

Chapter 12

Social Impact Factory: A business-support structure, Netherlands (the)

The Social Impact Factory is a business-support structure that aims to spur social enterprise creation and embed more socially responsible behaviours in businesses. It fosters multi-stakeholder and cross-sectoral partnerships to tackle social challenges. This chapter describes the organisation's objectives, rationale and activities. It also presents the challenges faced in implementing the structure and the impact achieved. It concludes with the lessons learnt and conditions for transferring this practice to other contexts.

Summary

Doing business sustainably and fairly is becoming commonplace in many organisations. Social enterprises are leading this trend, by developing sustainable business concepts that value social impact over financial return. At the same time, governments face “complex problems” – such as unemployment, poverty and climate change – that require new solutions. To bring these public and private entities together, in 2014 the municipality of Utrecht and Kirkman Company initiated the Social Impact Factory.

The Social Impact Factory is a foundation predicated on a holistic policy initiative extending across multiple policy areas. Its objective is to inspire, connect and spur organisations to embed socially responsible behaviours and create an enabling environment (“ecosystem”) for social enterprises. Any organisation that actively commits to this objective can join the network. The Factory acts as a connector and conductor, federating the ecosystem by aligning its members’ efforts and actions through its three different service pillars: social procurement, impact challenges and change-making.

Social procurement. In January 2016, the Social Impact Factory launched the “Social Impact Market”, an online business-to-business (B2B) marketplace for companies (including social enterprises) seeking opportunities to purchase social products or services. Over 90 social entrepreneurs currently offer their services on the Market; 21 matches have been realised, with a total value of EUR 75 000 (euros).

Impact Challenge. The Social Impact Factory has designed a model that connects different stakeholders to solve a specific societal challenge in an entrepreneurial way, thereby achieving social impact. The Factory has generated innovative and entrepreneurial solutions for ten “complex problems”.

Change-making. This pillar integrates the Factory’s various efforts to accelerate achieving a society that encourages doing business fairly, sustainably and inclusively. The Factory organises events on social entrepreneurship, including boot camps and a masterclass series that teach social entrepreneurs the fundamental of business strategy, marketing, social media, branding, growth strategy and financing. The Factory has co-organised over 20 change-making events with its active partners, reaching more than 2 000 people.

Since mid-2015, the Social Impact Factory has built a network of over 90 social entrepreneurs, 7 large traditional businesses and 15 municipalities across the Netherlands. Its achievements have been recognised by the Dutch Government.¹

Key facts

The Social Impact Factory was launched in late 2014 as a joint initiative of the municipality of Utrecht (the fourth largest city in the Netherlands) and the consultancy firm Kirkman Company, the “founding fathers”.² Based in Utrecht, in 2015 the Social Impact Factory gained a legal status as a *stichting* (a foundation) with a supervisory board. Its “founding partners” comprise a group of traditional businesses, social enterprises and one community organisation, each contributing time and financial support, according to its capacity.³ The University of Utrecht is also closely involved in the project, through its Social Entrepreneurship Initiative.⁴ In addition to the founding partners, over 100 organisations (including social enterprises, traditional enterprises and municipalities) participate in the Factory’s activities as consumers or service providers.⁵

The Social Impact Factory received EUR 200 000 (euros) in start-up funding from the municipality of Utrecht, paid over a period of three years, as well as EUR 45 000 from its founding partners⁶ for the first year. Other partners⁷ pay financial and in-kind contributions related to their annual turnover. The Factory receives a percentage of any business (turnover) it generates for its partners as payment for its brokerage services. It also receives a fee for each product and service delivered.

The Factory’s target budget for 2016 is EUR 750 000, of which 80% will be covered by fees for product and services delivered by the Factory, as well as partner contributions, and 20% will derive from grant funding. The Factory has built its own revenue model, and aims to be financially independent from grant funding for its core activities within the next three years.

Though the concept of the Social Impact Factory was first developed in Utrecht, the aim is to offer nationwide coverage, and share knowledge and practices across the country. Indeed, the Factory now delivers its services to 14 other municipalities in the Netherlands. Moreover, 16 of the 32 largest cities in the country have expressed interest in adopting the model created by the Social Impact Factory.

