Landing and Knowledge Inventory

Social Business Development

(Deliverable 4.2)

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Content

Preface

NEST builds on innovation ecosystems that contribute to the long term systemic change of societal systems involved in health policy and the healthy living of people. We call this the health transition and we view this as a complex, mission driven and long term learning process.

We identified, based on our experience and the literature, four key determinants pivotal for this transition. They are the themes of our Innovation Communities Of Practice (ICOP) and each theme supports the paradigm-shift from the classic regime systems towards a more sustainable and just system. The themes identify and position, they "nest", themselves in the transition. Develop further the knowledge base, possible actions and methods to do so and offer innovation ecosystems practical support in the development of the specific themes. In the project these are the SIEHs.

The themes: social business development, reflexive monitoring, engaged community science and knowledge creation are all in a different phase of development and have their own learning process supported by learning questions. The themes are highly interrelated and the ICOPS work on many points together to develop the theme further and to support the SIELHs efficiently from their demand articulation to the use of methods and instruments.

This landing document shows the different level of development of the themes and their learning questions show the direction for development.

Introduction

The NEST project operates from within four interconnected international communities of practice (ICOPs) that enable Social Innovation Ecosystems for Healthy Living (SIEHLs) to thrive. Each ICOP is therefore responsible to draw upon existing and new insights to guide the SIEHLs to maximize the well-being and health of their community members.

Whereas the other three ICOPs focus on understanding SIEHLs processes, reflecting and measuring the impact of the SIEHL, and stimulating and building relationship with actors in the SIEHL, the ICOP of Social Business Development offers new and existing insights in funding structures and financial sustainability of the SIEHL.

The ICOP recognizes that financial sustainability is fundamental to the success of any initiative aimed at promoting health and well-being. By investigating existing and innovative funding models, the ICOP empowers the SIEHL with the essential tools to secure and sustain their existence. This is to not only ensure the durability and endurance of the initiatives of the SIEHL but also to enhance their capacity to adapt to and meet the evolving needs of their changing community.

By fostering a holistic understanding of both the financial and social dimensions of the sustainability of the SIEHL, the ICOP supports the development of resilient initiatives capable of thriving in this novel landscape of action-research.

Terms and definitions

Social Innovation Ecosystems for Healthy Living (SIEHL): a SIEHL represents a dynamic network of stakeholders united to tackle complex social issues, especially those pertaining to promoting healthy living and societal well-being. This ecosystem comprises individuals, communities, organizations, and institutions collaborating to create innovative solutions. It embraces diversity, drawing on a wide range of backgrounds, expertise, and viewpoints.

International Community of Practice (ICOP): the International Communities of Practice refers to a group of people who share a common interest, profession, or passion and come together to learn from one another, solve problems, and collaborate on shared goals. ICOPs are characterized by their informal nature and focus on peer-to-peer knowledge sharing and collaboration.

Social entrepreneurship: the application of the skillset of conventional entrepreneurship for the pursuing of a social mission or cause.

Social return on investment (SROI): a framework that measures and quantifies the social, environmental, and economic value generated by an organization's activities.

Social Impact Bond (SIB): leverage private capital to fund programs aimed at achieving measurable social impact.

Result-based financing (RBF): is a funding framework where financial support is contingent upon the results achieved from a provided service.

Local hero: a local whose (volunteer) service to others embraces the sense of community, and who has not received a monetary award for this volunteer effort.

Models of social business development in social innovation

Multi-value creation models

As environmental and social value become more integrated into business models, new strategies for structuring and securing funding are emerging. While economic value is created through return on a monetary investment, environmental value is derived from the preservation of natural resources and their continuous regeneration. Social value focuses on improving people's lives by aligning the allocated resources, input, and processes (Luigi Corvo, 2022). To incorporate the combination of these three types of value creation various models and approaches have gained traction over the past two decades.

In this section, we will dive into various models that have proved successful in integration these three types of value creation.

Result-based financing (RBF)

Result-based financing is a funding model where financial support is contingent upon the results achieved from a service. Unlike traditional funding solely focusing on economic value, which often focuses on the processes and activities carried out, this approach prioritizes the actual changes and improvements experienced by the target group of the service. By concentrating on outcomes rather than just program implementation, result-based financing promotes greater efficiency and, most importantly, effectiveness in achieving desired goals.

This model allows governments and organizations to actively manage and influence the outcomes for different target groups, ensuring that resources are directed toward initiatives that deliver tangible benefits. The degree to which financing is result-oriented can vary, ranging from basic performance metrics to more comprehensive evaluations of long-term impacts.

