Early opportunities: cooperation between social enterprises and municipalities in the Netherlands

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Contents

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Chapter 1 provides a deeper insight into the background of the survey. This involves further specifying the aim of the survey as well as the central and subsidiary questions.

Chapter 2 uses a literature study and practical experiences to identify obstacles encountered by social entrepreneurs.

Chapter 3 contains a summary of this report, where infographics have been used to provide a quick overview of the results. This chapter also features recommendations that were formulated based on the afore mentioned obstacles.

Foreword

Municipalities and social enterprises could be ideal collaboration partners. Both want to make a social impact, whether it involves reintegrating people – e.g. those facing difficulties in the labour market – back into society, re-using waste or reducing loneliness among senior citizens. In practice, such collaborations are in a very early phase and are often cumbersome. We want to use this survey to add further impetus! This survey would not have been possible without the cooperation of Social Enterprise NL, the Vereniging van Gemeentesecretarissen (Association of city managers, VGS) and the many municipalities and social enterprises that shared their experiences by completing questionnaires and participating in interviews and joint work sessions. We would particularly like to thank the members of the advisory group, namely prof. dr. Tineke Lambooy (Nyenrode University), dr. Brigitte Hoogendoorn (Erasmus University) and Stefan Panhuijsen (Social Enterprise NL) for their valuable contributions. Thank you very much for all your hard work and commitment during this research; it has demonstrated that municipalities and social enterprises are indeed ideal collaboration partners!

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Joop Kluft, partner PwC

1. Introduction

1.1 Introduction

The number of social enterprises in the Netherlands has increased considerably in the past four years (Social Enterprise NL, 2016). The importance of social enterprises is also increasing at global level. Social enterprises are active on many fronts, including in the field of society, sustainability, mobility and economic development. Social enterprises offer products or services, often in a new and innovative manner.

Each year, Social Enterprise NL conducts a survey among social enterprises. This monitor from 2016 shows that the policies of local authorities are seen as one of the main obstacles for further growth and development (Social Enterprise NL, 2016). Another major obstacle for social enterprises, which was highlighted in past research by PwC and Nyenrode, is the recognition and acknowledgement of social enterprises (Argyrou, Anthoni, & Lambooy, 2017).

Despite these obstacles, social enterprises in the Netherlands were able to realise growth of 26% in 2016; access to funding is increasing; the profitability of many companies is increasing and the social impact of many social enterprises is being measured (Social Enterprise NL, 2016). But which obstacles are currently hindering the further growth and development of social enterprises? Does the social impact targeted by social enterprises not also include the goals of municipalities? Municipalities and social enterprises actually appear to be ideal collaboration partners. Does this mean certain mechanisms hinder such collaboration? If this is the case, is it possible to identify and even resolve them? PwC presented these questions when it approached Social Enterprise NL and the Vereniging van Gemeentesecretarissen (Association of Municipality Secretaries, VGS). Both were also curious about the answers to these questions and endorsed the survey.

What are the characteristics of a social enterprise?

Before we proceed to the objective and the research questions for this survey, we will address how social enterprises are defined. The Social Economic advisory Council (SER, 2015) states that social enterprises are organisations that look to pursue social objectives and operate somewhere between charity organisations and commercial companies (SER, 2015). They are initiatives started by entrepreneurs and not the government. For example, a social enterprise can start as a public initiative and then develop into a social enterprise (Schulz, Steen, & Twist, 2013).

Members of Social Enterprise NL must meet certain criteria in the European definition for a social enterprise. This report is also based on this definition and the accompanying characteristics of a social enterprise.

A social enterprise:
1. mainly has a social mission: impact first!
2. realises a service or product as independent company;
3. is financially self-sufficient, based on trade or another form of value exchange, and is thus not (or only to a limited extent) reliant on donations and/or subsidies;
4. is social when running its operations:
   - profit is permitted, but financial objectives serve the mission: to increase social impact. Profit-taking by potential shareholders is reasonable;
   - management and policy are based on balanced involvement by all parties;
   - fair towards everyone;
   - aware of its ecological footprint;
   - transparent in its operations.

