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RETHINKING INNOVATION FUNDING FOR SOCIAL ENTERPRISES

IRC Report No: 075

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Delivered with
ESRC and
Innovate UK

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This document relates to IRC Project FFThree013: Rethinking innovation funding for social enterprises.

Acknowledgements

This work was supported by Economic and Social Research Council (ESRC) grant ES/X010759/1 to the Innovation and Research Caucus (IRC).

We are very grateful to the project sponsors at UK Research & Innovation (UKRI) for their input into this research. The interpretations and opinions within this report are those of the authors and may not reflect the policy positions of UKRI or its constituent councils. We would also like to acknowledge and appreciate the efforts of the IRC Project Administration Team for their support in preparing this report. We are grateful to our team of facilitators and friends who helped with the preparation of the board game and running the workshops.

Ethics: This study has been conducted upon obtaining ethical approval from the University Research Ethics Committee at Oxford Brookes University. UREC Registration No: E26031

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Cite as: Purna, N. & Merchant, N. 2026. *Rethinking Innovation Funding For Social Enterprises*. Oxford, UK: Innovation and Research Caucus

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EXECUTIVE SUMMARY

Social enterprises are important drivers of innovation, generating social, economic, technological, and organisational value while helping to address complex local and global challenges. Yet their ability to innovate is often constrained by limited resources, especially for smaller and lower-capacity organisations, and by funding models that do not always reflect the realities of their needs. Although many UK social enterprises are innovating, they continue to operate in precarious funding conditions, suggesting a need to rethink how innovation support is designed and delivered.

This study explored how innovation funding can be better aligned with the needs of social enterprises, drawing from co-design approaches and developing a bespoke serious board game. The game-based method brought practitioners and funders into structured dialogue, helping surface differences in experiences, assumptions, and decision-making constraints while creating a safer space for candid discussion than conventional interviews or workshops. The findings indicate that funding design matters as much as funding availability. Social enterprises need approaches that are more relational, locally embedded, and responsive to cash flow needs, rather than overly rigid and purely project based. The study also suggests that innovation support should recognise the full range of social enterprise innovation: organisational, process, and relational forms, not just products or services.

The study offers practical recommendations across organisational, ecosystem and policy levels. For funders and ecosystem actors, this means strengthening relationships with social enterprises, aligning payment schedules more closely with cash flow, improving recognition of social enterprise innovations, and using more collaborative methods such as serious games to support shared learning. For a strong R& I system, social enterprises should also be recognised as core partners in innovation strategy and giving greater weight to social outcomes in national innovation frameworks. Overall, the report argues that supporting social enterprise innovation requires more than increasing access to finance. It requires funding models and innovation policies that are better aligned with how social enterprises actually innovate and create value for society, environment, and the economy.

1. Introduction

Social enterprises are widely acknowledged as engines of social innovation due to their hybrid social–commercial missions (Tortia et al. 2020; Purna and De Paoli, 2023). Beyond generating social impact, they also demonstrate technological and organisational innovation potential (Bunduchi et al. 2023). With such innovation social enterprises contribute significantly to local economies (Kilpatrick et al. 2021) and towards addressing wicked social and environmental problems like those outlined in the UN Sustainable Development Goals (Purna and Tuckerman, 2026). However, innovation in social enterprises is highly constrained by resource access (Olsson et al. 2017), particularly for small or low-capacity organisations (Searing et al. 2022). Apart from resource availability, misalignment between funders' priorities and social enterprises' missions can distort innovation outcomes (Achleitner et al. 2014; Gasparin et al. 2021), meaning that innovation funding may not always be designed with the realities of practice in mind.

Facilitating innovation by social enterprise is particularly important owing to their contribution to the local economy in which it operates (Kilpatrick et al. 2021) in-terms of social, economic and environmental value that such hybrid organisations create (Social Enterprise UK, 2025). In-fact, despite 68% of UK social enterprises having launched new products or services in 2022–23 (Social Enterprise UK, 2023a), they continue to face precarious resourcing conditions (Social Enterprise UK, 2024, 2025). Funding in general is associated with positive innovation outcomes. For example, the UK Innovation Survey 2025 showed that direct and indirect public funding enabled innovating firms to increase their sales revenue and staffing (UK Gov, 2025a). Such support has been in the form of grants for research and development, collaboration with other organisations, tax credits, access to innovation infrastructure etc. While funding constraints in the wider third sector or social economy is not new, such continued challenge suggests we need to think more deeply about existing funding schemes and whether those are aligned with the needs of the social enterprises. As such, there may be scope to rethink what innovation funding can be structured as, to inform future innovation scheme design for social enterprises. This study addresses such gaps and opportunities with the research aims and questions summarised in

Figure 1, which also contributes to the IRC objectives of obtaining critical insight on strategies and processes of innovation support with actionable insights for adoption by R&I system actors.

Rethinking innovation funding for social enterprises using co-design and serious games approaches.		
What types of innovation are undertaken by social enterprises?	What barriers, gaps in priorities, and values exist between social enterprises and innovation funders?	How can codesign among social enterprises and innovation funders develop novel funding design?

Figure 1. Research aims and questions

To generate these actionable insights and bridge the experiential divide between practitioners and funders, traditional methods of inquiry appeared insufficient. Therefore, this project introduces a bespoke serious board game as a novel methodological intervention. By utilising role-playing mechanics and scenario representation, a game approach immerses participants in the practical realities, resource constraints, and strategic priorities of their counterparts. This gamified approach is explicitly designed to cultivate empathy, navigate complex power dynamics, and foster shared understanding between professionals from social enterprises and funding organisation decision-makers (Papoutsi et al., 2022; Visscher, 2023). The serious games approach is particularly suitable for this study because such tools have been recognised as highly effective tools in co-design processes that require aligning diverse stakeholders around complex challenges (Lanezki et al., 2020).

In this context, the board game serves as a catalyst for leading candid, collaborative discussions regarding funding misalignments and structural barriers, dialogues that

would arguably remain inaccessible or constrained by power dynamics if approached through conventional workshop or interview methods. Through this interactive medium, stakeholders can safely co-explore systemic challenges and ideate mutually beneficial funding structures, directly informing the core objectives of this study.

To address the research questions, this report first reviews the types of innovation undertaken by social enterprises drawing on a light-touch review of academic and grey literature, particularly from the UK, and outlining key funding-related challenges. It then explains the rationale for the methods used, followed by presenting the main themes from the data and discussion of their implications, and concludes with action-oriented recommendations for IRC stakeholders, third sector actors, and policymakers.

2. Literature Review

The term “Innovation” is widely seen as a desirable outcome for organisations and the economy for social, economic, and environmental value creation. Despite lacking a universally accepted definition, it can be generally understood as the process through which organisations transform ideas into new or improved products, services, or processes in order to create value and differentiate themselves in changing environments (Baregheh et al., 2009). However, this general definition is limited for social enterprises because it tends to privilege market-oriented outcomes and does not fully capture the breadth of social and environmental value created by social enterprises.

