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User-Led Social Innovation – Emerging Ecosystems and Policy Frameworks

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Abstract

This article presents a study that critically analyzes the role of public policy and discourse in shaping Iceland's emerging social innovation ecosystem, with a particular focus on social entrepreneurs who draw on their lived experiences. Lived experience refers to social entrepreneurs' direct personal experience of the social challenges their social initiatives address. The study combines discourse analysis of innovation policies with critical phenomenological analysis of twenty-two interviews with twenty-six social entrepreneurs. The discourse analysis applies Hulgård and Ferreira's (2019) four-discourse model of social innovation to examine national and municipal innovation policies, distinguishing between discourses rooted in the third or social sector, volunteerism, new public management (NPM), and new public governance (NPG). The findings underscore the importance of integrating user knowledge into policy and practice, providing valuable insights for governments, academics, and policymakers dedicated to fostering participation, inclusion, and equality in social innovation processes, contributing to welfare and social change.

Keywords: Users; social innovation; innovation policy; social entrepreneurs; ecosystem.

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Introduction

Social innovation is positioned at the intersection of societal spheres, combining civic engagement and innovation, where grassroots action and institutional reform intersect with market-based solutions to address complex societal challenges (Moulaert et al. 2013; Nicholls & Murdock 2012; Bureau of European Policy Analysis (BEPA) 2011; Howaldt et al. 2016) further defines social innovation as "new ideas... that meet social needs and create new social relationships," reflecting its dual role: responding to challenges and reshaping systems. This ambiguity allows for different interpretations. As social innovation becomes part of policy agendas, it can be co-opted by various political strategies and ideologies, such as a neoliberal logic, which may lead to commodification and tokenistic inclusion (Fougère et al. 2017). Such a transition reflects a broader shift toward market-based metrics that marginalize grassroots voices in innovation policy, thereby pushing social innovation further away from its origins as a concept closely related to a "counter-concept" opposed to more conventional types of innovation (Godin 2015, p. 123).

The study this article presents refers to social innovation as the process of creating new social practices to address societal challenges (BEPA 2011; Howaldt et al. 2016), while social entrepreneurship initiatives are the specific projects through which this process unfolds. The study aims to offer three main contributions to social innovation research. First, it introduces a novel analytical framework for analyzing and designing policies that address societal challenges more effectively. Second, it advances the under-explored field of user-led social innovation by integrating lived-experience perspectives into ecosystem theory and analysis. Third, methodologically, it connects critical phenomenology with discourse analysis to examine how experiential knowledge interacts with policy discourses and emerging social innovation ecosystems. This article aims to contribute to Icelandic and international social innovation research by examining how user-led social initiatives emerge in Iceland in the absence of social innovation policy in national frameworks and emerging social innovation ecosystem design. Following this, the article addresses two research questions:

1. *How do public policies and discourses shape Iceland's emerging social innovation ecosystems?*
2. *How do social entrepreneurs driven by their own experiences (user/peer perspective) interact with Iceland's emerging ecosystem for social innovation?*

Adopting a critical-phenomenological perspective (Guenther 2019; Salamon 2018; Zahavi & Loidolt 2022), this study explores how policy interactions affect the legitimacy and visibility of user-led initiatives. A discourse analysis is guided by and combined with Hulgård and Ferreira's (2019) four discourses on the social innovation model: Volunteerism, Social Movements, New Public Management (NPM), and New Public Governance (NPG). This provides a heuristic for understanding how social innovation is framed and governed.

The concept of social innovation ecosystem serves as an analytical framework, en-

compassing the relationships among policies, institutions, and actors. It captures both the structural context (formal rules and institutions) and the relational dynamics shaped by social entrepreneurs, peer networks, and intermediary organizations. Social innovation ecosystems are dynamic interplays of actors, institutions, and relational structures that enable or constrain innovation processes across sectors (Domanski, Kaletka & Krüger 2023). Context-specific policy environments shape these ecosystems and depend on coherent governance, cross-sectoral coordination, and enabling infrastructures to thrive (Howaldt et al. 2016; OECD 2015). The SI-DRIVE project (2014) further emphasized the systemic nature of social innovation ecosystems, identifying key conditions, including supportive policies, educational integration, legal frameworks, and sustainable funding mechanisms. In contexts where social innovation and ecosystems are still emerging, these enabling conditions are often underdeveloped or unevenly distributed.

The upcoming sections will review relevant literature, theoretical frameworks, and findings from a critical phenomenological analysis of interviews with social entrepreneurs, along with a discourse analysis of innovation policies, applying the Four Discourses of Social Innovation model. The article concludes with a discussion, conclusions, limitations, and suggestions for future research.