Objectives

The Social Impact Factory was created as a platform to connect and inspire organisations to become more social responsible, and accelerate creating a society that values doing business fairly, sustainably and inclusively.

The Social Business Initiative (SBI) launched by the European Commission in 2011 identifies social enterprises as “independent companies that primarily pursue a social or societal objective” (European Commission, 2011). This definition is supported by the Social and Economic Council of the Netherlands (Sociaal-Economische Raad, 2015).

The Social Impact Factory is a holistic and inclusive policy initiative extending across multiple policy areas. Any organisation that actively commits to its objective can join the network. The Factory believes that social enterprises can only thrive in an enabling ecosystem.⁸ Hence, it focuses not only on social enterprises, but also on bringing together a large and diverse group of organisations to create such an ecosystem. The idea is that connecting social initiatives driven by citizens, social enterprises and traditional businesses can achieve significant socio-economic impact, especially when supported by the local municipalities.

Though the concept of the Social Impact Factory was first developed in Utrecht, the aim is to offer nationwide coverage, and share knowledge and practices across the country. Indeed, the Factory now delivers its services to 14 other municipalities in the Netherlands. Moreover, 16 of the 32 largest cities in the Netherlands have expressed interest in adopting the model created by the Social Impact Factory.

Rationale

The Social Impact Factory was created through a partnership between the municipality of Utrecht and Kirkman Company. The mission of Kirkman Company is to help traditional businesses emphasise social and environmental purposes, and add them to their core mission. Utrecht aims to have the lowest unemployment rate of all Dutch municipalities, and is seeking new collaborations, innovative solutions and public-private co-operation to achieve this goal. In founding the Social Impact Factory, the municipality invested in a network organisation bridging local government, social enterprises and private organisations.

The creation of the Social Impact Factory is aligned with several important trends:

- **A move from top-down to bottom-up policies:** the role of local government is evolving, from focusing on solving problems and subsidising executive partners towards adopting an increasingly participatory approach to policy and programme development. Today, local governments challenge entrepreneurs and citizens to create innovative business models and solutions to complex social, economic and environmental problems. Budget cuts stemming from the financial and economic crisis have made local governments more receptive to collaborating with private projects and social entrepreneurs, resulting in multiple initiatives and sectoral growth, with a 36% increase in employment within Dutch social enterprises over 2013-15 (Social Enterprise NL, 2015).
- **Redefining the corporate role in society:** large corporations are increasingly moving from a goal of maximising shareholder profit towards one of creating more value for society overall. This trend has led to new partnerships and innovations, in collaboration with social enterprises (MVO, 2015).

- **Bringing together different “worlds”:** the Social Impact Factory brings together different partners from different worlds. Each type of partner has its own rationale and concepts (e.g. the word “profit” has different meanings, depending on the institution type), which can lead to miscommunication and misunderstanding. The Factory is teamed up by people who understand these differences and are therefore able to bridge the language barrier.

Activities

The Social Impact Factory’s core activities are to inspire, connect, accelerate and change the way social entrepreneurs implement a social idea, as well as influence traditional businesses to focus on social and environmental impact, rather than solely profit maximisation. The Factory acts as a knowledge hub connecting local change-makers, social entrepreneurs, traditional businesses, government representatives, funders (public and private, formal and informal), knowledge institutes and networks. Its revenue model is based on three service pillars – social procurement, impact challenges and change-making – to embed more socially responsible behaviours in businesses, create sustainable impact and stimulate social entrepreneurship. Each pillar uses a different approach, ranging from access to finance and to the market, to business development and creating a support structure. All the services are designed to move with social enterprise trends and social entrepreneurs’ needs in a local context.