Social Enterprise NL thus also uses the European definition for social entrepreneurs (Verloop & Hillen, 2013) (Social Enterprise NL, 2016).

1.2 Background

The idea of collaboration between local authorities and social enterprises appears to make sense because both focus on resolving social issues. In general, academics agree that governments cannot resolve social issues all by themselves, but must cooperate with other parties in the public and private sectors as well as civil society (Sørensen and Torfing, 2007; Weber and Khademian, 2008). The role played by social enterprises is being emphasised at various levels. For instance, the European Union is emphasising the importance of social enterprises because they combine social goals and entrepreneurship. The EU thus wants to create an environment where social enterprises can function effectively and has identified financial, administrative and legal aspects that should allow social enterprises to compete with other companies on an equal footing. That is why an expert group on social entrepreneurship has been established to advise the EU on this matter. Ute e.a. (2015) show that interest in social enterprises has increased at international level, partly due to the important social issues addressed by these companies. They say that the importance and number of social enterprises varies greatly per country and that relatively little is known about national factors that could explain these differences. Experiences in Brisbane prove that cooperation between municipalities and social enterprises can actually lead to positive results. This involved the city of Brisbane setting up a social procurement programme to encourage social enterprises and people

with difficulties in the labour market. The programme gave them the opportunity to perform paid work, which included managing and maintaining streets, parks and public gardens (Barraket and Weissman, 2009).

In the Netherlands, the number of tasks performed by municipalities has increased massively in recent years due to further decentralisation. As a result, the societal goals of social enterprises have also become more relevant to municipalities. The SER recently emphasised the importance of social enterprises and the need to further develop cooperation between authorities and social enterprises (SER, 2015). In their publication, which is entitled 'Greater impact with social enterprise', larger municipalities (G32, 2017) said they had also encountered many good examples of cooperation between municipalities and social enterprises. Having said that, there are still many opportunities for municipalities to promote social entrepreneurship. The 40 largest cities in the Netherlands, G40 say that, in practice, it is often difficult for social entrepreneurs to effectively access and find the right people within municipal organisations. They also made several specific suggestions. Account management could sometimes be more effective, and opportunities could be created via procurement or by addressing specific social issues as part of a tender. According to the G40, municipalities can play a role by organising and/or encouraging an eco-system where social enterprises are given space to blossom. This survey examines whether these solutions will actually help to resolve the most difficult problems. What do municipalities and social enterprises think about this?

1.3 Research questions

This survey is based on the following research questions:

....

1. *How can we better understand the influence of municipalities on the development of social enterprises?*

2. *In which way can municipalities more effectively encourage the development of social enterprises?*

....

To answer these questions, we will first examine answers available to us in literature. We will then assess these answers against real life situations in municipalities and social enterprises in the Netherlands, and use this as a basis for our recommendations. *Figure 1* shows the three steps from theory, to practice and to recommendations.

The following subsidiary questions have been addressed first in order to answer the main question:

1. **Which mechanisms or conditions are deemed important in the literature when it comes to interaction between municipalities and social enterprises?**

Several inventories and publications have been released on the matter. This subsidiary question requires desk research so an overview can be obtained about past research.

Which incentives or obstacles have social enterprises mentioned in past research? Can patterns be identified? These aspects have been addressed in greater detail below. Wherever possible, we have tried to gain deeper insight by understanding how the interaction between municipalities and social enterprises actually takes place. This survey has attempted to arrive at a limited number of conditions and mechanisms.

2. **To what extent, and in which way, do these mechanisms and conditions play a role in practice in the Netherlands?**

We would like to know whether the identified mechanisms and conditions are also encountered in the cooperation/interaction between municipalities and social enterprises in the Netherlands and how important they are deemed by social enterprises and municipalities. This subsidiary question also involves looking for specific examples in order to better understand the concerned mechanisms. In addition, the examples can help us to assess the consequences if these mechanisms were to be weakened or reinforced.