1. Literature review

In the study, the term "user-led social innovation" serves as an umbrella concept for the social initiatives studied or innovations driven by people whose lived experiences inform both their purpose and design. User involvement in social innovation aligns with the European Commission's (2016) social innovation framework, which identifies co-creation and experiential knowledge as essential to its success. User involvement is well-established in the health, disability, and inclusion literature (Repper & Carter 2011; Gillard et al. 2013), but remains underdeveloped in social innovation theory, despite related concepts focusing on grassroots, peer, and citizen participation being well-established. Drawing on frameworks such as Living Labs (Edwards 2019), adaptive co-creation (Meister Broekema et al. 2023), free innovation (Sgaragli 2014; von Hippel 2017), and cooperative governance (Shahidullah & Haque 2016), user-led innovation emphasizes experiential knowledge, relational insight, and leadership from marginalized groups. Public service innovation research also highlights the democratic potential of user involvement in improving systems and creating inclusive solutions (Callens 2023). In Iceland, such initiatives often operate across civil society, informal networks, and the public sector, contributing to areas such as education, health, mental health, inclusion, and sustainability (Hrafnsdóttir & Kristmundsson 2019; Kristmundsson & Hrafnsdóttir 2011; Kristmundsson 2009). However, despite their importance, they remain on the periphery of mainstream innovation policies. These actors exist and function within what scholars call the social innovation ecosystem, a network of institutions, norms, and support mechanisms that can either enable or hinder grassroots-led innovations, especially in the social economy (Hulgård 2024; Borzaga et al. 2020; Domanski & Kaletka 2018; Howaldt et al. 2016; Bloom & Dees 2008).

Innovation and social innovation can be developed as either integrated or separate policy frameworks, a choice that influences how innovation is understood and supported. The OECD (2015) emphasizes the importance of institutional coherence and reflective governance through alignment among policy domains, as well as the role of reflective governance in adaptive, learning-based policymaking (Weber & Rohracher 2012; Schot & Steinmueller 2018). Finland provides a relevant example of how small welfare states can reshape innovation policy through strategic reforms to address societal challenges better (Laasonen et al. 2020). Third-sector entities, including user groups and organizations, have played a vital role in delivering social services and fostering innovation, often through civic engagement, social movements, and social change (Shier & Handy 2015; Kristmundsson 2009; Kristmundsson & Hrafnsdóttir 2011; Hrafnsdóttir & Kristmundsson 2012).

Social entrepreneurship refers to people and organizations focusing on creating social impact rather than generating profit. It is closely linked to social innovation, with a long-term goal of creating social change. In this study, social entrepreneurs are the individuals who lead or initiate social innovation. Some of these entrepreneurs operate within or go on to establish social enterprises, which are understood as organizational or legal structures that enable the pursuit of social objectives through participatory and nonprofit governance (Defourny & Nyssens 2012).

Social enterprises contribute to societal welfare, solidarity, and social inclusion through democratic governance and nonprofit distribution (European Commission 2011; CIRIEC, Euricse, European Innovation Council and SMEs Executive Agency & Spatial Foresight [CIRIEC et al. 2024]). Social enterprises often position themselves at the intersection of the market, civil society, and the state, characterized by three key dimensions: economic, by engaging in economic activity and risk-taking, and social, by prioritizing social goals and benefits; and participatory governance, involving stakeholders in decision-making (Defourny & Nyssens 2012). The civic engagement component of social innovation intersects with participatory governance and stakeholder involvement in social enterprises. While international frameworks often define social enterprises as mission-driven businesses with hybrid legal and economic structures (European Commission, 2015), or enterprises strictly based on the criteria of the social and solidarity economy (Defourny, Hulgård & Pestoff 2014), Nordic welfare states tend to have a broader view. In countries like Iceland, social enterprises encompass NGOs, cooperatives, and associations that generate social value without requiring specific social enterprise laws (Hrafnsdóttir & Kristmundsson 2019, 2021; Kristmundsson & Hrafnsdóttir 2011), reflecting a long-standing tradition of civil society involvement in welfare services (Blomberg & Kettunen 2019). Recent EU efforts to benchmark the "proximity and social economy ecosystem" support this inclusive approach, highlighting the need for tailored, context-aware policies that match regional welfare models (CIRIEC et al. 2024) and emphasizing solutions that directly address the real issues faced by local citizens.

Social enterprises in Iceland usually function as associations, self-governing foundations, or cooperatives, with a primary focus on community benefit rather than profit.

Although social entrepreneurship is not widely recognized, a tradition of third-sector innovation exists, addressing social issues through inclusive practices and welfare services (Hrafnsdóttir & Kristmundsson 2019, 2021; Kristmundsson & Hrafnsdóttir 2011). A recent law covering nonprofit organizations (no. 110/2021) allows them to register as public benefit associations, enabling them to accept tax-deductible donations and enhance their funding opportunities. This process involves registering an existing organization in the Public Benefit Register and changing its legal status to "Public Benefit Organization" (Skatturinn, n.d.).

Other Nordic nations, including Denmark and Finland, have more actively integrated social innovation into their welfare systems through partnerships, targeted funding, and policy coordination. In Iceland, partial alignment is visible in third-sector support schemes and funding tied to the UN Sustainable Development Goals (KPMG 2019; Alþingi 2024; Félags- og vinnumarkaðsráðuneytið 2024). However, a review of national research and innovation policies from 2003 to 2022 reveals that, although there is an increasing rhetorical interest in addressing societal challenges through research and development, there remains no explicit mention of social innovation or social enterprise (Ottósson & Sæmundsson 2024). These policies, guided by the Science and Technology Policy Council, continue to focus on economic growth driven by business and technological innovation (Stjórnarráðið n.d.; Forsætisráðuneytið 2020). This reflects a traditional innovation model, whereas scholars such as Schot and Steinmueller (2018) and Steward (2012) advocate a transformative policy shift to address complex societal and ecological issues.