Research on innovation by social enterprises tends to explore the various micro and macro level factors that influence their innovation potential (Chell et al. 2010; Monroe-White and Zook, 2018). This is not surprising since social enterprises operate in response to complex social and environmental problems, and their innovations often emerge in conditions marked by inequality, unmet social needs, and resource scarcity (Tortia et al. 2020). Tykkyläinen and Ritala (2021) highlight hybridity as a central feature of their innovation process as social enterprises frequently manage tensions between social and financial goals through different combinations of these logics and activities. For example, in market hybrids, beneficiaries are also the paying customers of the enterprise meaning the social value is simultaneously created through the revenue generating arm (Santos et al. 2015; Tykkyläinen and Ritala, 2021). Such

complexity of arrangement reflects the positioning of social enterprises at the intersection of market, state, and civil society, where innovation frequently involves reconfiguring complex stakeholder relationships and resource flows, rather than introducing standalone products.

Overall, despite recognition of the complexities social enterprises operate within, there remains a lack in comprehensively mapping innovations by social enterprises in the UK. We can still obtain an overview of the types of innovation within this space as academic and industry research has surfaced a wide variety of change initiatives by such organisations. As per Social Enterprise UK Surveys (2023a,b, 2025) social enterprises undertake a range of innovative actions which includes not only new products or services, but also new processes, organisational forms, business models, partnerships, and forms of social changes. A more elaborate account of these innovations are provided in the next section.

2.1. Types of innovation by social enterprises

A dominant way of mapping innovation in social enterprises is through product/service, process, organisational, and marketing categories, often adapted from the Oslo Manual and used in empirical studies such as de Souza João-Roland and Granados (2023). In this section we shed further light on the key types of innovation by social enterprises.

Firstly, product or service innovation are the most common avenues through which social economy organisations demonstrate improvements or newness. These include introducing new or significantly improved services or products to meet unmet needs, for example micro-loans or tailored support services for excluded groups. These innovations may also require awareness-raising, training, or adaptation to create broader social spillovers (Santos et al. 2015). The product or service may not be wholly new, rather improvements to existing ideas or even transposing ideas from a different context to a new one. Such innovations relate to the key service offering provided by the enterprise to their beneficiaries.

Another key type of innovation involves the organisation's processes. This refers to new or improved ways of delivering services, managing operations, or organising

internal work (De Souza João-Roland and Granados, 2023). In social enterprises, this can include more efficient delivery systems, collaborative production models, marketing-based innovation, changes in how beneficiaries access support, changes in governance, strategy, structure, performance management, and resource coordination. Hence, process-based innovations are about changes within the internal workings or functions of an enterprise. For example, if the organisation builds or adopts a new volunteer management system to improve its human resource efficiency that can count as process innovation.

Beyond these categories, social enterprises can also engage in organisational model innovation. According to Foss and Saebi (2017, p. 2) business model innovation consists of “changes to the key elements of a firm’s business model and/or the architecture linking these elements”. As such it can be understood as redesigning the overall value architecture to respond to changing environments and create competitive advantage (To et al., 2019). For social enterprises, organisational model-based effectiveness is especially important because their business models combine social and market logics.

Business model innovation may involve new forms of partnerships that allow a social mission to be sustained financially like intra or cross-sectoral collaborations or novel funding structures like subscription-based membership or cross-subsidisation, or even distinct legal forms like the Community Interest Company (CIC) in the UK (UK Gov, 2025b). In fact, the hybrid orientation of social enterprises in terms of diverse value creation itself is deemed as an innovative organisational model (Hazenberg et al. 2016).

A distinct type of innovation associated with social enterprises is called social innovation (Ayob et al. 2016; Tortia et al. 2020). Social innovation is geared towards addressing social needs and generating social impact via processes of transforming social and power relations of especially marginalised or disadvantaged communities (Moulaert and MacCallum, 2019). Such processes are complex, dynamic, iterative, emergent, and collaborative in nature (French et al. 2022) and are operationalised by assemblages of multifaceted actors and structure (Teasdale et al. 2023). Therefore, such innovations are fostered through relational processes (Pel et al. 2020). While such complexity makes unpacking and fostering social innovation difficult, it remains

a powerful tool in addressing the complex social, environmental, economic and political challenges facing communities today (Domanski et al. 2020).

Digital social innovation is another emerging area within social innovation research. While not always specific to social enterprises, digital technologies such as platforms, data systems, and AI can strengthen the capacity for enterprises to innovate by improving information flows, coordination, and learning (Zhuo and Chen, 2023). This suggests that for social enterprises, digital innovation can play an enabling role in improving outcomes and processes, even if technology creation is not the main output. This is particularly relevant for organisations working with limited resources, as digital tools can improve efficiency and expand reach when supported by the right capabilities and create social value (Qureshi et al. 2021).

2.2. Funding as a specific influence to social enterprise innovation

Funding is a key influence on social enterprise innovation because it shapes what kinds of innovation can happen, when, and at what scale (Nijnik et al. 2019). Social enterprise funding is best understood as a hybrid and often contested field in which organisations operate at multiple bottom-lines: social mission with market-based income generation. They do so while also navigating varied forms of external financing like philanthropy, grants, debt, or public sector contracts. Novel forms of funding like social investment and social impact bonds (Rizzi et al. 2018), donation and investment-based crowdfunding and quasi equity (Le et al. 2026), and community shares have also been prevalent in the social enterprise sector. This clearly shows that social enterprises do not tend to rely on a single funding model; instead, their financial structures are shaped by organisational form, mission orientation, stage of development, and the expectations of external resource providers (Guo and Peng, 2020).

Despite having a trading arm, social enterprises rely heavily on external financing and continue to face funding challenges (Guo and Peng, 2020). The 'State of Social Enterprise 2025' report shows that financial pressures were the most significant challenge facing social enterprises, with 74% citing financial barriers to growth, 68% reporting difficulties securing grant funding, and 54% experiencing cash-flow problems (Social Enterprise UK, 2025). These funding challenges are also closely linked to

broader organisational issues. For example, Davies et al. (2019) show that social enterprise growth barriers are connected to business model constraints and mission-related tensions, including difficulties in securing capital, recruiting staff, maintaining identity authenticity, and dealing with institutional norms. As a result of the hybridity of social enterprises in particular, innovation in the mission-led space is deemed more challenging due to the need to secure and manage resources in ways that are credible to a varied type of funders (Vickers et al. 2017).

Different forms of funding shape different aspects of innovative activity, and certain instruments are better suited to particular stages of development. Equity funding, for instance, can help mobilise entrepreneurial opportunities for disadvantaged groups such as rural women (Ferdousi and Mahmud, 2019), whereas early-stage direct-service enterprises without track records or collateral may benefit more from grants, as mainstream lenders are often reluctant to finance them (Lyon and Owen, 2019). This suggests that not all financing options fit all social enterprise needs (Le et al. 2026), and that enabling innovation depends not just on funding diversity, but on the right funding arrangement.

