challenges (Lis et al. 2017). Academic interest in social entrepreneurship is rising, and there is specific attention paid to research on social entrepreneurship in rural areas (European Commission 2019d, 44).

The regional distribution of enterprises that participate in the ESEM indicates an agglomeration in large cities. Still, there are sparsely populated rural regions, such as Norrbotten, which, despite representing only 2.5% of the

Swedish population, account for 4% of the ESEM social enterprises (Mötesplats Social Innovation 2024). The development of SEEs is the responsibility of regional authorities (OECD 2020b). Despite this, many municipalities are also active in shaping local ecosystems (OECD 2023c). This regionalization provides opportunities for rural social entrepreneurs, who are more frequently mentioned as a distinct target group in SEE documents. In the sparsely populated areas of northern Sweden, a particular form of SE has gained recognition: societal entrepreneurship, or community entrepreneurship, which aims to develop or maintain services by leveraging local engagement in rural communities. This type of community-based SE is understood as a stream of influence of its own right within the Swedish understanding of SE (European Commission 2019d).

This specific rural form of SE is entering policy discussions, but it appears more closely linked to the policy area of rural and regional development than to that of SE. The National Strategy for Social Enterprises does not directly address rurality, but rather relies on general expressions like 'all of Sweden' (Swedish Government 2018b, 4) or 'throughout the country' (8). Although the government emphasizes that regional and local conditions should be considered when implementing the strategy (Swedish Government 2018a). This illustrates how the national level of the SEE does not directly address the rural SE but rather allows regional and local levels to produce their own problematizations.

Thus, in Sweden, the state remains central for the SEE. While many social enterprises are dissatisfied with state support, they continue to rely on sales to public entities. The overall fragmented nature of the region-oriented ecosystem complicates advocacy efforts for SE at the national level. At the same time, it enables a more robust articulation of the role of SE in regional and rural development.

Finland

The Finnish welfare system traditionally relied on public provision, and the recognition of SE is linked to the reform of the welfare state in the 1990s (Lundgaard Andersen, Gawell, and Spear 2016). Like in Sweden, the outsourcing of public services opened opportunities for SE, but also created competition with private providers. Nevertheless, an atmosphere of opposition between profit-oriented enterprises and social enterprises did not impede SE from developing in diverse forms (Kostilainen, Houtbeckers, and Pättiniemi 2021).

The Finnish SEE is described as emerging (European Commission 2019c), despite three major SE initiatives that have been undertaken by the government. First, the Act on Social Enterprises (President of Finland 2003) established a legal form for work integration social enterprises. As

this legal form never gained widespread acceptance, with only a few companies registering, the law was repealed in 2023. Unfortunately, a narrow understanding of SE as work integration prevails and constrains the sector's development (Anoschkin 2024). Second, in 2011 Finland adopted a branding system for social enterprises. Enterprises across all sectors that meet the criteria can apply for the brand (European Commission 2019c). Unfortunately, in a similar manner to the Danish Register of Social Enterprises, the Finnish Social Enterprise Mark has not undergone the strategic development that is necessary to enhance its recognition. Consequently, its full potential remains untapped (Anoschkin 2024). Third, in 2022 Finland adopted a 'Strategy on Social Enterprises,' which provides the first official government definition of a social enterprise, which is closely aligned with the EU operational definition. This strategy has seven aims, the first two being to clarify the definition of social enterprise and to improve its visibility. To implement the strategy, a Center of Expertise for Social Enterprises was established (Ministry of Economic Affairs and Employment of Finland 2022).

The Centre of Expertise unites the main stakeholders of the SEE, including research institutions and networks like the SE association ARVO. Although the center has increased visibility of SE, a lack of awareness of the concept remains a significant challenge for ecosystem development (Anoschkin 2024). Many enterprises originating from third-sector organizations do not identify as social enterprises. Social procurement practices are being experimented with but are not yet applied regularly. While social enterprises are eligible for all general business support schemes, the social investment market remains limited. Moreover, social enterprises report that they suffer from being perceived as too commercial to qualify for NPO funding and too social to attract business funding (European Commission 2019c). Most Finnish social enterprises that responded to ESEM are in the health and social services sector (41%), professional, scientific, and technical activities (18%), or education (17%). Consequently, the most important customers for social enterprises are local and regional public sector organizations. At the same time, 57% of the ESEM social enterprises judge the SEE as very weak or weak (Puumalainen et al. 2025).