Figure 1 Result-based financing (Social Finance NL)

This flexibility allows for tailored strategies that meet the specific needs and contexts of various programs and populations (Social Finance NL, 2024).

Results-oriented funding can take shape in various expressions. As illustrated in the figure above, the far-left column represents *lump sum donations or grants,* which do not stipulate specific objectives to be achieved. In the next column, known as *p x q agreements*, a predetermined amount is paid for each participant who goes through a program (Social Finance NL, 2024). *Quality indicators* evaluate the process based on various metrics, such as customer satisfaction; however, these indicators do not necessarily guarantee specific outcomes. The fourth column addresses *output agreemen*ts, which focus on direct outcomes, such as the number of individuals who successfully complete a program. These agreements allow executors to collaborate with the government while minimizing risk (Social Finance NL, 2024).

In the fifth column, *outcome agreements*, payment to the executor occurs only when young adults have made a sustainable transition to the job market, emphasizing outcomes rather than mere outputs. For instance, this could refer to the number of young adults who finish the Rotterdam Recruitment Agency (RRA) trajectory. The sixth column takes this a step further; here, payment is contingent upon demonstrable evidence that young people have sustainably exited welfare, compared to a control group. This type of agreement is referred to as an *impact agreement*. In results-based financing, we refer to the fifth and sixth columns. An example of a financing instrument for this are Social Impact Bonds (SIB), which will be elaborated upon below.

Rikx platform Rotterdam

The Rikx platform is a form of result-based financing. In result-based financing, the provider is typically paid after the results are achieved. This may seem like a logical and common practice, but in reality, organizations are often funded for their activities rather than the outcomes they achieve. By linking funding to results, municipalities or other parties are naturally encouraged to focus more on measuring those results. To make result-based financing possible, it's crucial to establish agreements with the involved parties about which results are the focus. Additionally, it's important to consider how these results will be measured and what financial value they represent (Rikx, 2024).

Result-based financing also involves figuring out how to demonstrate long-term effects. As a municipality or organization, this allows you to drive towards results with significant (positive) societal impact. It also provides the opportunity to assign financial value to social or ecological benefits (such as job satisfaction). However, it is essential that parties adopt a broad perspective on well-being when measuring results. The way the Rikx works is as followed. Social initiatives in Rotterdam can receive RIKX (coins) for the societal value they provide. They can sell these RIKX on a digital marketplace to interested companies or organizations. By purchasing RIKX, these companies and organizations directly contribute to creating societal value. Additionally, the municipality of Rotterdam accepts RIKX as part of the SROI obligation (refer to SROI section below) (Rikx, 2024).

Social Impact Bonds

One of the most well-known types of Result-based financing measures is the Social Impact Bond (SIB). In a SIB, private funds are used to address social issues. The way these SIBs are set up is according a closely set-up collaboration on a project basis with outcome payers (parties that pay for results once they are achieved), executors, investors, and sometimes an intermediary.

Clear agreements are established in advance regarding the objectives and results that need to be achieved for the target group in focus. Private investors then invest in the program, thereby assuming the financial risk but also being eligible for rewards. An independent party measures whether the set goals have been met. If successful, the outcome payer, often the problem owner such as a (local) government, reimburses the investors with returns. If the results are insufficient, the investors may lose some or all of their money, as depicted in the figure below (Social Finance NL, 2024).

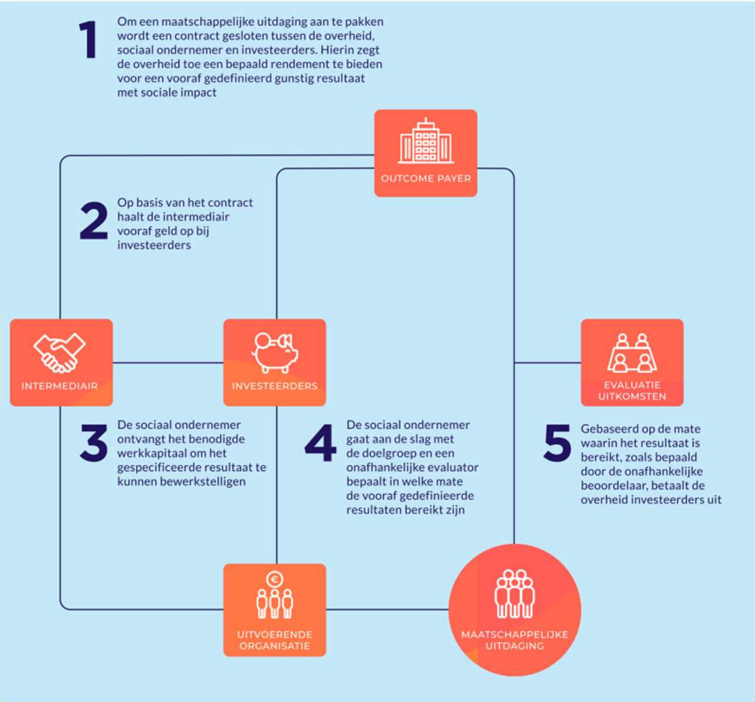

Figure 2 Social Impact Bond structure (Social Finance NL)