These challenges are compounded by limited investor understanding of social enterprise models and by conventional lending norms that do not fit hybrid organisations (Davies et al. 2019). Funding structures themselves can also constrain innovation: many grants, particularly those from institutional funders, are short-term and project-based (Wiepking and de Wit, 2024). While such funding can support experimentation, it may also fragment innovation and limit long-term planning (Wiepking and de Wit, 2023). This tension reinforces the case for patient and flexible funding that supports research and development, experimentation and long-term impact generation (Anheier & Toepler, 2019). It also highlights the importance of finance across the full innovation cycle, from prototyping to implementation and scaling, since later-stage support is often lacking and creates a “valley of death” for promising ideas (Nijnik et al. 2019). Overall, the key issue is not simply whether funding is available, but whether it is appropriately aligned with the stage and nature of innovation.

Other studies show that funding constraints are not only financial but also organisational. Small and low-capacity social enterprises often lack the staff time,

internal systems, and financial expertise needed to apply for funding, meet reporting requirements, or demonstrate impact (Olsson et al., 2017; Searing et al., 2022). Relatedly, absorptive capacity (the ability to recognise, assimilate, and apply external knowledge) also matters: investment in innovation does not automatically improve outcomes unless it is matched by digital infrastructure, learning routines, and the capacity to translate inputs into change (Zhuo and Chen, 2023). For social enterprises, this means innovation depends not only on external finance but also on internal capacity development (Le et al. 2026). Funding inequalities can therefore reinforce wider inequalities in the sector, favouring more established organisations and suggesting a need to support organisational processes and governance, not just projects.

The literature also points to the value of non-financial support, trust, decision-making flexibility, and more relational funding approaches (Schätzlein et al., 2023). At the same time, funders emphasise the importance of monitoring fund use and responding promptly to problems (Scarlata et al., 2012). Although social enterprises often combine multiple funding sources, they still face structural barriers to appropriate finance and long-term growth (Guo and Peng, 2020; Davies et al., 2019; Nijnik et al., 2019). Such bricolage strategies are not inherently negative, but they may support incremental rather than radical or scalable innovation.

Yet, a key challenge in drawing conclusions about the sector is that literature on social enterprise funding remains fragmented and uneven, with limited cross-referencing across studies, which makes it difficult to build a unified understanding of how finance shapes innovation (Schätzlein et al., 2023). This gap is even more pronounced for innovation funding, where the key issue is not only access to capital as seen above, but understanding in-depth whether different kinds of innovation require different funding arrangements or distinct combinations of resources, timelines, and funder expectations, and how these arrangements influence what social enterprises can realistically innovate, test, and sustain.

2.3. Serious games and board games as catalysts for empathy and codesign

Serious Games, defined as games designed for a primary purpose other than pure entertainment, have increasingly been adopted as methodological tools to navigate complex stakeholder dynamics and foster innovation (Gomes et al., 2021). In professional and higher-order learning contexts, game-based learning provides a structured environment where real-world problems can be simulated with "cognitive authenticity" (Abbott, 2019). Abbott demonstrates that for serious games to effectively teach complex, functional outcomes, specific game mechanics must be intentionally mapped to corresponding learning mechanisms. When appropriately designed, these mechanics create a unique tension between knowledge and confidence, allowing participants to experience risk-taking and the "freedom to fail" within a safe environment (Abbott, 2019). For social enterprises and funders, this means a bespoke game can safely simulate the precariousness of resource allocation and the structural constraints of funding bodies, prompting participants to discuss and evaluate their real-world strategies without genuine financial risk.

Addressing multi-stakeholder challenges requires structured communication, not just vicarious experience. Abbott (2020) highlights the role of "dialogic learning" in multi-player game-based learning, where game mechanics are designed to foster critical dialogue; in this sense, the board game acts as a boundary object that provides a shared language and neutral space for social enterprises and funders to unpack misalignments in their operational logics (Jean et al., 2018).

A powerful, contemporary example of leveraging such mechanics for perspective-taking is *Right 2 Roam*, an intentionally imbalanced board game developed to capture the lived experiences and systemic inequalities of navigating public spaces. The game utilises procedural rhetoric, uncertainty, and chance-based mechanics to mirror real-world power imbalances (Bozdog et al., 2026). Research surrounding the game demonstrates that by forcing players to navigate structural inequalities within a carefully designed ruleset, *Right 2 Roam* effectively catalyses personal storytelling, critical reflection, and civic engagement among diverse groups.

Role-play scenarios further strengthen this process by enabling participants to inhabit practical constraints and dilemmas of other actors firsthand, illuminating the effects of uncertainty on decision-making (Visscher, 2023). Applied to the funding landscape, a role-playing board game can compel funders to navigate the hybrid-mission trade-offs and capacity gaps faced by practitioners, while social enterprises experience the risk-aversion and compliance requirements typical of funding bodies.

Ultimately, board games and role-play can support co-design by temporarily suspending real-world power imbalances and enabling candid problem-solving. Serious games therefore can move beyond simulation to become tools for dialogic learning and the co-creation of more mutually beneficial funding designs.

3. Research Method

3.1. Research Design

This study adopted a qualitative, exploratory research design to examine how innovation funding for social enterprises can be reimaged through co-design and serious game approaches. While co-creation is recognised as an effective approach to tackling social challenges (see Ivar, 2017; Broekma et al. 2022; NESTA, 2022), there remains a critical evidence gap on co-designing innovation funding mechanisms with social enterprises, rather than for them.

Methodologically, the study draws on a co-design approach (Sanders & Stappers, 2008), complemented by the use of serious games as participatory and generative research tools. Serious games, defined as game-based environments used for learning, simulation, and decision-making rather than entertainment (Kelly et al., 2007) have been shown to support creativity, reveal implicit assumptions, and model cooperative dynamics (Janssen et al., 2023). While such approaches are increasingly used in social innovation contexts (Kark, 2011), their application funding design remains limited especially for the third sector. This study therefore novelly integrates co-design and serious gaming to create an interactive environment for eliciting tacit knowledge, surfacing tensions, and collaboratively exploring commensurate funding mechanisms for facilitating innovation by social enterprises.

3.2. Sampling

The study involved a purposive sample of 10 participants, who were recruited through the researcher's professional network and snowball method. While 12 participants were initially recruited 2 participants had to drop-out last-minute owing to professional emergencies. The sample was designed to capture perspectives across the social enterprise funding ecosystem, including social enterprise practitioners, representatives from funding organisations, and intermediaries.

Participants from social enterprises held senior and operational roles, including chief executives, programme leads, and co-heads, and some had prior experience in third sector funding organisations. Funders included senior and client-facing roles such as heads of grants, department heads, fund managers, and relationship managers, drawn from independent grant-making trusts and development bodies that fund social enterprises. One participant also represented an intermediary social enterprise support organisation as summarised in Table 1. This multi-actor sample captured diverse perspectives on innovation, funding processes, and decision-making dynamics, which is important given the relational and ecosystem-based nature of social innovation (Pel et al. 2020).