Most ESEM enterprises are active at the national level, whereas only 9% state that they are active in rural areas. The regional distribution of respondents indicates an agglomeration of social enterprises in Helsinki (35%) (Puumalainen et al. 2025). The EU country report notes that remote rural areas face significant challenges in service provision and that social enterprises can play a crucial role in these areas. Rural development is recognized as a field of SE activity, and the Rural Development Program is identified as an interest group of the SEE (European Commission 2019c). As one of the foundations of the Social Enterprise Strategy, community-based SE is

recognized for joint service provision by rural communities (Ministry of Economic Affairs and Employment of Finland 2022, 13).

As a result, the Finnish SEE currently appears to focus on establishing national networks. Nevertheless, the importance and role of rural SE is recognized at the national level. Rural SE is mentioned on a strategic level but has not yet been specifically addressed by measures. The establishment of the Center of Expertise is an important step in anchoring the SEE.

Estonia

Due to Estonia's Soviet past, entrepreneurship in general could only be reestablished after 1991. The term 'social entrepreneurship' continues to carry negative connotations within its post-Soviet society (Evans et al. 2021; Raudsaar 2016). The Estonian welfare state is oriented toward the Nordic model and is extensively influenced by EU funds. The concept of SE is still not well known; some view it as elitist and fear that it creates unfair competition (European Commission 2019b). The national umbrella organization, the Estonian Social Enterprise Network (ESEN), has established a definition of social enterprises in Estonia and is commissioned as a strategic partner by the Ministry of the Interior. Nonetheless, there is no legal definition or specific legal form for social enterprises (Kangro and Lepik 2023).

Although the EU country report notes that the sector lacks general political and public support, as well as representative lobbying power, it also highlights the incorporation of SEE development into national policy documents (European Commission 2019b). In 2022, a 'Cooperation Agreement for Social Entrepreneurship and Innovation' (Sotsiaalsete Ettevõtete Võrgustik MTÜ 2022) was established between 23 public and private actors. This agreement, which was signed by four ministries, two cities, higher education institutions, partners from networks, regional and innovation agencies, and financial institutions, committed the signatories to create a common vision, further develop support and funding measures, and analyze the ecosystem of SE and social innovation.

A lack of financial support is described as the most critical challenge for the SEE (Baltic Innovation Agency 2022). That notwithstanding, alternative funding streams are noted as extraordinarily vibrant. Estonia's start-up ecosystem is well established, and an entrepreneurial mind-set is encouraged through compulsory entrepreneurship courses. According to the ESEN database, as of February 2025 there are 250 social enterprises in Estonia, of which 159 are active in the business-to-consumer market, while only 23 operate as business-to-government enterprises. Respondents stated in 2022 that they gained more income from economic activity than from non-economic activity (Estonian Social Enterprise Network 2022). Considering the impact orientation of many millennials, the integration of SE into this start-up culture has

much potential (OECD 2020a). Additionally, SE courses at several universities, including a Master's program in SE at Tallinn University, increase knowledge of the sector (European Commission 2019b). This indicates that SE in Estonia is much more market-oriented than in the Nordics.