3. **How can municipalities use this research to encourage the development of social enterprises more effectively?**

The final aim of this research is to formulate specific recommendations and provide guidelines for reinforcing cooperation between municipalities and social enterprises.
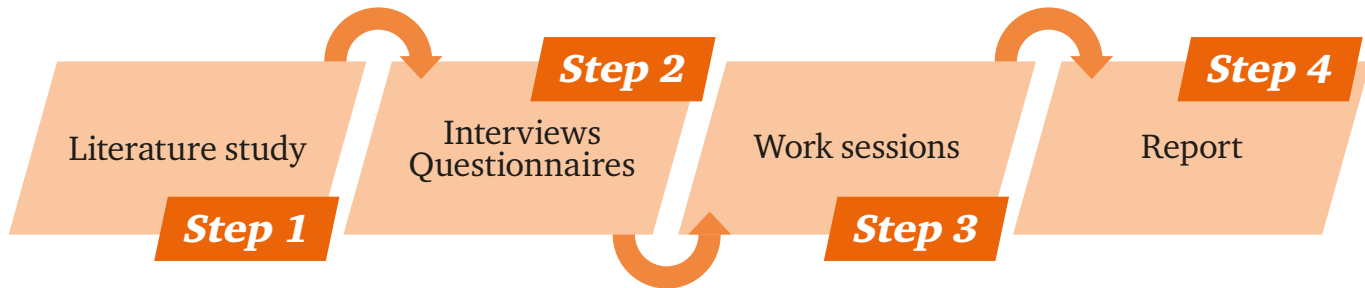
Figure 1

Theory

Practice

Recommen-dations
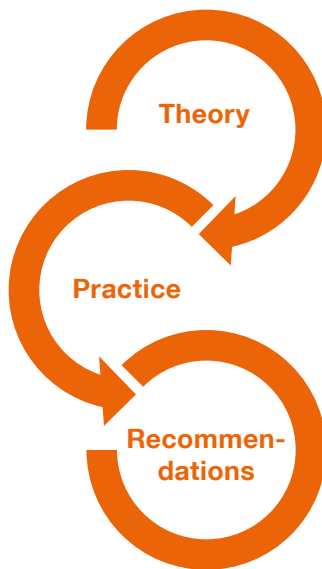
1.4 Approach

Our approach consists of four steps.
These steps have been schematically presented below.

Step 1

Firstly, we examined literature and past research reports to find mechanisms that can support or hinder collaboration between municipalities and social enterprises.

Step 2

When evaluating the situation in practice, we used a questionnaire for social enterprises, a questionnaire for municipalities and interviews for both social enterprises and municipalities.
The questionnaire for social enterprises was carried out during from the end of January to the start of March 2018. The questions in our survey were included in the monitor of Social Enterprise NL, which was distributed among all 345 members. Social Enterprise NL also asked the municipalities of Rotterdam and The Hague to complete the questionnaire, as well as social enterprises that are not (yet) members of Social Enterprise NL. This resulted in 168 completed questionnaires.

The questionnaire for municipalities was sent to 375 municipal secretaries in the Netherlands during the same period; this means almost all municipalities in the Netherlands were approached. The municipal secretaries were requested to pass on the questionnaire to the person in their organisation who they believed was best placed to provide information about collaboration between the municipality and social enterprises. 102 municipalities responded to the questionnaire, which means a response was received from 27.2% of all municipalities.

Interviews with municipalities and social enterprises also took place. A list of interviewed persons has been included in the appendix.

Step 3
The results of questionnaires and interviews were presented during a work session, to which all surveyed municipalities and enterprises had been invited. We also discussed the initial results of our survey with an advisory group, which consisted of prof. dr. Tineke Lambooy, dr. Brigitte Hoogendoorn and Stefan Panhuijsen.