Table 1. Sample distribution

Type of Organisation	Organisation focus/type*	Role
Social Enterprise	Product & service-oriented innovations addressing social and environmental challenges	Head of organisation
Social Enterprise	Service-oriented innovations addressing social and environmental challenges	Programme in-charge with former experience in a grant-making trust
Social Enterprise	Service-oriented innovations addressing social and environmental challenges	Programme lead
Social Enterprise	Product & service-oriented innovations addressing social and environmental challenges	Co-head of organisation
Social Enterprise	Product & service-oriented innovations addressing social and environmental challenges	Programme in-charge with former experience in a grant-making trust
Funder	Development agency with grant programmes for TSOs	Strategy Manager

Type of Organisation	Organisation focus/type*	Role
Funder	Third sector funding organisation	Senior Management
Funder	Third sector funding organisation	Head of Grants
Funder	Development agency with grant programmes for TSOs	Funding Manager
Funder	Funding Organisation with grant and social investment for SEs	Funding Manager
Intermediary Organisation	Development agency	Senior Management

3.3. Data Collection

Data collection was conducted through a multi-stage and iterative process combining tool development and participatory workshops centred on a purpose-built serious board game.

Phase 1:

This first phase involved a rapid review of academic and grey literature to get an overview of innovation undertaken by social enterprises and the funding of social enterprises. Academic sources were complemented by grey literature, including publications from Social Enterprise UK (2023; 2024), UK government and devolved administrations (like DCMS, Scottish Government), and publications from ecosystem actors such as NESTA (2022).

Phase 2:

The second phase involved the development of workshop tools, prompts, and a multi-stage serious board game focused on social enterprise innovation funding. The game was designed iteratively by the research team, drawing on prior research on social innovation funding and expertise in game design. The design process involved multiple rounds of discussion to align terminology, defining key elements of funding systems, and balancing research objectives with engaging game mechanics. Key considerations included how to represent funder constraints, values, and decision criteria without reinforcing biases, and how to embed variability through modular

elements such as cards representing social needs, resources, and organisational capacities.

Phase 3:

The final phase involved conducting three workshops involving the participants, with each workshop building on the outputs of the previous stage as detailed below.

Workshop 1 focused on eliciting innovation narratives and experiences. It employed object-oriented storytelling techniques (Woodward et al. 2022) through a “Show and Tell” exercise, where participants used objects to represent their understanding and expectations of innovation. The storytelling toolkit was used because objects can act as prompts for recalling and sharing experiences, making tacit ideas about innovation more visible (Kratky and Ho, 2014), allowing participants to articulate ideas that could otherwise be difficult to express. Figure 2 presents a collage of some of the reference objects shared by participants, illustrating the varied meanings they attach to innovation.



Figure 2. Objects highlighted in object-oriented narratives of innovation

The generic nature of the objects makes this an accessible entry point for discussion; however, their narrative power is limited because they mainly prompt initial reflection (Kratky and Ho, 2014). After that, the depth of the stories depends on participant

discussion and facilitator probing. This segment was followed by a narrative journey-mapping exercise using the ABT (And–But–Therefore) framework (Olson, 2015), which structures stories around context, tension, and resolution as shown in Figure 2. Such cause-and-effect narratives are easier to follow, more engaging, and better suited to learning, making complex information easier to follow and more compelling (Dahlstrom, 2010; Yu, 2023).

Participants mapped key stages of the innovation and funding journey (for example idea generation, application, assessment, delivery, reporting) on a shared flipchart board as shown in Figure 3. Prompt cards were used to elicit specific moments such as tensions, breakthroughs, or unexpected encounters. These activities enabled the identification of implicit assumptions, decision triggers, and friction points in funding processes, informing the design of stage 2. Participants drew a prompt card and wrote down their narratives in an ABT format and placed it in the relevant stage in the journey map.

Placing the ABT series along the journey map

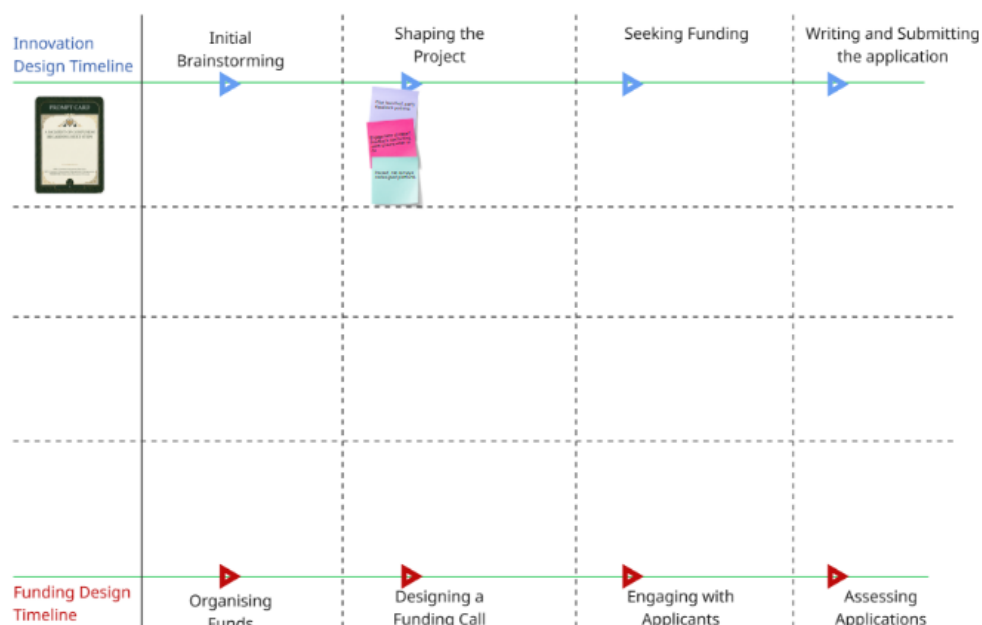


Figure 3. The journey map for placing the ABT-based narratives

Workshop 2 centred on gameplay using the bespoke serious board game, designed to synthesize and test the insights gathered from the first session. To effectively scaffold perspective-taking and dialogic learning, the gameplay was systematically structured into three distinct phases:

- » **Stage 1: Funder Simulation.** In the initial phase, participants engaged in roleplaying as a funding organisation. This required players to adopt the operational logic, compliance metrics, and risk-assessment frameworks typical of institutional funders, forcing them to navigate the complexities of resource allocation from a top-down perspective.
- » **Stage 2: Social Enterprise Simulation.** The second phase shifted the perspective, with participants moving to roleplay specific social enterprises. Crucially, the scenarios and enterprise profiles utilised in this phase were informed by the real-world narratives and friction points elicited by participants in Workshop 1. Research on empathetic play in serious games demonstrates that role-playing scenarios rooted in real-world contexts significantly enhance perspective-taking, allowing players to emotionally and cognitively engage with the dilemmas faced by constrained actors (Belman, 2021). By grounding the gameplay in these authentic constraints, players intimately experienced the hybrid-mission trade-offs, resource scarcity, and capacity limitations faced by practitioners on the ground.
- » **Stage 3: Evaluation and Synthesis.** The final phase brought together the experiences from the first two phases to evaluate the simulated outcomes. By juxtaposing the funder and enterprise perspectives, this phase acted as a catalyst for critical discussion. It provided a shared, neutral space for participants to openly dissect misalignments in expectations, explore structural power dynamics, and collaboratively ideate more equitable funding mechanisms.