Rural areas in the Baltic states are also heavily impacted by outmigration to cities, and regional inequality remains high (Evans et al. 2021; OECD 2020a). As young people move away for employment and education, the proportion of elderly people increases in rural regions. Taking these developments into account, four of the 23 policy recommendations by Kangro and Lepik for developing a social innovation ecosystem in Estonia are aimed at 'Addressing Rural Backwardness in the Socio-Economic and Spatial Landscape' (Kangro and Lepik 2023, 7). Although the title suggests that rural areas have a negative image, the policy recommendations highlight opportunities in rural areas and advocate for place-based policies. The Regional Development Centers and the LEADER network are mentioned as support structures for social entrepreneurs in rural areas (Kangro and Lepik 2023; OECD 2020a). The partners from academia and civil society who published this report recognize rural areas as promising environments for SE. Still, the ESEM indicates that most social enterprises are located in the two largest cities: 33 of the 51 respondents were from Tallinn or Tartu and the surroundings areas, whereas smaller municipalities often remain unaware of the potential of SE (Estonian Social Enterprise Network 2022; European Commission 2019b).

Thus, Estonia has a market-oriented SEE, which is not significantly influenced by governmental intervention but that can flourish with the agreed-upon national support. The potential of SE for rural development is recognized in academia and strategies, but the SEE is currently still much weaker in most rural communities.

Latvia

In Latvia the private and third sectors were able to develop again in the 1990s, with international developments and organizations primarily driving early attention to SE (Evans et al. 2021; Kārkliņa 2014). Nowadays, Latvia is often cited in comparative studies as an example of progressive legislation and support for SE (Kiladze et al. 2024). The governmental anchoring of the topic has been assigned to the Ministry of Welfare, which began drafting ideas for the sector in 2013 and subsequently developed the Social Enterprise Law (European Commission 2018b; OECD 2023b). The Parliament of the Republic of Latvia adopted this Law in 2017, which states that:

> Social enterprise is a limited liability company [. . .] which performs the economic activity that creates a positive and important social impact by employing the target groups or improving life quality of groups in society the life of which is affected by fundamental societal challenges [. . .] or carrying out any other

> activities of relevance to society that create a lasting positive social impact [. . .] (Saeima and The President of Latvia 2018, 2).

The Latvian definition of a social enterprise is narrow and only allows limited liability companies to register (Social Enterprise Law 2018). From 2016 to 2023, registered social enterprises were eligible for specific support from the Ministry of Welfare, which was co-funded by the European Social Fund. The number of registered social enterprises and their employees has increased slowly from 2018 to 2021 (OECD 2023b). The Ministry has been envisioning another support scheme to further boost those numbers (Ministry of Welfare, Republic of Latvia 2025).

The ESEM illustrates that Latvian social enterprises are market-oriented, as the average trading income exceeds non-trading income by a factor of eight (Social Entrepreneurship Association of Latvia 2025). Experts have identified several challenges to ecosystem development, including limited market and societal recognition, as well as limited impact investment. Although the central intermediary, the Social Entrepreneurship Association of Latvia, has increased the sector's visibility, there remains very little awareness of the benefits and fields of activity of SE (European Commission 2018b). Moreover, limited funding opportunities and the emigration of highly skilled labor are challenges for SE (Kalkis et al. 2021). Scholars emphasize that social enterprises often struggle to pay competitive wages for highly skilled labor, this is particularly challenging outside of the capital (Kiladze et al. 2024; Millere, Miltovica, and Rozniece 2023). Structural difficulties that exist in remote and rural areas are currently increased by the international political reality. The most critical barrier for SE that was identified by ESEM enterprises in 2024 was 'Adverse economic/political conditions (inflation, energy crisis, war in Ukraine)' (Social Entrepreneurship Association of Latvia 2025, 73).

Latvian social enterprises are described as local actors active throughout the country, although the largest share is located in the capital region, which is also home to the main support organizations (European Commission 2018b). The proximity to the accelerator New Door, the incubator Reach for Change Latvia, the Social Entrepreneurship Association, and several higher education institutions offering SE courses has facilitated the development of SE in the capital. Nonetheless, the country report also mentions the LEADER program and other regional development tools that foster SE in the regions. Additionally, there are rural – urban linkages through social enterprises operating at more than one site (European Commission 2018b). The Social Enterprise Law permits municipalities to implement local support measures, such as rent-free use of municipal property, preferential local procurement, or additional financial support (Social Enterprise Law 2018). Except for some proactive examples, most municipalities have yet to utilize these support possibilities (Licite-Kurbe and Gintere 2021). Hence, in Latvia, the SEE is still

small and based around a few key actors in the capital. The Social Enterprise Law has huge effects on the sector and allows for its further development. There is no mention of rural areas as a particular environment for SE.