In contrast, social innovation ecosystems, as described by Howaldt et al. (2016), Domanski and Kaletka (2018), and Bloom and Dees (2008), rely on collaboration among civil society, policy, grassroots actors, and, where relevant, access to markets. A broader body of literature (BEPA 2011; European Commission 2015) suggests that national strategies often overlook the experiential (based on lived experience and tacit knowledge), relational, and participatory aspects of innovation, which are vital for enabling inclusive, user-led innovation. The WELFARE project's gap analysis of the social innovation ecosystem in Iceland identified key barriers to social innovation, including limited education and funding, policy fragmentation, and low awareness. It also highlighted opportunities in cross-sector collaboration, the use of technology, and user-driven engagement (Hrafnsdóttir & Kristinsdóttir 2023). Initiatives such as the social innovation course in welfare services at the Faculty of Social Work, the Snjallræði incubator, and Spark Social demonstrate a growing interest in social innovation education. Stakeholders in the focus group emphasized that successful social innovation requires proximity to social issues, co-creation with users, and improved access to sustainable funding (Hrafnsdóttir & Kristinsdóttir 2023). Supportive organizations, such as the Klak/Innovit Entrepreneurship Centre and the Icelandic Centre for Research, provide counselling on investments and grants. Support is also available through social, sectoral, and regional funds. A parliamentary inquiry asked the Ministry of Education, Science, and Innovation how social innovation is integrated into public financing and evaluation. The

Ministry confirmed the use of impact measurement tools. However, it lacked data on total social innovation funding and did not include social innovation in strategic goals, aligning with previous findings on gaps in national policy (Alþingi 2021, 2023, 2024; Hrafnsdóttir & Kristmundsson 2019).

Following the trend of viewing social innovation as closely connected to active civil society participation, this article adopts a broad perspective that encompasses the social innovation ecosystem, public policies and support, and civil, grassroots, and user perspectives, aiming towards systemic social change.

2. Theoretical frameworks

Hulgård and Ferreira's (2019) four-discourse model frames social innovation within the context of policy and governance, encompassing Volunteerism, Social Movements, New Public Management (NPM), and New Public Governance (NPG), see figure 1.

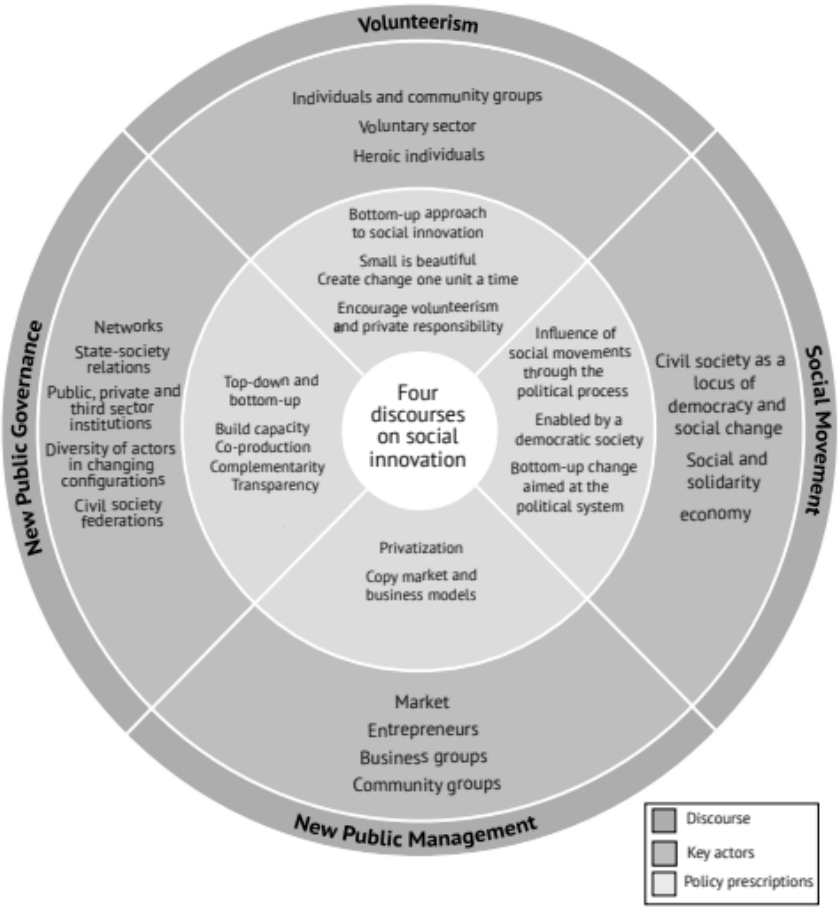

Figure 1. Hulgård and Ferreira, 2019

These discourses help analyze how policy actors frame innovation. Volunteerism discourse emphasizes individual voluntary action and responsibility in driving social change. It is often led by strong individual actors, such as social entrepreneurs, and involves minimal public engagement and support for private initiatives. Social Movement discourse centres on civil society or social movements as the primary drivers of innovation, while public policy supports scaling innovations and promoting social change. The NPM discourse suggests that innovation occurs when private sector practices are applied to public policy; social innovation is planned and managed similarly to business innovation, using market-driven mechanisms such as social impact bonds. The NPG discourse promotes network-based innovation, in which the public, private, and civil sectors collaborate, with public policy serving as an enabling role. This facilitates partnerships, cross-sector cooperation, and co-production to tackle complex problems.

The study's theoretical and literature framework informed the empirical analysis by guiding data selection, coding, and discourse analysis. Concepts such as the social innovation ecosystem, user-led innovation, and the four discourses of social innovation (Hulgård & Ferreira 2019) provided the foundation for examining interactions within the emerging social innovation ecosystem in Iceland.