Workshop 3 focused on reflection and discussion of the emerging themes from the first two workshops. As opposed to the first two in-person workshops, this final session was held online in the form of a group discussion with facilitator queries and prompts.

This overall iterative process ensured that findings were grounded in participant perspectives and that the co-design process informed both analysis and outputs. However, while the study draws on co-design principles, it is not a fully co-designed process. Participants contributed significantly to shaping narratives, scenarios, and key elements of the board game, but the overall structure and tools were developed by the research team. Nonetheless, participant feedback, including suggestions on game mechanics and design, was incorporated to enhance both validity and engagement.

3.4. Data Analysis

Data has been analysed using thematic analysis following established qualitative procedures (Braun et al. 2019) and abductive reasoning (Lipscomb, 2012). Workshop discussions were recorded, transcribed, and coded using NVivo software. Themes were generated by going back and forth between data and literature.

In addition, Miro boards were used to visually map relationships between innovation types and corresponding funding mechanisms generated during the workshops. Outputs from the serious game sessions, including designed funding models and recorded decisions, were treated as analytical artefacts. A post-workshop survey was also administered to capture participant feedback on the game and workshop process.

This combination of narrative, interactional, and artefact-based data enabled a rich and multi-layered analysis of how innovation funding is understood, experienced, and potentially reconfigured within the social enterprise ecosystem.

4. Findings and Discussion

4.1. Key Themes

4.1.1. Reframing innovation beyond novelty

The object-oriented innovation narratives revealed a broad and often critical understanding of innovation, one that challenges the assumption that innovation must always mean novelty, disruption, or the creation of something entirely new. Several respondents instead framed innovation as relational, emergent, and embedded in

existing practices. Innovation was likened to a rhizome, suggesting a process that grows through multiple connections without a fixed structure, rather than from a single linear source. It has been described as “something simple that makes a massive difference” (F006) through the example of an ice-cream scooper. A recurring idea across the narratives was that innovation often involves rediscovering, recombining, or revaluing existing knowledge rather than inventing from scratch. As one respondent noted, they “remembered the olden days” (F003) when trying to solve a modern technological problem.

Another participant, using the example of an old game called Tafl, stated that “Innovation is about learning from history because we have solved lots of these problems already” (SE06). Such reference to existing knowledge connects to key points in the literature where social enterprises often define innovation through usefulness, social benefit, and contextual fit rather than through technical novelty alone (Tortia et al. 2020). In this sense, innovation is less about “newness” for its own sake and more about adapting what already exists in ways that are more effective, sustainable, or inclusive. The findings also suggest that this reorientation toward existing knowledge is partly shaped by the funding environment, as the following account shows:

“Social enterprises in general [are] always having to innovate... but because of that we tend to sometimes, we don’t get the chance to specialise. So we are always having to reinvent ourselves for funding applications for the next year even though it is the same project- we are just repackaging it.” (SE02)

The above quote reflects the tension between funder expectations of constant innovation and the practical realities of service continuity, specialisation, and delivery. Rather than enabling deeper innovation, short-term funding appears to push social enterprises into repetitive cycles of repackaging existing work as something new.

However, the discussions indicate that respondents are not rejecting innovation itself as F SE03 noted “A lot of the work we do is innovative, we just don’t label it that way...it is about supporting what’s already there”. This perspective is important because it

shows that innovation in such spaces may often be incremental and locally situated, rather than highly visible or radical (de Souza João-Roland & Granados, 2023).

4.1.2. The overlooked area of process innovation

A key finding is that social enterprise innovation is not only about new projects through products or services, but also about how organisations work internally. In the research workshops, process-based innovation appeared as the kind of change most closely tied to long-term organisational wellbeing and sustainability, yet it was highlighted as the least likely to attract external support. This matters because process innovation is usually iterative, relational, and harder to measure through the linear output logic that many funders prefer (Guo and Peng, 2020). As a result, changes that strengthen delivery, learning, staff capacity, or internal efficiency can remain invisible within conventional funding frameworks.

A further issue within process innovation is that it appeared to be closely linked to staff retention. This means incurring overheads and requiring core cost funding which remains widely acknowledged as being one of the most challenging funding to acquire externally (Hung et al. 2023). For example, one participant highlighted the following staffing related struggle despite being successful at securing external funds:

“The downside of this [securing a short-term project fund] is now we were trying to use some of that money to retain some jobs, which now could only keep them for 4 months instead of a year...during which we spent crazily trying to get more funding so we don’t make them redundant. We have to make 2 redundancies, and we only have 12 staff. That’s like a 6th of my team”. (SE03)

The above quote about temporary funding, the resultant redundancy risk and pressures to justify salary costs show that process change is an organisational survival and service quality issue. The absence of core funding, especially for salaries, also has longer-term implications for organisational growth and leadership sustainability. As one respondent explained:

“Any funding we managed to get as a tiny CIC, very restricted and it’s all project based. And funders don’t like tiny organisations. We can’t get

any bigger because we can't pay anybody. We don't pay ourselves. We are both (co-heads of organisations) working other jobs. So we basically work 7 days a week to do as much as we can as a social enterprise and pay our bills at home.” (SE06)

This illustrates how the lack of support for process-based innovation which requires operational investment not only constrains scaling but also shifts the hidden costs of sustainability onto permanent staff, who absorb the extra labour needed to keep the organisation functioning.

4.1.3. Cash flow and disbursement (mis) alignment

Cash flow emerged as a practical but often under-acknowledged feature of social enterprise funding. While trading income can provide internal support, many social enterprises still depend on external funding to stay liquid. This is particularly relevant for enterprises where revenue flow is inconsistent or they operate in an area that cannot (ethically) be marketised, for example in service of highly vulnerable groups (Spiess-Knafl & Achleitner, 2012).