Germany

The German welfare state has a different origin and structure to the other countries analyzed above. It relies on the concept of subsidiarity, which has resulted in a tradition of outsourcing public service delivery to welfare associations that are compensated by the state. As a result, the German welfare system is dominated by large, long-established welfare organizations. As associations aiming at public benefit, they can be understood as social enterprises even though they primarily rely on public resources on a very narrow market (von Ravensburg, Mildenberger, and Krlev 2021).

So-called 'new style social enterprises' emerged at the beginning of the century based on the Anglo-Saxon concept. These new social businesses primarily act as competitors to the traditional nonprofit organizations (Karré 2021). The Synthesis Report on European SEEs recommends greater cooperation within the sector and the opening of public contracting processes to foster more entrepreneurial approaches (European Commission 2020). The legal framework for SE offers a variety of legal forms, along with the option for any organization to obtain public benefit status if its primary goal is to achieve public benefit. This status allows tax-deductible donations; however, the associated profit restrictions may limit the economic development of these organizations (European Commission 2020). The responsibility for SE within the national government has shifted between numerous ministries over the past decades (European Commission 2018a). The first governmental approach to SE development of all sectors is expressed in the 'Strategy for Social Innovation and Social Enterprises' (German Federal Government 2023).

The German SEE features pioneering role models, numerous educational and research institutions that offer courses on SE, and multiple networks focused on specific legal forms or sectors. The central network is the Social Entrepreneurship Network Germany, which supports, and advocates for social entrepreneurs at the policy level (Kiefl et al. 2024). Additionally, conventional start-up support is increasingly incorporating SE, as illustrated by the inclusion of the topic in the German Federal Government's Start-Up Strategy (German Federal Government 2022) and regional business development concepts (Kopatz et al. 2021). Despite this, business development agents, especially in rural areas, still often lack knowledge about SE. Depending on the legal form and public benefit status, various funding opportunities exist (OECD 2021). Although private investors are increasingly involved, a public Social Impact Fund has not been created. Germany is the only country under examination where ESEM enterprises rely on sales to

profit-oriented enterprises as their most important source of income (Kiefl et al. 2024).

Many German rural municipalities encounter challenges in delivering adequate services, which thereby creates opportunities for social entrepreneurs. 'Rural depopulation' (European Commission 2018a, 46) is explicitly mentioned in a list of fields of activity for new-style social enterprises. Thus, although SE remains more prevalent in metropolitan areas, its presence in rural regions is steadily increasing (Kiefl et al. 2024). These are increasingly perceived as spaces of opportunity for fostering creativity and innovation along with comparatively low rents and living costs (OECD 2021). Urban centers, however, especially cities like Berlin, continue to offer superior infrastructure, more extensive networks, greater financial support, and a highly qualified labor force (Kiefl et al. 2024). The national strategy mentions rural areas in three of the 11 fields of action, but without outlining specific means to address these (German Federal Government 2023). An OECD report on SE in Brandenburg further illustrates the difficulties that rural areas face in accessing robust national ecosystem structures; for example, financial support is rarely allocated to social enterprises based in predominantly rural states such as Brandenburg (OECD 2021).

Thus, the German SEE can be summarized as being well-developed at the national level, with networks, intermediaries, and private financial partners offering many possibilities. In SE documents, rural areas are frequently mentioned, which suggests that they are well integrated into the field. Nonetheless, the reach of the SEE-support to rural areas offers room for further development.

Discussion

The analysis illustrates how the different countries of the BSR address rurality within their SEEs. The diversity of development trajectories elucidates the importance of historical, economic, and political contexts. The approaches taken and structures established in each country are diverse and, in some cases, fragmented within a single country, as exemplified by Sweden and

Table 1. The social entrepreneurship ecosystem dimensions of selected countries in the Baltic Sea region.