3. Methods of data analysis

Building on this foundation, the study investigates the experiences of social entrepreneurs within the social innovation ecosystem and how social innovation is framed in policy discourses. These aspects are analyzed through the combined use of critical phenomenology and discourse analysis, applied to interview data and policy documents. This study uses a critical phenomenological approach and discourse analysis to examine user-led social innovation in Iceland. It is based on twenty-two semi-structured interviews with twenty-six social entrepreneurs, as well as a discourse analysis of national and local policy documents. Critical phenomenology offers an interpretive lens for analyzing meaning and power, while discourse analysis captures the policy narratives that shape them. Together, they move beyond conventional qualitative analysis by linking lived experience to structural critique, showing how social entrepreneurs experience, interpret, and negotiate institutional power within Iceland's emerging social innovation ecosystem.

Critical phenomenology integrates lived experience with structural critique, exploring how social entrepreneurs encounter and resist systemic constraints in specific sociopolitical settings (Halldórsdóttir 2021; Margi & McQueen 2023; Ritunnano 2022; Zahavi & Loidolt 2022; Guenther, 2019; Salamon, 2018). Discourse analysis (Gill 2018; Jóhannesson 2006) complements this approach by examining how institutional language and power shape policy and public narratives surrounding innovation. Building on Hulgård and Ferreira's (2019) four-discourse model, this approach enables us to analyze how institutional norms and power imbalances influence both the visibility and perceived legitimacy of user-led innovation.

The analysis, therefore, treats policies and institutions as part of the structural dimension of the ecosystem and the entrepreneurs' networks, collaborations, and advoca-

cy as its relational and action-oriented dimension. It also encourages us to critically consider how lived experience can act as a form of resistance and offer systemic insights. The study emphasizes the ecosystem's perspective and its critical view, as seen through the eyes of users or individuals with lived experiences that inform their social actions.

3.1 Social innovation policies discourse analysis

To understand Iceland's social innovation ecosystem, a discourse analysis was conducted of Iceland's national innovation strategy (Stjórnarráð Íslands 2019) and Reykjavík's Economic and Innovation Strategy 2022–2030 (Reykjavíkurborg 2022), which represent key decision-making levels influencing social innovation. This was followed by an examination of social entrepreneurs' perspectives on shaping this ecosystem, given the lack of a specific Icelandic social innovation policy.

Both documents were read repeatedly, and key segments were manually coded and grouped into themes to identify recurrent discursive patterns, determine whether and how social innovation was addressed, and assess whether its characteristics aligned with the four-discourse model (Hulgård & Ferreira 2019). Applying discourse analysis results were presented in table format (relevance/recurrence) to identify recurring themes related to power structures, contradictions, and thematic patterns in policy texts (Gill 2018; Jóhannesson 2006). The analysis was further informed by theoretical frameworks related to social innovation ecosystems (Howaldt et al. 2016; European Commission 2015).

3.2 Analysis of social entrepreneurs' perspective

Twenty-two semi-structured interviews were conducted with twenty-six social entrepreneurs (twenty-one women, five men) representing social initiatives across NGOs, private firms, and early-stage projects. Each entrepreneur represents a user-led social innovation initiative grounded in lived experience. All initiatives were primarily located in the capital region of Iceland, although some defined their outreach as the whole country when providing training and other services.

Participants were selected using purposive and snowball sampling and included migrants, refugees, and individuals with lived experience of the challenges they address. See an overview of interviews/initiatives in Table 1.

Table 1. Overview of interviews, social topics, and target groups

Policy Field	Initiative Focus Areas	Youth	User/Peer	Public	Total
Education & Employment	Bilingualism, IT for girls, peer training, employment for migrants, gender equality	3	2	1	6
Inclusion	Empowerment in prisons, advocacy against poverty, the place of inclusion and care, and the inclusion forum		3	2	5
Health & Social Care	Mental health services, gender-based therapy, refugee psychology support, and eating disorder advocacy	2	5	1	8
Sustainability	Community gardening, circular economy, end-of-life services			3	3
Total		**6**	**10**	**7**	**22**

The study employs a critical phenomenological approach to assess the influence of social structures and power relations (Magrì & McQueen 2023), using interpretative phenomenological analysis (IPA) to guide coding of personal experiences (Shaw 2010; Halldórsdóttir 2021). Interview transcripts were coded inductively in Atlas.ti coding to identify recurring meanings and patterns related to lived experience, power relations, and ecosystem interactions. These initial codes were refined into broader analytical themes and examined through a critical phenomenological lens to create short narratives and a reference list that connect participants' experiences with the policy and institutional structures revealed in the discourse analysis.

4. Findings

The findings are divided into two sections, each addressing the study's research questions. First, we examine how national and municipal policies shape social innovation through discourse. Second, we investigate how social entrepreneurs with lived experience engage with and interpret the emerging ecosystem. The analysis reveals patterns of hybridity, informal adaptation, and discursive tensions within the Icelandic context.

4.1 Public policies shaping the social innovation ecosystem in Iceland

Public policies greatly influence the development of social innovation ecosystems by shaping infrastructure, funding, training, and providing discursive legitimacy. This section draws on the discourse analysis of national and municipal innovation strategies to answer the first research question: *How do public policies and discourses shape Iceland's emerging social innovation ecosystems?* Discourse analysis was conducted on two key innovation strategies: the national policy Nýsköpunarlandið Ísland (Stjórnarráð Íslands 2019) and Reykjavík City's Economic and Innovation Policy (2022–2030). These documents represent primary decision-making levels that either support or restrict social innovation. The analysis examines how these policies frame and reference social innovation (or fail to do so), and emphasize discourses such as economic growth, inclusion, or social change (Hulgård & Ferreira 2019).