Step 4
The results of the survey were then incorporated into this report. Chapter 3 shows the survey's conclusions and recommendations.

2. Seven mechanisms in the interaction between municipalities and social enterprises

2.1 Introduction

Our literature search resulted in seven mechanisms which are important during the interaction between municipalities and social enterprises. The following paragraph first discusses the concerned mechanism and then presents the results of our questionnaires and interviews. But we start by presenting a few general results from the questionnaires sent to municipalities and social enterprises.

Policy

41%

Policy concerning social enterprise

59%

No policy

Our questionnaire for municipalities showed that over 40% of municipalities have formulated policy for encouraging or facilitating social entrepreneurship. Municipalities that have formulated policy also appear to be more appreciative of collaboration with social enterprises.

Municipal policy for social enterprises still appears to be in a very early stage. Municipalities that implement such policy have often only started doing so fairly recently. Experience with this kind of policy is still quite scarce, which means municipalities can learn a lot from each other. Plenty of examples are available; however, no municipal evaluations are available because policy is still in the implementation phase. If municipalities do not have such policy, officials lack legitimacy to place extra focus on social entrepreneurship. The task of developing social enterprise is one that can easily become snowed under the municipality's many other tasks.

Municipalities were asked whether they could rate their collaboration with social entrepreneurs using a score between 1 and 10.

Figure 4

Under
7

28%

*Appreciation
of partnership*

72%

7 or
higher

■ Policy ■ No policy
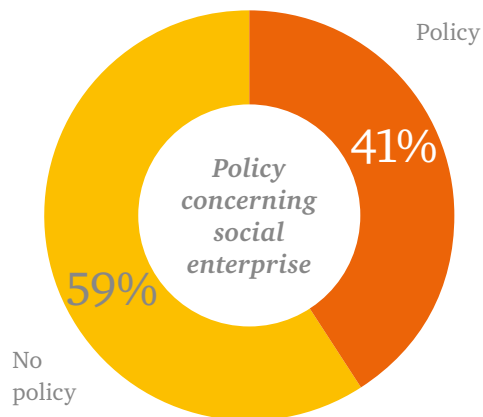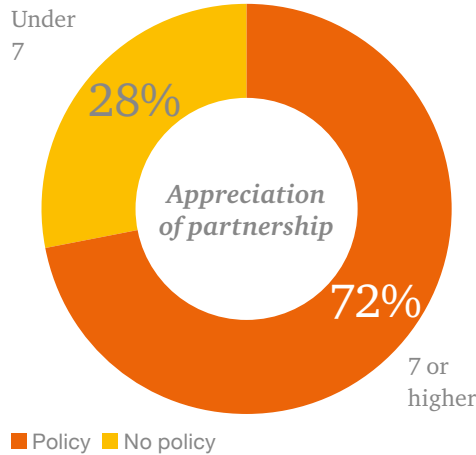
Furthermore, the lowest scores (score of 5) came from municipalities that do not implement policy in this area.

The questionnaire sent to social enterprises asked whether the municipality is an important collaboration partner. This showed that the vast majority, namely 71%, deems their collaboration to be relevant. Only 29% did not regard the municipality as an important collaboration partner.

The average rating by all municipalities combined was 6.9. After rounding up, one sees that 72% of municipalities gave their collaboration a score of 7 or higher, while 28% gave a score of less than 7.

In this case, we noticed that 81% of municipalities that implemented social enterprise policy gave collaboration with social enterprises a score of 7 or higher. Of the municipalities without such policy, 64% gave collaboration a score of 7 or higher. This means municipalities are more likely to be satisfied about collaboration with social entrepreneurs if they actually possess policy relating to social enterprise.