Country	National network organization	Latest national framework on social entrepreneurship	Rural areas mentioned in national strategies
Denmark	✓	Law 2014	✗
Sweden	✗	Strategy 2018	✓
Finland	✓	Strategy 2022	✓
Estonia	✓	Agreement 2022	✓
Latvia	✓	Law 2018	✗
Germany	✓	Strategy 2023	✓

Germany. In Sweden, the SEE is strongly localized, with opportunities for SE varying significantly depending on regional and municipal engagement. In contrast, Germany has a well-developed national ecosystem, which, however, tends to be less responsive to local needs and rural-specific challenges, which results in an equally fragmented picture on the ground. Table 1 provides an overview of key dimensions of SEEs and their varying manifestations across the countries. This comparison does not aim to assess the quality of the ecosystems or to offer universal recommendations for their development, but rather to present a comparative overview of selected central aspects.

Chronology

A temporal perspective on the development of the SEEs across the BSR enables the discernment of different trajectories. To illustrate the countries' engagement over time, a chronology of key events in SEE development was derived from the analysis (Figure 1). The chronology shows that the Nordic states were the first to develop early SEE structures. Interestingly, the early efforts of Finland, Sweden, and Denmark were in different domains. While Finland took legislative efforts, in Sweden the first organization specifically dedicated to SE was founded, and two years later, in Denmark, a Master's education program was launched, the alumni association of which later became the central national SE network organization. The development in Estonia, Latvia, and Germany began one decade later, and only after the topic was first raised at the EU level. In 2011, the European Commission supported SEE development through the 'Social Business Initiative' (European Commission 2011). In the following years, network and support organizations were founded in the two Baltic states and Germany, while Denmark experienced its relative peak of SEE development.

In 2021, the EU introduced new legislation through the framework, 'Building an Economy That Works for People: An Action Plan for the Social Economy' (European Commission 2021). Continuing this engagement, the Council of the European Union adopted the 'Council Recommendation of 27 November 2023 on Developing Social Economy Framework Conditions.' The Council recommends that EU member states adopt or update their strategies for the social economy and assess the potential for national support structures. Following these efforts at the EU level, Finland, Estonia, and Germany introduced new strategic measures to develop their SEEs. All EU member states can access the financial support that is linked to the EU legislation. Many projects and organizations within the SEEs receive funding from the EU. This also encourages a shared understanding of the concept of SE, as the EU's operational definition is increasingly applied in the member states.

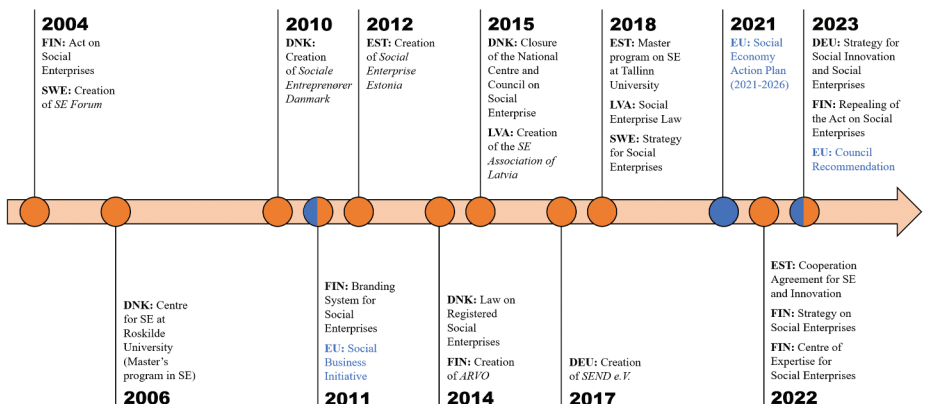

Figure 1. Chronology of SEE development.