Developed in conjunction with Law 25/2021 and before the closure of the Icelandic Innovation Centre, the national innovation strategy Nýsköpunarlandið Ísland restructured existing support mechanisms. Mentorship services, previously provided by the Innovation Centre, were transitioned to competitive funding schemes and an informational website. Prior to the national innovation strategy, earlier national strategies on research and innovation included themes related to social cohesion, cultural development, and social capital (Ottósson & Sæmundsson 2024; Ingþórsson 2024). In contrast, Reykjavík City's policy defines social innovation as creating solutions that produce social value without a profit motive, emphasizing innovation in both economic and social areas (Reykjavíkurborg 2022).

The following analysis draws on excerpts from the national and municipal policy documents, illustrating how social innovation is defined or omitted from each strategy, identifying six common themes throughout these documents:

1. **Infrastructure and support systems** (e.g., funding, IP rights, investments, facilities)
2. **Positive attributes** (e.g., creativity, entrepreneurial spirit)
3. **Sustainability/environment** (e.g., climate, circular economy)
4. **Societal/future challenges** (e.g., demographics, community needs)
5. **Equity and inclusion** (e.g., human rights, diversity, universal design)
6. **Public service/governance** (e.g., efficiency, outsourcing, public innovation)

Comparing the two, Reykjavík's policy places strong emphasis on social justice, inclusion, and third-sector involvement. At the same time, the national strategy aligns more with technical innovation, competitiveness, and global positioning. See figures 2 and 3 on policy themes:

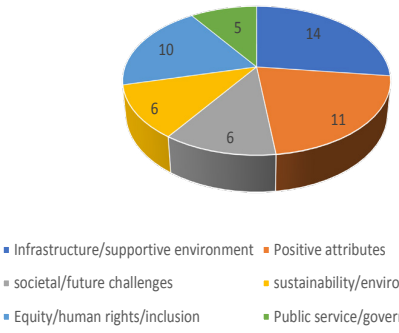

Figure 2. Reykjavík City themes

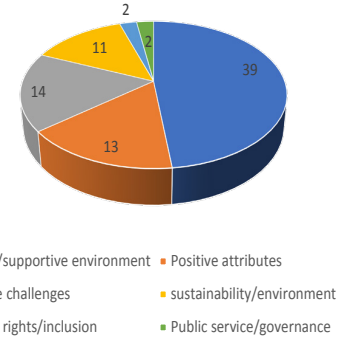

Figure 3. State innovation policy themes

This highlights a broader tension between market-driven innovation and welfare-centred approaches. While both national and city strategies emphasize infrastructure and entrepreneurship, Reykjavík's discourse aligns more with the principles of a social innovation ecosystem, mainly through its focus on participation and local welfare. These differences reflect their distinct institutional roles: national policy aims at competitiveness and macroeconomic infrastructure (Stjórnarráð Íslands 2019), while the city strategy combines innovation with economic growth, employment, services, and equity goals (Reykjavíkurborg 2022). This contrast between NPM and NPG reflects the broader discursive tension identified by Hulgård and Ferreira's model. Notably, the national strategy omits user involvement; despite recognizing that "The ingenuity of individuals is the most important source of innovation" (Stjórnarráð Íslands 2019, p. 2), it lacks mechanisms for public participation, unlike the city's promotion of co-creation through platforms like "My Neighbourhood" and citizen consultation committees (Reykjavíkurborg 2022).

From the model's perspective, the national strategy aligns with NPM, emphasizing privatization and efficiency while sidelining user voices and civic inclusion. Reykjavík's policy draws more on Social Movement discourse, advocating for participatory

approaches and collaborative governance. These findings support critiques of NPM, which argue that privatization has allowed profit-driven actors to dominate welfare provision, reducing the roles of the state and civil society. Co-production, by contrast, positions users as contributors rather than passive recipients. It is increasingly seen as an effective and democratic model for delivering public services in health and education (Pestoff 2008).

4.2 Emerging ecosystem through the lens of social entrepreneurs

Building on the preceding policy discourse analysis, this section turns to the lived experiences of social entrepreneurs to illustrate how they interpret and navigate the conditions identified at the policy level, addressing the second research question: *How do user-led social entrepreneurs interact with Iceland's emerging social innovation ecosystem?* Based on twenty-two interviews with twenty-six social entrepreneurs, this analysis explores how lived experiences motivate social action and how entrepreneurs navigate systemic barriers. Across interviews, motivators were not background; they directly led entrepreneurs to seek out support in the emerging ecosystem, such as training, funding, and peer networks.

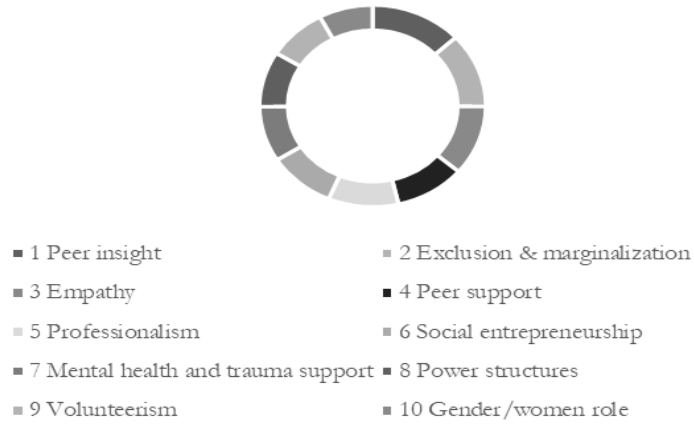

Figure 4. SE Interviews 20+ quotations

Open phenomenological coding identified key themes related to peer insight, marginalization, advocacy, and access to resources, as illustrated in Figure 4. These led to three main code groups: lived experience, power structures, and the social innovation ecosystem that guide the analysis.