2.2 Seven mechanisms

Our literature study resulted in seven mechanisms that have an impact on the interaction between municipalities and social enterprises. Naturally, other mechanisms are also relevant to the development of social enterprises. For instance, it is not always easy for social enterprises to measure the social impact of their products or services or to place a financial value on them. This makes it difficult to establish a benchmark and thus measure the effects (Verloop & Hillen, 2013) (SER, 2015).

Even though the objectives of social enterprises and authorities often coincide, cooperation is regarded as cumbersome. *Figure 5* illustrates obstacles encountered by social enterprises, in which a role is also played by the government. The mechanisms have been discussed in greater detail below.

We have described these mechanisms below and indicated the extent to which they play a role in practice in the Netherlands. We start by highlighting the findings encountered for each mechanism during our literature study. We have then addressed the situation in practice. Findings from interviews, questionnaires and the work session were used to assess this situation.

Figure 5

Collaboration social enterprises and municipalities

Recognition and acknowledgement

Knowledge

Financing

Media

Procurement

Flexibility

Compartmentalisation

1. Recognition and acknowledgement

Social enterprises feel they are insufficiently recognised and acknowledged by stakeholders and municipalities, who often fail to realise that social enterprises actually exist (SER, 2015). Past research by PwC and Nyenrode also shows that the absence of recognition and acknowledgement is a major obstacle for social enterprises (Argyrou, Anthoni, Lambooy, 2017). Social enterprises want to attract reliable business partners, which requires commitment and reliability from both social enterprises and (for example) municipalities (Hillen, Panhuijsen, & Verloop, 2014). In addition, customers and investors want to be sure that social impact can be clearly demonstrated and made accessible to a broader audience (SER, 2015). However, if social enterprises are not recognised or acknowledged by municipalities, this forms an obstacle in the growth of social enterprises. In their book entitled 'Hoe waardeer je een maatschappelijk initiatief?' (How do you value a social initiative), the authors show that it is not always straight forward to recognise and appreciate social initiatives. They have used several examples to demonstrate that recognition and appreciation can often be hindered by a lack of mutual understanding. Terms like 'legitimacy', 'commitment' and 'returns' are used in an attempt to gain a better insight into the added value of social initiatives (Kruiter e.a., 2015).

In practice

Many municipalities (over 84%) believe they acknowledge and appreciate social enterprises when realising their objectives. Social enterprises are a lot less likely to share this belief: only 40% said they are acknowledged and appreciated by the municipality. This view was confirmed in our interviews. Municipalities regard the social impact pursued by social enterprises to be very important. However, social enterprises feel under-acknowledged by municipalities and often see no signs to confirm the municipality's appreciation.

....

"Although I am recognised, I am not always acknowledged. My social mission is not taken seriously because there is no 'bv' ('Ltd'.) next to my name." – social enterprise GoOV

....

The definition for social enterprises, as mentioned in chapter 1, causes little discussion in practice. However, a few municipalities only see social enterprises as companies that employ people who have difficulties in the labour market. Most municipalities and social enterprises adhere to the European definition and the definition used by Social Enterprise NL. Besides their social objective, social enterprises must also focus on the continuity of their business and the profits needed for this continuity. This is not always understood or appreciated by municipalities. In this case, they see no difference between a social enterprise and a regular business.

When we asked municipalities and social enterprises about the most important aspect, municipalities put 'acknowledgement' in first place, while this only achieved fourth place among social entrepreneurs.

The extent to which social enterprises are appreciated and acknowledged varies greatly per municipality. Some municipalities have many social enterprises and have even categorised them according the social objective they pursue. Other municipalities have no idea which social enterprises are active within their municipal boundary and whether they realise goals that are also pursued by the municipality. So there is a lot of room for improvement on this front.

....

"It is long and arduous process before municipalities acknowledge what you want to achieve." – social enterprise Afval loont

....

On the other hand, the interviews often showed that social entrepreneurs can be insufficiently informed about the nature and workings of municipalities. The interaction between the council, alderman and council officials is often unclear and people are quick to see the municipality as one entity.