Classification

All governments have taken legislative initiatives in the past decade, either by enacting laws or adopting strategies to foster SEEs. Although rural areas are not a primary focus in these strategies, they are increasingly mentioned, which suggests that there is a growing recognition of the specific challenges and opportunities of social entrepreneurship in these areas. The importance of the welfare state for SE development is further illustrated by the different extents to which welfare services are directly provided by the states and social aspects are integrated into public procurement procedures. The role of the welfare state is a central aspect of the typology of SEEs proposed by Hazenberg et al. (2016). The findings of our analysis are integrated into their framework, which is then enriched by the dimension of rurality (Figure 2). The authors already included Sweden and Germany in their study, and this analysis confirms their classification of Sweden as a statist-micro type and Germany as a private-macro type.

The fragmented picture of the Swedish SEE confirms its micro-scale nature and enables adaptation of the support infrastructure for rural SE. The classification as statist can also be confirmed; the Nordic welfare model influences Swedish SE in the sense that SE and its support structures are largely state-dependent. The importance of the local and regional level in the Swedish SEE allows for a strong impetus of rurality within SEEs in predominantly rural regions. The Danish ecosystem, like Sweden's, exhibits characteristics of the statist-micro type, as

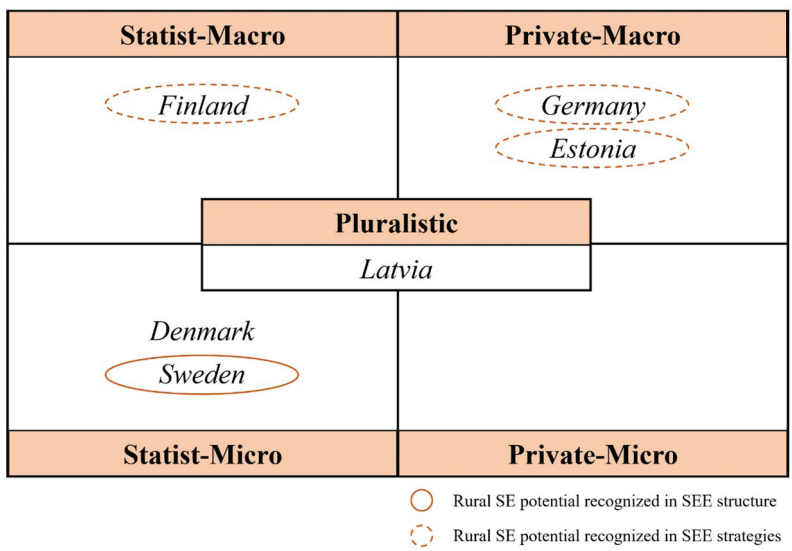

Figure 2. Classification of SEEs, including the recognition of rural SE.

the public sector serves as the primary partner for social enterprises and cooperation primarily occurs at the municipal level rather than the national level. These characteristics are, however, less pronounced than in Sweden. Moreover, the emphasis on SE as a means of rural and regional development is absent in Denmark. Although not as pronounced as the other two cases, Finland appears to be evolving toward a statist-macro ecosystem. The country's SEE is characterized by centralized, nationally coordinated support structures and a continued reliance on the public sector as a key partner. There is an intention to spread the SEE into the regions. Still, it remains to be seen whether the integration of SE for rural development into national strategies will result in corresponding ecosystem structures in Finland.

In contrast, the German SEE represents the opposite SEE type to that of the Nordic cases, a private-macro type. The role of the state is limited, and the SEE is predominantly market-oriented, as illustrated by its high share of private funding and the market-driven approach of many social entrepreneurs. The ecosystem is a macro-type, as the national and international levels are the most influential, which results in difficulties for rural SE visibility and the ability to receive support tailored for their specific requirements, even though they are considered in the strategic development of the SEE. The Estonian SEE can also be categorized as private-macro. The ecosystem relies on centralized concepts and nationwide solutions, and the macro structure makes sense given the country's small size. The Estonian SEE is clearly oriented toward the private sector, with no specific grant programs for social enterprises. Similar to the Finnish case, the potential of SE for rural development is acknowledged within the ecosystem, but it is not yet reflected in its structures.