Lived experience: Entrepreneurs lived experiences motivated them to pursue social action and engage with Iceland's emerging social innovation ecosystem through initiatives related to education and employment, mental health and social services, inclusion, and sustainability. During interviews, participants repeatedly reflected on how deeply rooted experiences motivated them to seek out support, networks, and institutional collaboration in Iceland's emerging social innovation ecosystem. This corresponds to Hulgård's (2004) research on the motivation of social entrepreneurs. Common to all was that it

was the "reason why" they started their initiative: "I am doing this for myself as a kid; there must be a reason this happened to me, and I have to do something about it; this is my purpose." (Interview, June 2, 2023)

Empowerment due to acknowledgement of lived experiences insights were at the core of many initiatives, and one described the feeling of applying for a peer job as part of mental health care: "I still never saw my insanity as a job opportunity; it was just something I had to hide that I was not allowed to talk about on my CV." (Interview, July 26, 2023)

Social entrepreneurs focusing on gender-sensitive approaches to drug treatment and support emphasized the importance of challenging stagnant systems and services: "I doubt that in many countries, there is as lively a discussion about the gender angle of drug problems as there is in Iceland ... one of our achievements is putting this issue on the map." (Interview, August 18, 2023)

Social entrepreneurs discussed the common experience of marginalization and imprisonment of people with mental challenges, refugees, and offenders in the justice system: "The psychiatric ward. You do not put someone in the worst place in life, in some disgust, where there is insufficient service for you. You are being punished for suffering." (Interview, April 26, 2024). Another expressed concerns about imprisoned refugees, resulting in a lack of trust in society: "By closing the front door, you are creating another society inside. People find illegal work, get underpaid, and become trapped in the system." (Interview, March 22, 2023).

The importance of giving inmates opportunities during incarceration to develop careers through skill training and education was emphasized: "We are in communication with the Prison and Probation Administration to create a platform... all our work is peer-based." (Interview, March 11, 2023)

Power structures: Social entrepreneurs, knowledgeable about public policies and power dynamics, emphasize the importance of networking, lobbying, and advocacy in promoting social change. Entrepreneurs with migrant backgrounds in Iceland expressed concerns about hierarchical systems favoring certain groups, which create barriers to obtaining funding for their projects: "My friend did not get a grant, but the same application with an Icelandic name got approved." (Interview, January 27, 2022)

Individuals involved in prison education and empowerment initiatives expressed concerns about the inadequacy of mental health services available to incarcerated individuals, noting that: "We need to change the mentality of imprisonment, not being driven by punishment, but that this is a health problem that needs to be tackled." (Interview, March 7, 2024). Another advocated for shifting the focus to rehabilitation: "We need to move from a punishment strategy to a rehabilitation strategy. We need to empower people; most prisoners have a broken social background and broken childhood." (Interview, March 11, 2023)

Most interviewees believed that the peer approach adds value to professional services by increasing trust through peer relationships: "Such a big part of the treatment process is to trust, to let go ... so a mix of these is, I think, best, and good cooperation between peers and professionals." (Interview, April 26, 2024)

Others argued that prevalent user-led NGOs hinder professionalism and service quality and call for government leadership and policy: " There is no action plan … The state is just buying the drug treatment offered to them, but does not have any quality criteria." (Interview, August 18, 2023)

A migrant psychologist discussed how difficult it was for her to get her education accepted. As a result, she could not find appropriate work: "The municipality asked for help but then said that I needed an Icelandic license before they could pay me." (Interview, August 3, 2023)

Most initiatives focused on addressing gaps in welfare, education, mental health services, and peer support. Entrepreneurs with migrant backgrounds stressed the importance of education and teaching Icelandic to improve inclusion in Icelandic society and the workforce. One stated*:* "The government has to pick, there has to be an integration plan, and this integration plan has to consider language... It should be like a two-year process at the university level." (Interview, October 25, 2024). An NGO advocating for inclusivity wanted to see the national curriculum implemented*:* "But what needs to be done, now the national curriculum says that within 4 years, the children will have to go to mainstream Icelandic ... That is not what happens … the teacher who teaches Icelandic has diverse classes and may have seven students from abroad," (Interview, July 17, 2023)

Most entrepreneurs actively promoted their initiatives. One highlighted the importance of speaking the correct language to the right audience at the right time: "It was just before the election, and we were meeting with all the political parties and ministers. This worked because I am not only a peer but also speak the authoritative language of the law." (Interview, April 26, 2024). Another noted that political interest was crucial to success: "We were fortunate to start when the mental health of young people became a priority for the government." (Interview, August 25, 2023).

This outreach and discussion with key stakeholders at the highest level highlights the connection between user-led social innovation and system change, which are naturally linked to the availability of services and policies traditionally managed by the public sector. From an ecosystem perspective, these advocacy efforts serve as boundary activities, connecting civic initiatives to institutional arenas and expanding the ecosystem's reach beyond established policy frameworks.