The workshop data however reveal prevalent mismatch between funding schedules and organisational needs. One respondent noted, “I think in an ideal world, any social enterprise should have a diverse range of income... So less reliant on what the funder requires” (I002), pointing to the pressures of adapting to funding conditions. Another participant narrated how fund disbursement’s misalignment with cash flow needs can force the enterprises to compress service delivery:

“...by the time it [the payment] goes through the motions... we've delivered quarter one, and we still are nowhere near getting any of our quarter one payments... So, we're in a gentleman's agreement... What's happening is that you have to deliver what should have been a 12-month project in 8 months.” (SE02)

This suggests that cash flow problems can reshape delivery timescales and potentially staffing and the quality of implementation. Relatedly, a further issue is that funders often prefer partial advance payment and staged release rather than full upfront funding, mainly as a control mechanism. Hundred percent advance was termed as the

“Golden goose” by a social enterprise participant. While staged payments reflect funders’ concerns about governance and accountability, it can also shift financial risk onto social enterprises. Building reserves can help absorb delays but it comes with several caveats as the following respondent notes:

“The converse side of it is that funders don't want organisations to have a big build-up of reserves either... So, there's a definite balancing act between that unrestricted funding within your organisation and then that project delivery funding, which tends to be some element of up front, but actually some after delivery.” (F001)

The above extract clearly shows that while high reserves may offer the comfort of unrestricted funding to the enterprise, it can conversely reduce the funder's willingness to provide money, thereby creating a balancing act for the social enterprise between liquidity and service funding needs.

4.1.4. Negotiating market-based logics with social value

Social enterprises described funding as increasingly shaped by economic logic as opposed to social value objectives, where value is assessed through measurable returns, efficiency, and “money working” harder. Such tension appeared in reflections on language and legitimacy. While acknowledging this divide, one participant highlighted the opportunity that lies in bridging the language divide between funders and social enterprises by suggesting tapping into the monetary value of the social outcomes and impact:

“As a human being we are not placing value in the money that we have, but we are placing the value in the friends that we have, the natural environment- or we should. What I find really interesting is, it's like there is a problem of language; how do we translate the value that we create in our communities so that it speaks to funders on the return on money. I think we can do that; it's just that we haven't tapped into it”. (SE04)

However, contradictions exist in such viewpoints. SE06 argued that such “change has to come from the funders as well” and questioned how despite contributing to “social

good, protecting people who are falling through the net, protecting the environment, and you know building local communities”, social enterprises “have to describe everything [they] do in those same terms [monetary]”, which goes against the thesis of a social enterprise. Indeed, a monetary equivalent would highlight the true contribution of such organisations, but conversely it also risks eroding the distinct value set of the sector as the following quote shows:

“When I think of innovation, it is under the umbrella of consumerism... Comes from capitalism... a lot of what we are trying to do here as social enterprise kind of sits out of that.” (SE07)

These comments suggest that social enterprises are not simply struggling to evidence value; they are working within funding systems that can fail to recognise the kind of values they produce. As such through funding applications, these enterprises may adopt a language that may not always feel authentic to what they stand for. However, a curious shift has been noted by a respondent who highlighted the increasing import of private sector funding for social enterprises:

“However, that is the reality. If the funding landscape continues the way it is, funding would need to be matched by private sector funding. And that’s a positive thing- it gives more sustainability to the organisation but there’s limits to what you are allowed to do, and I suppose it is down to how you negotiate.” (F007)

This trend suggests that while diversification of external funding sources may enable sector sustainability, the price to pay is the narrowing of what social enterprises would be allowed to do. In this sense, private sector funding does not simply fill a gap; it can deepen the logic of marketisation by making social enterprises more accountable to market-based logics than to their own social mission.

4.1.5. Relational and locally embedded funding

A key theme about which participants have almost unanimously emphasised on is that innovation funding for social enterprises works best when it is organised as a relational and locally embedded process. Participant accounts highlight the significance of local knowledge where “Small grassroots charities [which can also have social enterprise

arms]- they absolutely know the people that are using their service. They often live in the community, so the knowledge they have about what they're trying to do" (F005). Social enterprise literature recognises that empowering innovation ecosystems rely on network constellations which are embedded in place, where proximity, relational trust, and local knowledge help actors coordinate and mobilise resources more effectively (Pel et al. 2020).

Such approach is already adopted by more locally situated funders where one participant emphasised that "A lot of what we do is listen, so we listen to the people in our communities, and from there, we try and do funding in that way, which is all about relational funding." (F005). Similar stances were evident in the board game choices as well, where participants acting as funders favoured approaches that allowed them to carry out local scoping of needs, build relations with the community, and connect decisions to lived experience.

In addition to locally embedded relational funding, certain bespoke flexible approach also surfaced where one participant highlighted the following:

"It is all relational funding that we provide. To kind of flip it on its head, we have no application process. We don't ask anybody to fill in an application form. So everyone on the ground within our organisation, they are the ones who write the funding proposal based on the knowledge and the information of that organization that they're working with." (F001)

While noting the limitations of an application-based assessment in capturing the strength of an idea, this practice attests that employing flexible funding approaches can also be driven by willingness to depart from conventional funding norms.

4.1.6. Creative avenues like serious games as a means of driving collaboration

A key methodological finding has been the potential of serious games to drive in-depth conversations among participants from varying sides in a funding relationship, who otherwise may not get the scope for such exercise or may have felt constrained due

to the inherent power dynamics. One participant account helps shed light on such opportunity:

“...we also have to ensure that we receive that money from Scot Gov every year and we have to spend that money in the year. Anything that we don’t spend goes back to Scot Gov. So we don’t get a massive amount of time to step back and look at the bigger picture ‘cause we are also kind of in that treadmill.” (F006)

Alongside highlighting the practical limitation of a funding organisation that secures money from external sources like the government, the above quote also helps us understand how the scope for reflection and engagement with the wider sector is limited even for some funders. Time constraint is prevalent for both social enterprises and funders. Thus, the short time-bound exercises through a serious game employed in this study helped create room for those discussions and reflections that otherwise does not happen regularly. That is why feedback from participants noted positively that the game is a “A great way to explore the issues!” and that they could see how this could be used in real life setting”. Participants found that the sessions “made for very considered and thoughtful discussions”. Taken together, the participant discussions and feedback suggest that game-based approaches can facilitate in-depth discussions and build shared understanding towards practical solutions.

4.2. A preliminary mapping of funding design for innovation types

Based on the analysis of funding choices for various types of innovation in the serious game the following mapping of types of funding arrangement for specific types of innovation has been developed (Table 2).