Successful SIB cases

Wake up Café France

In France, a significant challenge exists with recidivism, as six out of ten convicts reoffend within four years of their release (Ministère de la Justice, 2023). To combat this issue, the Wake up Café, a non-profit organization, supports motivated detainees and ex-detainees in their reintegration into society, focusing on reducing recidivism. The organization assists participants in their personal and professional development during and after incarceration. It enhances job prospects by connecting participants with partner companies. This initiative is funded through a Social Impact Bond (SIB), which allows the French government to pay investors based on the success of the program in reducing recidivism and increasing employment contracts among participants (Social Finance NL, 2024).

Life Chances Fund United Kingdom

The Life Chances Fund is a £70 million outcomes fund initiated by the UK government to support individuals facing significant barriers to achieving happy and productive lives. It aims to enhance the lives of over 60,000 people by promoting the implementation of Social Impact Bonds (SIBs), which are executed locally with involvement from various stakeholders such as a local impact investor, executor, and outcome payer. The fund supplements outcome payments from local authorities when interventions are successful, fostering an increase and scaling up of SIBs while gathering evidence of effective approaches. The SIBs address various issues, including reducing recidivism, improving mental health, and combating homelessness. The Life Chances Fund and its associated closed SIBs are currently in the final stages of completion (Social Finance NL, 2024).

Social Return on Investment (SROI)

In 1996 the Robert Enterprise Development Fund developed the Social Return of Investment model to evaluate how much people's lives were improving while broadening the conventional approach to financial return by considering "who" benefited from it and including all the factors that contributed to achieving that return ((Luigi Corvo, 2022)). The SROI offers a financial metric in investor-friendly language that at the same time measures beyond economical value (Watson, 2016).

Social Return on Investments in Municipalities

Social return involves both the creation and execution of agreements between the client and the contractor. The principle of social return is that the client, in this case, the municipality, sets a condition that contractors, in addition to carrying out the regular assignment, also contribute something back to society (Arbeidsmarktregio Rijnmond, 2024). When a company has a social return obligation, a contract is created and signed, outlining the company's commitment to giving back to the city. Account managers then work closely with these companies to discuss how they can meet their social return responsibilities. They utilize a comprehensive framework (often referred to as a 'menu') that details what social return entails and the various options available.

For instance, companies can hire individuals from the *Wajong program or make purchases from social enterprises. Additionally, I occasionally step into the role of an account manager, meeting regularly with clients and account managers to provide guidance to employers on fulfilling their social return obligations.

Figure 3 Social Return on Investment (SROI)

* (Wet arbeidsongeschiktheid jonggehandicapten) is a social security

scheme in the Netherlands designed to support young people with disabilities who are unable to work or have limited capacity to work due to their disabilities

The Commons

Before powerful governments and efficient markets existed, communities addressed shared issues on their own. This concept has been around for centuries where collective efforts were the standard approach in communities around the globe. Today, this idea is known as the "commons," which highlights how private cooperation can serve the common good. It involves placing public interests in the hands of private entities (Stegeman, 2024). Commons dilemmas arise when individuals overuse shared resources, such as fisheries or groundwater, despite the collective long-term benefits of conserving them. Elinor Ostrom and colleagues showed that, contrary to assumptions like the "tragedy of the commons," people can cooperate effectively in managing these resources through repeated social interactions (Arun Agrawal, 2023).

In a world where the need for private individuals to manage collective interests is growing, the concept of the commons plays a crucial role in the development of social ecosystems. The commons offers a framework for addressing shared societal challenges through collective action and collaboration. Elinor Ostrom introduced the idea of polycentric governance, which emphasizes managing diverse societal interests across different levels (Stegeman, 2024). This model is highly relevant for social ecosystems, as it fosters decentralized, community-driven solutions to public needs.