Social procurement. Since 1 July 2011, the Dutch Government has actively incorporated social return obligations in its tendering process. Today, many municipalities impose a minimum social return, amounting to 5% of the contract price/wage sum of any public procurement tender exceeding EUR 209 000. While the instrument’s main intent is to direct employment, some municipalities allow suppliers who cannot create jobs to purchase products or services from local initiatives or social enterprises – many of which create employment for people who are otherwise excluded from the labour market.

The Social Impact Market offers a transparent supply and demand system. In January 2016, the Social Impact Factory launched the Social Impact Market, an online B2B marketplace for companies (including social enterprises) seeking to purchase social products or services. Over 90 social entrepreneurs currently offer their services on the Market. They first undergo a quick scan⁹ highlighting their societal objective; how they reinvest profits; how their ownership reflects the enterprise’s mission, by using democratic principles or focusing on social justice; and the number of people they have hired who were excluded from the employment market. Purchasing managers in traditional companies and municipalities use the Market to post their procurement needs or search for possible suppliers.

The Social Impact Factory serves as a link between the municipalities where it operates and other stakeholders. It provides guidance and knowledge on procurement and social-return regulations, and enables a growing number of social enterprises to participate in the tendering process.

Impact challenges. This service offered by the Social Impact Factory connects stakeholders around solving a specific societal challenge. These new forms of partnerships among different types of organisations enhance innovation and augment the social impact; the goal is to develop a sustainable revenue model for each project and ensure long-term benefits for society. Each impact challenge typically runs for six months. A “problem owner” – often a municipality – who is willing to finance the process and the created solution(s) is identified from the onset. Factory team members (“connectors”) collaborate with the problem owner, social entrepreneurs, citizen initiatives and/or traditional businesses to

co-create innovative solutions. The four-stage process – from exploration and kick-start to co-creation and pitch – is designed to facilitate the co-creation, validation and development of entrepreneurial solutions.

Change-making. The change-making pillar combines the Social Impact Factory’s efforts to accelerate creating a society that values doing business fairly, sustainably and inclusively. The Factory organises events such as “boost camps” and masterclasses, which provide social entrepreneurs with knowledge and tools on business strategy, marketing, social media, branding, growth strategy and financing; it proposes workshops on ways to ensure the social and financial sustainability of social enterprises, as well as measure their social impact; and it co-organises events with both public and private partners¹⁰ to connect municipalities and traditional businesses with social enterprises.

The combination of these three pillars multiplies the impact of each individual pillar.

Challenges encountered and impact

The Social Impact Factory received funding from the municipality of Utrecht and Kirkman Company to implement its concept and build a robust organisation. One year after its inception, it has managed to build a sustainable revenue model, products and services. It has a growing network and has generated its own revenue. Table 37 shows a strengths, weaknesses, opportunities and threats (SWOT) analysis at this stage of the organisation’s development.

Table 12.1. **SWOT analysis of Social Impact Factory**

Strengths	Weaknesses
<ul style="list-style-type: none"> ● Strong network of initiatives, social entrepreneurs and established organisations ● Action-oriented ● Collaboration on impact measurement ● Focus on social value creation ● Combination of online platform and offline tools ● Connection with social return on investment ● Founding fathers put effort into expanding the Factory network 	<ul style="list-style-type: none"> ● Intensive time commitment in matching stakeholders on the Social Impact Market ● Many different partners with divergent interests, making it difficult to reach a shared goal ● Success creates a need for additional capacity and higher number of employees, underscoring a twofold challenge: difficulty in attracting people with the appropriate skills and limited capacity to pay them.
Opportunities	Threats
<ul style="list-style-type: none"> ● Scaling up social return approach to other regions and local governments ● Linking social procurement to new Dutch regulations¹ ● Collaborating with different networks 	<ul style="list-style-type: none"> ● Time, effort and long-running process of securing funding for Factory activities ● Lead time of government decision-making, especially when more departments are involved ● Restrictions imposed by Dutch procurement rules

1. Wet van 22 juni 2016 tot wijziging van de Aanbestedingswet 2012 in verband met de implementatie van aanbestedingsrichtlijnen 2014/23/EU, 2014/24/EU en 2014/25/EU: <https://zoek.officielebekendmakingen.nl/stb-2016-241.html>.