Social innovation and ecosystem: Despite their recognized contributions to welfare and education, the entrepreneurs often face funding challenges. They rely on personal effort, volunteer work, and intermittent grants, complicating service provision and sustainability. Most social entrepreneurs (SEs) fund their initiatives with their own resources and grants; two stated: "So far, it is a lot of sweat equity. We have been able to get some small grants back and forth." (Interview, June 11, 2021). Another worked on the initiative in parallel to a full-time job: "I was a job that I did every weekend and every night, so I was working for a long time at 200% work, and I saw it as part of fighting for something." (Interview, June 2, 2023)

One person mentioned a biased view of social innovation compared to technical or traditional business innovation: "There seems to be a certain prejudice towards these

community projects. People think it is a little hobby project if defined as socially sustainable." (Interview, June 9, 2021)

Entrepreneurs providing welfare and education found it challenging to finance their services, even though these are recognized as essential social services: "It is complicated with NGOs; you are always applying for grants, one year at a time … not knowing if you will be funded, which makes it hard to develop and deliver the much-needed services, and you do not want to betray the trust of those you serve because you do not know if the service will be available tomorrow." (Interview, August 18, 2023)

Other entrepreneurs felt that although public policies emphasized the importance of their work and its role in education, they only received temporary grants: "Now we have also received a good grant from the Ministry of Education, and it was much work and connecting with policies to get this, but there is no promise of future support." (Interview, July 17, 2023)

For many entrepreneurs, grants were more about recognition than funding, especially among entrepreneurs with migrant backgrounds. One said, "Grants are not about financial support; the grant is about recognizing your work … to be able to show there is a possible solution for something you think is a problem ..." (Interview, March 22, 2023)

While most of the interviewees felt they received limited or no support for social innovation, a social entrepreneur who moved from the USA to Iceland believed that Iceland's small size promoted social innovation: "I think in Iceland, and we feel a lot more like support than in New York; even among nonprofits, it is ultracompetitive." (Interview, June 11, 2021).

These experiences reveal how Iceland's emerging innovation ecosystem, shaped by market-driven policies, often excludes user-led efforts. Entrepreneurs compensate for systemic shortcomings through personal commitment, informal networks, and advocacy. In ecosystem terms, such adaptive behaviour demonstrates how grassroots actors perform functions, coordination, resource mobilisation, and knowledge sharing that formal intermediaries cannot.

The interviews revealed that most entrepreneurs initially did not see themselves as social entrepreneurs. Instead, their journey often started with advocating for social change based on their experiences. When faced with limited responses, they began developing or modifying solutions to meet unmet needs. This process gradually led them to adopt entrepreneurial roles, identify effective practices, involve relevant stakeholders, and actively seek funding and political support. Their hands-on knowledge provided unique insights into systemic gaps, enabling them to propose practical, user-centered alternatives. They continued to advocate for change as their initiatives progressed, demonstrating how lived experience can drive social innovation. These accounts demonstrate that, in the absence of formal structures, user-led actors rely on informal peer networks and cross-sector collaboration as substitutes for ecosystem support, illustrating how relational trust and shared experience sustain innovation when institutional support is weak.

5. Discussion and policy implications

The study extends current understanding of social innovation ecosystems by integrating critical phenomenology with policy discourse analysis in a small-state welfare context. By articulating this framework, the research highlights a pathway for policy reform, demonstrating how Iceland's innovation policy can be reorganized to better meet social needs.

By framing these initiatives as user-led innovation, the study highlights the role of lived experience as a form of expertise that drives social innovation from the bottom up. It examines how user-led social innovation emerges within Iceland's fragmented social innovation ecosystem, exploring the discursive tensions between national policy's focus on competitiveness, municipal commitment to inclusion, and social entrepreneurs' dedication to social justice and civic engagement.

By articulating this framework, the research highlights a key pathway for policy reform, demonstrating how Iceland's innovation policy can be reorganized to better meet social needs. The findings suggest that discursive boundaries in small-state welfare settings, such as Iceland, are more hybrid than the Four Discourses model indicates (Hulgård & Ferreira 2019). Instead of fitting into a single discursive category, user-led actors often operate across overlapping areas that combine peer-based activism, service co-production, and advocacy within a single initiative. Additionally, we observe tensions between Iceland's national and municipal innovation policies, with one adopting an NPM approach and the other embracing a more NPG and grassroots approach.

Civil society in Iceland, historically linked to volunteer work and service provision, is showing signs of developing a more substantial interest in experiential and user-informed approaches to social innovation. Although not yet prominent in public discussions, research reveals that certain grassroots groups, particularly those with personal experience, address systemic gaps, critique existing welfare systems, and experiment with new forms of engagement. These groups, often operating at the boundary between informal networks and formal institutions, reveal the potential for civil society to act as both a space for social services and a platform for public debate. This aligns with ongoing discussions about third-sector hybridity, civic agency, and the changing role of nonprofits in shaping welfare-state dynamics (Kristmundsson & Hrafnsdóttir 2011; Hrafnsdóttir & Kristmundsson 2012).

Iceland has an opportunity to move beyond scattered, project-focused efforts and adopt a systemic approach that aligns with its social and welfare policy objectives. This would help create a more coherent social innovation ecosystem. It involves incorporating EU definitions of social innovation and enterprise (European Commission 2015) into national frameworks and tackling the exclusion of civil society and user-led actors from formal innovation structures. As a Nordic welfare state, Iceland is well-placed to draw on models to support inclusive, user-driven innovation (Andersson 2018; Nord Regio 2014). User-led initiatives are emerging to meet unmet needs and reimagine welfare through trust, relational knowledge, and lived experience, providing new forms of legitimacy and participation for those often on the margins of society.