Examples of the commons in action include social enterprises focused on creating social value, as well as citizen-led initiatives such as energy, housing, or healthcare cooperatives, where people work together to achieve common goals. Additionally, steward-owned companies, which are self-owned and grant voting rights to employees, offer an alternative to conventional ownership models (Stegeman, 2024). These initiatives not only challenge traditional market structures but also prioritize societal well-being over profit.

By promoting shared responsibility and collaboration, the commons is essential for supporting and building resilient social ecosystems. It provides a pathway for aligning private efforts with the collective good, enabling sustainable solutions to emerge from within communities themselves.

Learning questions

We identified a set of first key learning questions:

1) How do we connect the impact funnel (of initiatives, social business and education) to impact oriented SME and corporates?

2) How do we tackle the perception that impact is free, so that people are willing to value (and pay for) impact?

3) Which legal entity could address the nature of a social (double purpose) business?

4) How do other cities treat social enterprises (and their business model)?

Practical reference to social ecosystem in Health Living (SIEHL)

The goal of the open learning approach between the ICOP and the SIEHL focuses on harvesting a climate of social entrepreneurship that promotes healthy living. This means the ICOP will provide opportunities for the SIEHL to in long-term operations. This collaboration is invaluable because it leverages diverse perspectives and expertise, creating a rich environment for innovation and shared learning. By working together, members can exchange best practices, co-create solutions, and build a supportive network that enhances individual and collective capacities.

We are dedicated to cultivating entrepreneurial mindsets within the SIEHL, resulting in the development of creative, flexible problem-solvers who possess a strong sense of initiative. This synergy not only accelerates the learning process but also amplifies the impact of its initiatives, driving sustainable change in the communities we serve.

To enhance this collective sense of agency, the SIEHL must become fully operational and self-sustainable, moving beyond reliance on project-based public funding. Achieving this requires integrating entrepreneurial thinking into the co-creation processes of social innovation ecosystems. By doing so, we can identify and pursue viable social business cases, public-private partnerships, and diverse funding streams, ensuring long-term viability and success.

Reciprocity SIEHL and ICOP

The relationship between the ICOP Social Business Development and the SIEHLs functions on a constant basis of input and feedback loops. The ICOP serves the needs of the SIEHLs, therefore ICOP works closely with community stakeholders to define the research questions that are pressing in the SIEHL. This ensures the input of the ICOP is actionable, providing practical insights that can further strengthen the SIEHLs initiatives. Communication between the ICOP and SIEHL should enable effective two-way street among all involved parties, see figure below.

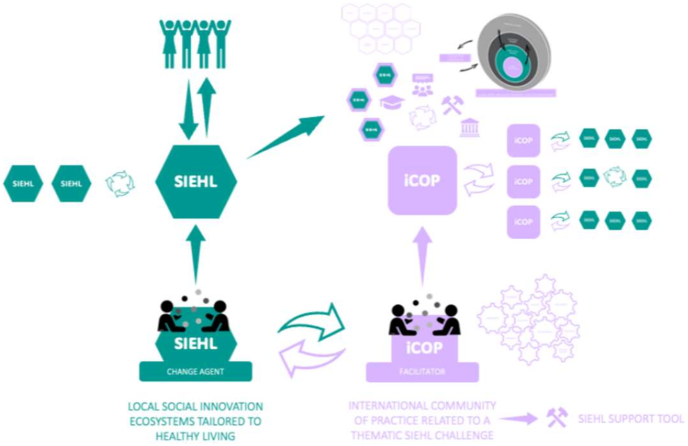

Figure 4 Communication ICOP and SIEHL

This feedback loop relies on a constant influx of learning questions that are pressing to the SIEHL. Based on the first project year, the ICOP Social Business Development has gained the following learning question from the SIEHLs:

- How can we engage community members in social innovation and social entrepreneurship processes without disrupting their cultural patterns and core values?
- How can we deeply understand the needs and desires of community members to identify more precise ways to contribute to social innovation and social entrepreneurship processes for healthy living?
- How do social initiatives grow into cooperation or scalable social innovation?
- How can we respect the ideas and convictions of those who choose not to participate in social innovation initiatives for healthy living?

The ICOP team intents to have regular meetings with representatives of the SIEHL to re-iterate these questions.

Reciprocity ICOP to ICOP

The ICOP Social Business Development closely works together with the ICOPs Knowledge Creation, Reflexive Monitoring, and Engaged Community Science to help the SIEHLs maximize its impact and support its independence and self-sufficiency. Each ICOP therefore is responsible for its self-proclaimed mission (refer to D4.1-D7.1) to serve the SIEHLs based on its expertise, as well as, its interdependence between its fellow ICOPs to support the knowledge transfer between the NEST project and the SIEHLs.