Challenges

The challenges encountered in implementing the Social Impact Factory have been threefold.

First, balancing a self-sustaining organisation with social goals is difficult. While the foundation features a revenue model to become financially independent of grant funding, its primary objective is to create social benefits. Generating funds to create the services portfolio, the network and the knowledge hub was, and continues to be, a challenge in these early stages of the foundation’s existence. The founders and entrepreneurs of Kirkman Company have contributed to respond to this challenge.

Second, the influence of the founders has been more significant than initially expected. The municipality of Utrecht and Kirkman Company came together because of their shared views on social entrepreneurship, but met with resistance when they tried to connect with potential partners. Some organisations were unwilling to join the initiative because of its relationship with Kirkman Company, which they viewed as a company more focused on profit than social impact. Moreover, some partners who were previously heavily subsidised were not motivated to work in a more entrepreneurial manner, and struggled to accept that their local government was investing in an infrastructure stimulating social enterprise. The combination of these two factors made establishing partnerships more difficult.

Third, the Factory struggled to understand what was possible or prohibited within the current legal framework. Many public organisations have fixed tendering processes; the Factory believes the time has come for them to make space for social entrepreneurs in these procedures. This will help create opportunities for (budding) social entrepreneurs to generate start-up revenue and maintain their business without having to compete with traditional businesses. However, these principles are not yet embedded in legal guidelines and procedures, nor is there a common understanding of what a social enterprise is – or is not. The Social Impact Factory consults with different lawyers, legal counsellors and government parties to resolve these issues.

Impact

Through its expanding network, the Factory has become an important partner in exploring and developing social entrepreneurship, and is recognised as such by the Dutch Government.¹¹ Its “connectors” are invited as guest speakers in events, consulted by national governments and mentioned in several publications.¹² The Factory inspires and connects stakeholders to start new collaborations, not only between public and private entities, but also with start-ups, social enterprises and municipalities. The goal is to motivate organisations to become (more) socially responsible by starting locally and then expanding their impact nationally.

One year after its inception, the Social Impact Factory has built a network comprising over 90 social entrepreneurs, 7 large traditional businesses and 15 municipalities. In just over 6 months since the platform’s launch, the Social Impact Market has led to 21 matches, totalling EUR 75 000 in revenue.

In 2015, the Social Impact Factory devised innovative and entrepreneurial solutions to ten “complex problems” submitted by the local government including sustainable housing, customised transport for vulnerable groups in the city and new job creation for people excluded from the labour market. More than 75 organisations were actively involved in solving these challenges, with a total EUR 130 000 invested in the solutions created.

The Factory has (co-)organised 20 change-making events, reaching more than 2 000 people. In addition to creating jobs with its network partners, it has also provided work to six people, some them long-term unemployed and excluded from the labour market.

In collaboration with its network of social entrepreneurs and knowledge centres, the Social Impact Factory is exploring new tools, routes and ways of measuring social impact. It is currently running a pilot project with the software platform Sinzer and the municipality of Utrecht to build a framework measuring impact on issues such as employment, social inclusion, sustainability and poverty. Using this software platform can help inform decision-making, as well as increase impact and accountability to stakeholders.

Lessons learned and conditions for potential replicability

Lessons

The social entrepreneurship ecosystem must foster a culture of inclusiveness that welcomes participation by organisations with a shared ambition. Inclusiveness and collaboration – rather than a zero-sum game of competition between participants – should be the driving force. The Social Impact Factory experience illustrates that establishing an independent platform where different partners and organisations meet, exchange knowledge and form new coalitions can facilitate collaboration, and could happen anywhere in the world. To enable it to operate independently, the platform should have its own revenue model.

While social entrepreneurs can act as catalysts for sustainable and systemic change, they cannot do so alone. A key lesson from Social Impact Factory is that scaling up initiatives and achieving real change requires co-operating with other entities, including traditional businesses with a strong network, knowledge and capital. Mission-driven entrepreneurs are most successful when they are part of a well-functioning ecosystem involving large private companies, civil society stakeholders and other entrepreneurs (Dunsmore, 2015; SMO, 2015). Understanding each other's world, however, takes time. Hence, it is important to have employees who can act as “translators” between the different worlds (public and private).