6. Conclusions

Public policies and discourses shape Iceland's emerging social innovation ecosystem in fragmented and uneven ways. National strategies remain largely market-driven, emphasizing competitiveness and technological growth, whereas municipal policies, particularly in Reykjavík, prioritize inclusion and civic participation. This split results in a partially developed ecosystem that lacks coherence across levels of governance. Without a dedicated national framework, long-term integration and scaling of social innovations remain limited, leaving grassroots initiatives to operate within inconsistent institutional conditions.

Social entrepreneurs driven by their lived experiences engage with the ecosystem primarily through informal networks, advocacy, and volunteer efforts. Their initiatives fill welfare and inclusion gaps, relying heavily on personal motivation and peer support rather than formal institutional backing. These user-led actors bring experiential knowledge and moral legitimacy, which strengthen the social innovation ecosystem from below while facing challenges in recognition, sustainability, and access to funding.

The findings of this study align with international understandings of the social innovation ecosystem as a layered and cross-sectoral system made up of institutions, networks, cultural norms, regulatory frameworks, and material resources that can either support or hinder social change (Howaldt et al. 2014; Domanski & Kaletka 2018; Bloom & Dees 2008). As the European Union advances efforts to compare the socio-economic performance of the proximity and social economy ecosystem (CIRIEC et al. 2024), this study offers insights into how social economy and innovation ecosystems interact, emphasizing key factors for crafting policies that acknowledge and strengthen users' roles.

Currently, Iceland's social innovation ecosystem shows signs of emerging infrastructure but remains fragmented. User-led and peer-based social entrepreneurs play essential roles despite the absence of coordinated national strategies or long-term structural support. In line with Domanski and Kaletka (2018), the study emphasizes that establishing an inclusive and effective ecosystem requires alignment among grassroots initiatives, intermediary organizations, and supportive policy frameworks. Therefore, advancing the social innovation ecosystem will involve translating established definitions and international best practices into clear national policies, officially recognizing the third sector, social enterprises, and user-led innovators as key contributors to the ecosystem. This includes recognizing their role in addressing unmet social needs, empowering marginalized groups, and fulfilling the core EU criteria for social enterprises: clear social objectives, reinvesting surpluses for public benefit, and participatory governance (BEPA 2011). As SI-DRIVE results highlight, scaling social innovation depends on policy consistency, institutional backing, and governance alignment; otherwise, even the most impactful grassroots efforts risk remaining fragmented and unsustainable (European Commission 2018).

The study emphasizes that motivations rooted in lived experience are not mere background details but the core drivers that propel social entrepreneurs to participate in Iceland's emerging social innovation ecosystem. Participants described both pull factors,

such as internal, purpose-driven motivations, and push factors, like systemic gaps or a lack of alternatives (Caldwell 2020). These motivations were mainly autonomous, indicating self-directed intent (Repisky & Tóth 2023). Recognizing lived-experience-based motivation as the foundation of ecosystem engagement has important implications: ecosystem builders in Iceland should develop support structures that value experiential knowledge and foster participation grounded in intrinsic motivation.

The findings also indicate that the boundaries between the Four Discourses identified by Hulgård and Ferreira (2019) are more flexible in practice than the model suggests. User-led actors often navigate and combine elements of volunteerism, social movements, and governance discourses within single initiatives, highlighting the need to understand discursive hybridity in emerging ecosystems.

7. Limitations and future research

This study relies solely on qualitative methods and provides rich insights into how entrepreneurs' lived experiences shape their engagement with Iceland's emerging social innovation ecosystem. However, the approach has inherent limitations: the findings may reflect the researchers' subjective interpretation and are not easily generalizable beyond the interview context (Mwita 2022). These limitations suggest caution when extending conclusions beyond the studied participants and emphasize the importance of complementing qualitative depth with broader or mixed-methods designs in future research.

Despite challenges such as fragmented policy frameworks, limited awareness, and funding, this study highlights promising entry points for strengthening the social innovation ecosystem in Iceland. However, the lack of a clear national strategy limits the formal recognition and long-term sustainability of user-driven efforts. Emerging social innovation ecosystems are not limited to urban areas. Regional development agencies, often supported by the Icelandic Regional Development Institute and coordinated through regional action plans (sóknaráætlanir), incorporate social goals into local innovation agendas (Byggðastofnun n.d.). These regional strategies illustrate how local welfare models and proximity to citizens shape the broader social innovation ecosystem. Although these regional strategies are not yet formalized as social innovation policy, they reflect greater alignment with inclusive, locally embedded approaches. Future research could investigate whether and how these regional policies and frameworks differ from or complement national innovation frameworks.

Further research can also investigate how innovation-related policy frameworks across different welfare sectors (e.g., health, education, social services, and employment) can be better aligned with the principles of social innovation and user involvement. This includes examining how user knowledge can be integrated into institutional structures, funding systems, and evaluation processes. Additionally, there is a need to explore how the legitimacy, relational trust, and influence of user-led initiatives can be harnessed to shape policy from the margins. By combining policy analysis, co-creation approaches, and ecosystem mapping, mixed-methods research can offer new insights into the systemic conditions needed for inclusive, user-led innovation to flourish.

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