The ICOP of Engaged Community Science brings valuable expertise in engaging all stakeholders within the social ecosystem, ensuring that every voice is heard and involved in the collaborative process. This engagement is enriched by the ICOP of Knowledge Creation, which focuses on the various types of knowledge generated by the SIEHL in their specific contexts. By facilitating the sharing and application of insights, the Knowledge Creation ICOP enhances the collaborative efforts initiated by Engaged Community Science.

Meanwhile, the ICOP of Reflexive Monitoring emphasizes strategies for improving and maximizing the SIEHLs current and future impact on its community, concentrating on continuous improvement and adaptive practices. The insights gained from reflexive monitoring inform the activities of both the Engaged Community Science ICOP and the Knowledge Creation ICOP, creating a feedback loop that strengthens their initiatives and ensures they remain responsive to community needs.

Social business practices and funding models will have to take into consideration the needs of all the actors and context of the SIEHL. The knowledge shared and insights gained from Engaged Community Science and Reflexive Monitoring empower the Social Business Development ICOP to create funding frameworks that are informed, adaptive, and impactful to the SIEHLs. In turn, the successes and challenges identified within the Social Business Development ICOP provide valuable feedback to the Engaged Community Science and Reflexive Monitoring ICOPs. This feedback between the ICOPs is also relevant for the Reflexive Monitoring ICOP, as it signals where further evaluation is needed and what aspects of the ecosystem require deeper investigation. By integrating this feedback into their processes, all ICOPs contribute to a dynamic and responsive support system that learns from both successes and setbacks.

The main questions for each ICOP from the Social Business ICOP include:

1. To reflexive monitoring: What business model is prevalent in the SIEHLs, how do we get to this information?

2. To engage in community science: How do we know what people in the SIEHL want and need from us? Where are people's needs integrated?
3. To knowledge creation: How does knowledge flow through the SIEHL?

Network & working groups

In this section, various networks and working groups are described for the ICOP Social Business Development. These networks include both direct and indirect collaborations for the ICOP. As the ICOP has a dynamic structure where members are involved either directly or indirectly, the network and working groups will continue to evolve and expand.

Rotterdam Impact Coalition

The Rotterdam Impact Coalition is a collaborative initiative that originated five years ago between the Municipality of Rotterdam, Social Impact Fund Rotterdam (SIF-R), Voor Goed Agency, and THRIVE Institute to make Rotterdam more resilient and inclusive for all its citizens. As a coalition the RIC has set the following goals:

- Making social entrepreneurship more attractive, professional, and robust;
- 'Convincing' the conventional business sector in the city of Rotterdam and beyond to engage in more socially responsible practices;
- Sharing knowledge and experience to optimize our ecosystem and learn from others.

The network connection to the RIC helps the ICOP Social Business Development to not only stay up to date with pressing development in this SIEHL, but also allows the ICOP gain place-based expertise that can be of benefit to the other SIEHLs involved in the NEST project (RIC).

Rotterdam Impact Counsil

The Rotterdam Impact Council is an independent think tank and action tank linked to the Rotterdam Impact Coalition, actively working on its three long-term goals. The RIR consists of prominent members from various sectors in Rotterdam, with a diverse network, all representing and able to activate a broad constituency. They are recognized as frontrunners and/or ambassadors in their respective fields.

Each member brings a unique profile, active contribution, network, and expertise. The RIR enriches, challenges, and supplements discussions around specific topics and themes through deep dives (RIR). The Council members vary from social entrepreneurs to legal counsellors, and directors.

The connection between the ICOP of Social Business Development and the Rotterdam Impact Council is built on a foundation of shared objectives, knowledge exchange, and mutual support aimed at advancing social entrepreneurship in social ecosystems. This collaboration enhances both entities' effectiveness and contributes to a more resilient and vibrant social ecosystem in Rotterdam and beyond.

Afrikaanderwijk Cooperative

The Afrikaanderwijk Cooperative showcases the resilience of Rotterdam South, a generally less prosperous area in the city of Rotterdam, visible by investing in engaged residents and local entrepreneurs. The cooperative promotes sustainable local production, knowledge exchange, cultural development, and entrepreneurship based on shared responsibility and participation.

By engaging and learning from the Afrikaanderwijk Cooperative's experiences and best practices in its local context, the ICOP of Social Business Development use this knowledge to support social entrepreneurship, and promoting sustainable practices in the SIEHLs. This approach can ultimately lead to more impactful social business framework that resonate with and serves the SIEHL in Rotterdam and other SIEHLs involved in the NEST project.

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