Facilitating collaboration among partners implies three stages:

- finding the right partners to kick-start the foundation
- reaching a shared vision of success among the founding partners
- defining a common roadmap with specific, measurable, achievable, realistic and timely¹³ goals, and an appropriate division of responsibilities among the partners.

Conditions for potential replicability

Organisations wishing to replicating the Social Impact Factory model should pay attention to five important elements.

1. Clarify the different stakeholders' interests from the beginning, and invest time and effort in bringing the different worlds together: the Factory has spent a great deal of time on the conceptual phase, talking with different possible partners to determine their objectives, interests and willingness to work together on an equal basis.
2. Translate this willingness directly into action, by working together as soon as possible and learning by doing. Celebrate possible successes, but do not to be afraid to fail.
3. Create a common language among the different partners to overcome any miscommunication, and invest time in understanding each other.
4. Create an enabling environment by implementing a diverse set of interventions that can foster success, as well as designing a revenue model that can keep the ecosystem going.
5. Select a range of partners: never become too reliant on government or municipalities, as changing politics and priorities may affect the social enterprise sector. Municipalities can act as key and active partners, but any reliance on them should be balanced with other important networking partners.

Finally, the continuity and stability of the Factory's team play a major role in ensuring the initiative's continuity and rationale. Any organisation wishing to replicate the Factory model should therefore focus on maintaining a stable team, whose members are responsible for passing on the initiative's vision and purpose, and are committed to the project over the long term.

Notes

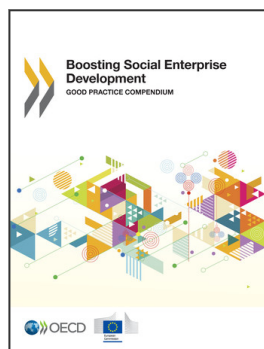
1. Kabinetsreactie SER-advies Sociale ondernemingen, 1 juli 2016, see: <https://www.rijksoverheid.nl/documenten/kamerstukken/2016/07/01/kamerbrief-met-kabinetsreactie-ser-advies-sociale-ondernemingenP>.
2. <http://www.socialimpactfactory.com/founding-fathers/>.
3. EY, Rabobank Utrecht, Specialisterne, Koekfabriek, Wijk & Co <http://www.socialimpactfactory.com/founding-partners-2/>.
4. The Social Entrepreneurship Initiative, Utrecht University, stimulates education and research programmes on social entrepreneurship.
5. <http://www.socialimpactfactory.com/overzicht-partners/>.
6. EY, Rabobank Utrecht, Specialisterne, Koekfabriek, Wijk & Co. For more information, see: <http://www.socialimpactfactory.com/founding-partners-2/>.
7. <http://www.socialimpactfactory.com/market-partners/>.
8. An ecosystem is defined as a dynamic community of different actors that creates value through both collaboration and competition (Moore, 1993).
9. Executed by EY, a global company in assurance, tax, transaction and advisory services and founding partner of the Social Impact Factory. For more information, see: <http://www.ey.com/GL/en/>. The results of this scan can be downloaded on the social enterprise's profile on the Social Impact Market at: <https://market.socialimpactfactory.com>.
10. Particularly with the University of Utrecht, the Municipality of Utrecht, EY, Rabobank Utrecht and VNG.
11. Kabinetsreactie SER-advies Sociale ondernemingen, 1 juli 2016: <https://www.rijksoverheid.nl/documenten/kamerstukken/2016/07/01/kamerbrief-met-kabinetsreactie-ser-advies-sociale-ondernemingenP>.
12. See in particular: <http://smo.nl/publicatie/sociaal-ondernemerschap-de-beweging-naar-nieuwe-hybride-modellen-voor-een-andere-toekomst/>, <https://www.rijksoverheid.nl/documenten/kamerstukken/2015/10/12/kamerbrief-over-reactie-op-het-rapport-van-de-ser-inzake-sociaal-ondernemerschap>, <http://www.mckinsey.com/industries/social-sector/our-insights/scaling-the-impact-of-the-social-enterprise-sector>
13. Known as SMART goals.