Table 2. Funding design mapping for social enterprise innovations

	Type of Innovation			
	Product	Service	Process	Model
Type of instrument	Grants/ repayable finance/ blended finance	Grants/ repayable finance/ blended finance	Grants	Grants/ blended finance
Fund length	Short- to medium-term, with scope for multi-year support if development is phased	Medium-term, with scope for multi-year support if development is phased	Multi-year funding	Multi-year funding
Fund disbursement	Upfront payment agreed in advance, followed by regular scheduled instalments	Upfront payment agreed in advance, followed by regular scheduled instalments	Larger upfront payment, with flexibility to adapt as learning emerges	Larger upfront payment with scheduled payments
Impact reporting conditions	Pre-agreed reporting timeline	Pre-agreed reporting timeline	End of delivery	End of delivery
Impact type	Pre-determined outcomes, developed with the SE	Pre-determined outcomes developed with SE, with space for some emergent outcomes	Outcomes identified and refined with the social enterprise over time	Outcomes identified and refined with the social enterprise over time
Restrictions and type of costs	Project funding with flexibility for changing circumstances, including staffing overheads where needed	Project funding with flexibility for changing circumstances, including staffing overheads where needed	Unrestricted funding, or funding covering core and/or capital costs	Unrestricted funding, or funding covering core and/or capital costs
Funder-awardee relationship	Locally embedded relational funding	Locally embedded relational funding	Relational funding with non-financial support	Relational funding with non-financial support

This mapping should not be read as definitive since innovation is a complex and context-dependent process. The most suitable funding design will vary according to factors such as a social enterprise's capabilities, objectives, and user response. The values in the table are drawn from the serious game choices and discussions, as well as the social enterprise literature, and should be understood as the funding arrangements that appeared most appropriate for each type of innovation rather than as the only practical options. For example, process innovation is likely to require a longer timeline warranting multi-year funding. Additionally, given the link between internal process change and service impact can be difficult to measure, it is more suitable to track progress through consultatively overseeing outcomes emerging during the innovation process and reporting at the end of the programme. By contrast, product and service innovation is easier to monitor within a project structure but also needs flexibility for emergent impact and covering salary.

4.3. Discussion

This study shows that social enterprise innovation is shaped by funding design and by the funding relationship. Social enterprises and funders vary in size, mission, capacity, and local embeddedness, which means funding conditions and the wider policy environment influence what kinds of innovation are possible, visible, and supported.

A key finding is that funding structures can shape innovation in ways that are not always optimal. Participants described repeatedly having to repackage existing work to fit application demands, which adds administrative burden and reduces time for delivery, learning, and long-term development. This suggests a mismatch between how innovation is funded and how it unfolds in practice. This is more challenging for process innovation where capped overheads and limited core support can weaken the organisational capacity needed for innovation. More generally, social enterprises need support not only for new ideas, but also for sustaining, adapting, and scaling what already works (Nijnik et al., 2019).

The findings also show that innovation categories are useful but not always distinct in practice, as product, service, and process changes often overlap. Overemphasis on categorisation can therefore pigeonhole organisations and limit eligibility for

resources. A more useful approach is to recognise both the differences between innovation types and their interdependence.

Finally, the data highlight the importance of relational funding. While this is already being attempted in practice, wider adoption may require funders to have more flexibility and judgement, especially where formal applications fail to capture the quality of an idea or the legitimacy of a small organisation. At the same time, more stringent and financially framed funding conditions risk narrowing the space for social and environmental value, particularly for organisations created to generate outcomes that sit outside conventional market metrics (Guo and Peng, 2020).

Very importantly, however, these funding conditions do not emerge in isolation but are situated within the wider innovation policies. The current innovation policies discourse remains strongly business-led and productivity-focused. The UK Innovation Strategy (2021), for example, is geared towards private sector innovation, higher public R&D investment, and support for “innovative companies” through finance hubs and growth-stage assistance. The UK Innovation Survey 2025 confirms that innovation support is unevenly distributed, with only 3% of businesses reporting central government financial support for innovation and smaller firms less likely to innovate than larger ones. Social enterprises, which are often small, hybrid, and place-based, do not fit easily within a policy model that privileges scale, private investment, and firm-level competitiveness. In-terms of devolved nations, Scotland’s National Innovation Strategy appear more open in its framing, linking innovation to a fairer, greener, and more equal economy; however, even there, social enterprises are not yet clearly positioned as a central part of the innovation system (Scottish Government, 2023).

Tuckerman et al. (2025) help clarify why this matters. Innovation policy should not simply “pick winners” in the sense of supporting only those innovations most likely to generate rapid economic growth as this narrows the organisations and outcomes that are valued (Tuckerman et al. 2025). High segmentation of policy departments also acts as a barrier to the inclusion of social enterprise models in mainstream innovation policy (ibid). This is a useful view for the present study because it suggests that the issue is not only funding design at organisational levels, but the wider policy architecture within which those funding decisions are made.

Collectively, the findings suggest that social enterprise innovation is already contributing to public social, environmental and economic value, but its forms of innovation and its funding needs can be better supported through appropriate funding design and recognition in mainstream innovation policy. These findings point to a set of practical recommendations for funders, intermediaries, and policymakers to better align innovation support with the realities of social enterprise practice.

5. Recommendations

Level	Recommendation	Key stakeholders	Main action/s	Why it matters
Organisational	Develop more locally embedded and relational funding	National-level funding organisations; intermediaries, local independent funders, and social enterprises	Build local presence through offices, representatives, locally led programmes, and regular face-to-face engagement with social enterprises	Improves understanding of local context, strengthens trust, and supports more relational funding decisions
Organisational	Align fund disbursement schedules with social enterprise cash flow needs	Funding organisation	Use more flexible disbursement schedules, larger upfront payments, and adjustable milestones to support cash flow	Helps social enterprises manage liquidity and reduces pressure from delayed payments, and focus on innovation development
Ecosystem	Develop a Social Enterprise Innovation Cluster Map	IRC, ESRC, UKRI	Create a shared digital map of social enterprise innovation	Reduces duplication, identifies unmet needs, and supports partnerships, diffusion, and scaling of ideas
Ecosystem	Promote use of serious games to build shared understanding between funders and SEs	Social enterprise sector intermediary organisations and regional development agencies	Organise structured gameplay based decision-making and reflection sessions to build empathy and shared understanding among funders and social enterprises	Creates a low-cost space for dialogue, sidelines power differences, and exposes practical constraints and solutions.
Policy	Make social enterprises core partners in innovation programmes under Innovate UK	Innovate UK	Include social enterprises in mainstream innovation consortia and the Velocity programme, starting with select priority sectors where social enterprise presence is more active.	Helps diffusion and co-development of innovation while broadening who benefits from public innovation funding and infrastructure
Policy	Recognise and amplify social impact oriented and process innovations in national innovation strategies.	Policymakers: UK Government and devolved national Governments.	Mainstream social impact and relational process-based innovation in Innovation policies	Broadens the meaning of innovation beyond economic benefits and supports mission-led change yielding social and environmental value.

5.1 Level: Organisational

Recommendation 1: Develop more locally embedded and relational funding.

A key recommendation is for funding organisations to strengthen their local embedding by prioritising place-based relationships, local knowledge, and regular face-to-face engagement when assessing and supporting social enterprises. Such change is mainly expected from national level funders whose programmes can be comparatively more regimented. The main challenge is that relational funding takes time, staff capacity, and trust-building, which can be harder to sustain at scale, especially for funders operating across many regions.