Notably, the Latvian ecosystem exhibits tendencies across all dimensions, indicating that it may be located in the central Pluralistic Zone, which is considered the ideal scenario for SEE development (Hazenberg et al. 2016, 317). While national grants and EU funding are important within the ecosystem, an emphasis on market orientation is visible. As a small country, the SEE is also to a large extent nationalized; however, the explicit possibility of municipalities to support SE development enforces the local level within the SEE. Rurality, however, is not expressed in SEE strategies or in the structures of the SEE.

To summarize, the type of SEE does not determine the degree to which rurality is reflected within the ecosystem structures or strategic positioning. Sweden's Statist-Micro SEE undoubtedly contributes to the recognition of rurality, not only at a strategic level, but also in practice. Nonetheless, the omission of rural aspects in the Danish SEE and its articulation in the macro-type SEEs illustrate clearly that the classification alone does not explain the problematization of rurality within the SEE.

Implications for policy and practice

Our findings are highly relevant for policymakers, as they highlight the silence created by the omission of spatial implications of existing SEE policies and structures. A seemingly just, unified policy for a whole country can have a different impact across various regions, thereby risking the reinforcement of existing rural-urban divides. SE policy must consider its implications for rural areas in order to contribute to spatial justice. Rural social enterprises are particularly promising entities, as they address multiple challenges in regions that are often facing dilemmas posed by demanding problems in various areas of welfare provision. By providing innovative solutions for pressing public concerns, SE is especially important in rural areas for bridging the gap between the public and private sectors. Therefore, rural SE deserves particular attention from policymakers. It ought to be reflected in space-sensitive policies, and in the development of a SEE-structure capable of accounting for this particular form of SE.

Practitioners can equally benefit from this analysis. Networks and support organizations within the SEE are encouraged to closely evaluate the spatial implications of their offers and programs. Social enterprises in the selected countries may here find a beneficial overview of the various ecosystems, which might prove especially important for rural social enterprises as it details the support that is available to local initiatives. The comparison of different SEEs illustrates the various possibilities for SE development, which further enables all SEE actors to gain insights and inspiration from other countries.

Conclusions

Numerous studies on SE in rural areas confirm its potential and importance for building or maintaining sustainable and resilient rural regions. The importance attributed to SE as a means of rural development in academia is not yet fully reflected in the SEEs of the six examined countries of the BSR. At a strategic level, in the SEEs of Finland, Estonia, and Germany, the potential of SE for rural development is recognized. Nonetheless, this intention is not yet reflected in the development of structures within the SEEs to specifically support SE in rural areas. Only in Sweden are the networks within the SEE explicitly targeting rural areas and thus addressing a specific form of rural SE within the system. Although the SEEs in all countries are described as nascent, Finland, Estonia, and Latvia in particular exhibit tendencies toward stabilization and the formation of institutional linkages among ecosystem actors, which could provide long-term support for SE and enhance the sector's image through continuous promotion of the concept. The immaturity of the national SEEs may account for the lack of differentiation between rural and urban contexts.

The classification of SEEs, as proposed by Hazenberg et al. (2016), facilitates the understanding of national SEEs. There is, however, no indication of the importance rendered to rural areas within a SEE. This study demonstrates that SEEs of various types can effectively address the potential of SE in rural areas. The country-by-country analyses also highlights the significance of a country's historical roots and institutional development, as well as the positioning of public and private actors within the SEE, in fostering a flourishing ecosystem. Ultimately, a fragmented picture emerges of the SEE in the BSR. Historical developments and policy measures have led to varying trajectories among the countries. Germany and Sweden also clearly illustrate that even within a single country, the opportunities for social enterprises can vary significantly between engaged and less engaged municipalities, as well as between urban and rural.

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Notes on contributors

Judith Alms is a doctoral researcher at the Department of Human Geography and the Interdisciplinary Centre for Baltic Sea Region Research. Her research focuses on social entrepreneurship and rurality.

Christine Tamásy is Professor of Human Geography at the Institute for Geography and Geology, University of Greifswald. Her research interests are rural studies, the new agricultural geography and entrepreneurship from a spatial perspective.

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