References

- Dunsmore, R.E. (2015), "Social entrepreneurship ecosystem building and upscaling of the Social Impact Factory: The Social Impact Factory in Utrecht as a case study", Final project for graduation with the degree of Master in Business Administration, Nyenrode Business Universiteit, Breukelen, the Netherlands.
- European Commission (2011), *Social Business Initiative – Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation*, Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Social Business Initiative, 25 October 2011, /* COM/2011/0682 final */, <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52011DC0682&from=EN>.
- Moore, J.F. (1993), "Predators and Prey: A New Ecology of Competition", *Harvard Business Review*, May/June 1993, pp. 75-86.
- MVO Nederland (2015), *Trendrapport 2015*, <http://mvonederland.nl/trendrapport-2015>.
- SMO (2015), "Sociaal ondernemerschap: De beweging naar nieuwe hybride modellen voor een andere toekomst" [Social Entrepreneurship: The movement towards new hybrid models for a different future], Stichting Maatschappij en Onderneming, The Hague.
- Social Enterprise NL (2015), *Social Enterprise Monitor 2015*, <http://www.social-enterprise.nl/ontwikkeling/publicaties/intern/social-enterprise-monitor-2015-533>.
- Wet werk en bijstand (2016), Participatiewet 01-04-2016, <http://wetten.overheid.nl/BWBR0015703/2016-04-01>.

Further reading

- Balbo, L. et al. (2010), *Establishing a venture philanthropy organisation in Europe: A practical guide*, European Venture Philanthropy Association, http://evpa.eu.com/wp-content/uploads/2010/11/EVPA-Knowledge-Centre_Establishing-a-Venture-Philanthropy-Organisation.pdf.
- Brundtland, G.H. (1987), *Our Common Future*, Oxford University Press, Oxford.
- Jonker, J. (2013), *Werken aan de Economy: Duurzaamheid coöperatief organiseren*, Kluwer, Deventer.
- Porter, M.E. and M.R. Kramer (2011), "The Big Idea: Creating Shared Value", *Harvard Business Review*, Vol. 89, pp. 62-77.
- Rittel, H. (1973), "Dilemmas in a General Theory of Planning", *Policy Sciences*, Vol. 4/2, pp. 155-169.
- Ryan-Collins, J. (2009), *The Great Transition*, New Economics Foundation, London, <http://www.neweconomics.org/publications/entry/the-great-transition>.
- Sociaal Economische Raad (2015), *Sociale ondernemingen: een verkennend advies*, 22 May 2015, [Council advisory report on social enterprises], 22 May 2015 (2015/03), p. 13, <https://www.ser.nl/en/publications/publications/2015/2015-social-enterprises.aspx>.



From:

Boosting Social Enterprise Development **Good Practice Compendium**

Access the complete publication at:

<https://doi.org/10.1787/9789264268500-en>

Please cite this chapter as:

OECD/European Union (2017), “Social Impact Factory: A business-support structure, Netherlands (the)”, in *Boosting Social Enterprise Development: Good Practice Compendium*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/9789264268500-15-en>

This work is published under the responsibility of the Secretary-General of the OECD. The opinions expressed and arguments employed herein do not necessarily reflect the official views of OECD member countries.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

You can copy, download or print OECD content for your own use, and you can include excerpts from OECD publications, databases and multimedia products in your own documents, presentations, blogs, websites and teaching materials, provided that suitable acknowledgment of OECD as source and copyright owner is given. All requests for public or commercial use and translation rights should be submitted to rights@oecd.org. Requests for permission to photocopy portions of this material for public or commercial use shall be addressed directly to the Copyright Clearance Center (CCC) at info@copyright.com or the Centre français d'exploitation du droit de copie (CFC) at contact@cfcopies.com.