While local independent funders, community foundations, and intermediary organisations can serve as pathways to local intelligence, building local relationships requires investment in local representatives and sustained presence. Piloting relational, locally embedded funding in selected regions for a fixed period could help funders assess its value in practice and weigh the benefits against the additional time and resource commitments involved. Buy-in is also needed from social enterprises as only two-way communication can ensure mutual trust and knowledge exchange.

Recommendation 2: Align fund disbursement schedules with social enterprise cash flow needs.

Funders should redesign disbursement practices to better match the cash flow realities of social enterprises to enable organisational sustainability and consistent delivery of outcomes (Bagnoli and Megali, 2009). The board game discussions showed that such tension is not irreconcilable: funders and social enterprises were often willing to find a balance between sequential disbursement and flexibility, recognising that payment schedules may need to be adjusted when circumstances change.

Funding organisations therefore should focus on introducing flexible disbursement options, such as larger upfront payments, expenditure-based releases tied to cash flow rather than rigid outputs, and the possibility of in-year adjustments when delivery is delayed for reasons

beyond the enterprise's control. Building clear cash flow check points and reporting requirements into fund design and call, with funders discussing timing, overheads, and liquidity risks with awardees before finalising payment schedules, would also help social enterprises plan more effectively or at the very least gauge if they can meet the funding requirements. Clear and timely communication from social enterprise is also important for the success of such changes.

5.2 Level: Ecosystem

Recommendation 3: Develop a social enterprise Innovation Cluster Map

UKRI stakeholders can commission and host a national social enterprise innovation map as part of the UK's innovation infrastructure, building on existing tools such as the Department of Science Innovation and Technology's Innovation Clusters Map (UK Gov, 2025c). The **Innovation and Research Caucus (IRC)** and **ESRC** already played a convening role in building this tool, and they could extend this work by supporting the creation of either a dedicated social enterprise and social innovation layer within the existing map, or a parallel repository that captures mission-led innovations.

This study has revealed innovation by social enterprises despite being varied can lack recognition and visibility. A national innovation map would help social enterprises, funders, and intermediaries see what is already being done, where, and by whom. This way the map could enable transposing of innovative ideas among the enterprises, reduce regional service duplication, highlight gaps in provision, and create clearer opportunities for collaboration to provide more holistic support for a particular user group and/or need. It would also make it easier for policymakers and funders to identify where investment is most needed and where existing innovations could be scaled or adapted.

Such a map would take time to build and significant effort to maintain. There can be persistent gaps in data availability and standardisation, and the risk that smaller or less formal organisations remain under-represented. There can also be capacity concerns as many social enterprises already face high reporting burdens and may be reluctant to share detailed information without clear benefits. However, several enterprises already capture a lot of impact and activity-based data for reporting which can be leveraged for piloting regionally before expanding to a national level map. Thus, such a project has to be a multi-stakeholder

collaboration whereby having co-design roles for select social enterprises can ensure the tool is built *with* them, and not just *for* them.

Recommendation 4: Promote use of serious games to build shared understanding between funders and social enterprises.

The workshop feedback strongly highlighted the value of mixed group discussions which otherwise happens scarcely. Thus, a key contribution of this study is methodological, where the potential of creative avenues like serious games in offering a practical, feasible way to mobilise discussions is highlighted. As such, especially sector intermediaries are well placed to take on the role of leveraging and promoting the use of such tools. This can be done through organising events or making space in existing events to apply such tools.

Funders and social enterprises can come together in those workshops to reflect on their real-world relationships and experiences. These sessions can also enable exchange of bespoke funding practices across funders, giving each other more confidence in applying flexible funding approaches. To make attending such sessions feasible for small low-capacity social enterprises, events should be time-bound, locally hosted or hybrid, and designed so that participation does not create additional administrative burden.

5.3 Level: Policy

Recommendation 5: Make social enterprises core partners in co-developing and/or diffusing innovation under Innovate UK

Innovate UK's current emphasis on supporting 'breakthrough ideas' within a smaller set of high-growth sectors such as clean energy and digital technologies empowers radical innovation and future industry giants. While mission-led businesses like social enterprises, whose innovations in general may not fit such scale, there can still be areas of intersection. As such, Innovate UK can explicitly position social enterprises as partners in the co-development and diffusion of innovation.

Social enterprises are already active in several priority sectors, particularly creative industries and clean energy (such as retrofit, community-owned energy); several enterprises are developing digital and technological solutions for social good. Innovate UK can therefore

explicitly position social enterprises as partners in the co-development and diffusion of innovation.

Additionally, Innovate UK can integrate social enterprises particularly into the Velocity account management service to provide access to “mentoring, strategic advice and hands-on guidance from people who understand the technology and the market” to mobilise their innovation capacities. Social enterprise’s hybrid orientation means their innovations also have market potential alongside producing social outcomes. Inclusion in this programme can thus amplify the more market focused innovations from social enterprises.

A final key area of intersection can be where social enterprises’ participation is treated as a way of delivering the innovation fundamentals, especially inclusive innovation, diversity of thought, and place-based innovation. Hence, inclusion of social enterprises would also flow knowledge inwards to the programmes on these fundamentals.

A time-bound pilot of such dedicated pathways that incentivises consortiums to include at least one social enterprise partner in innovation projects and integrating such organisations in the Velocity programme can help evaluate the scope of their role within innovation projects, without forcing social enterprises into a purely commercial frame.

Recommendation 6: Recognise and amplify social impact oriented and process innovations in national innovation strategies.

A final recommendation concerns the longer-term direction of governmental Innovation policy. Both the UK and Scottish Innovation Strategies can more explicitly mainstream social outcomes and relational, process-oriented innovation alongside technological and commercial goals (Tuckerman et al., 2025). This would signal that social enterprise innovation is not a niche activity but can be a core part of the national innovation system, and would encourage development agencies towards designing more inclusive, place-based, and social outcome-oriented interventions. The purpose of innovation is not only to create financial value, but also to benefit society, the environment and the wider ecology. Enabling social enterprise innovation and broadening what kinds of value innovation is recognised to create can help address some of the most pressing challenges of our time.

6. Conclusion

This study unpacked several overlooked but important gaps in current funding practices that can constrain social enterprise innovation, contributing to IRC's aim of identifying structural gaps in the R&I system. It contributes to both UKRI and Innovate UK objectives by offering evidence-based recommendations for improving how innovation by mission-led organisations is funded and supported, which in-turn can improve place-based outcomes across both economic and societal facets. The study contributes methodological novelty through the application of a discussion-based serious game that could be adapted more widely to strengthen reflection and collaboration between funders and social enterprises.

One limitation of the study is that it draws on a relatively small number of participants, so the findings reflect in-depth insights rather than sector-wide generalisability. The use of an interactive board game also created a useful space for reflection, but it may have shaped how participants expressed their views, meaning the findings should be read as situated and interpretive rather than definitive.

Future research could explore these findings with a larger and more diverse sample of social enterprises, funders, and intermediaries to see how far the patterns identified here hold across various regions. It would also be valuable to examine more funding models to see how those shape specific types of innovation over time in mission-led innovations.

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