2. Knowledge
The SER says that social enterprises and the authorities are not always able to see eye to eye. There is a certain distance between the two because they do not 'speak the same language' (SER, 2015). In addition, a lack of knowledge about social enterprises also creates a blind spot within municipalities. This means municipalities and social enterprises are unable to exploit the encountered needs and opportunities. A lack of knowledge among municipalities, when correctly pricing the products and services supplied by social enterprises, can also be regarded as an obstacle to the growth of an enterprise (Gynes, 2009). Due to their focus on social objectives, social enterprises need extra skills and knowledge to maintain good relationships in the business world as well as the social world (Hoogendoorn, Zwan, & Thurik, 2011).

In practice
75% of municipalities believe they possess no or insufficient knowledge about social enterprises. 25% of municipalities believe they actually possess the knowledge and capacity needed for the development of social enterprises. It is remarkable that social enterprises almost realise the same score on this front: For instance, 24% of social entrepreneurs feel municipalities possess enough knowledge to encourage the growth of their enterprises. Municipalities and social entrepreneurs

thus agree that municipalities currently do not have enough knowledge and expertise to support social enterprises in their development.

Various municipalities said they did not know if there are social enterprises in their municipality, and certainly could not name them. That said, many businesses are actually unaware that they are regarded as social enterprises. They share all the characteristics, but do not realise it and/or have not registered or do not profile themselves as such. This is sometimes a deliberate strategy by businesses. They believe their products must be attractive enough to compete with other businesses. This means, for example, not mentioning that the product has been manufactured by former psychiatric patients or ex-prisoners. This makes recognition more difficult for municipalities.

In order to address this shortcoming, some municipalities have taken internal measures. This includes appointing an account manager or establishing an internal project group that exchanges knowledge and experiences. It is interesting that several municipalities have also opted for external routes.

"I have a large network and can thus direct social enterprises to others who can offer then the assistance they require." – Gemeente Eindhoven

Some municipalities are also trying to create a breeding ground or incubator for social enterprises. An example of this are the breeding grounds the Municipality of Maastricht is creating to encourage social enterprise. This means partnerships have been established with the art academy and university in order to, for example, inform students about social entrepreneurship. By organising breeding grounds, a platform has been developed where people can meet one another and exchange their knowledge and expertise. Various municipalities see such physical platforms as important instruments for promoting social enterprise. By collaborating with important partners in the city, it is possible to offer social enterprises the knowledge and expertise their require.

"Everything we do is done together with players in the eco-system; from matching meetings to development programmes, and from trade missions to capital workshops. We believe co-creation is the key to success." – Municipality of Amsterdam

3. Financing

It can often be difficult for social enterprises to attract the required financing. Two aspects of social enterprises do not correspond with the thinking of municipalities. On the one hand, social enterprises prioritise social impact while, on the other hand, they are a business and must make a profit. Municipalities are accustomed to providing subsidies to institutions (often foundations or associations) that perform activities aimed at achieving social goals, e.g. like welfare institutions. Companies, namely limited companies, do not fit within this scope because they want to sell their products or services. However, in the very early stages of an initiative, social enterprises may actually be looking for a start-up subsidy or starters loan. And social enterprises also have to prioritise their social objective, even if this increases their costs. Hillen e.a. say that municipalities do not always see social enterprises as a business partner where products or services are acquired in order to support a social objective (Hillen, Panhuijsen, & Verloop, 2014).

In practice

Our survey showed that 47% of municipalities possessed instruments for supporting social enterprises; 53% said they did not have such instruments. Three types of support were mentioned: subsidies, advice and support in kind.
Subsidies include subsidies paid to start-ups, subsidies paid to companies that create social value or subsidies that are paid for innovative ideas in the city.

....

"Social enterprises can always rely on one fund or another. This could be the sustainability fund, the innovation fund or the entrepreneurial fund." – Municipality of Amsterdam

....

In many cases, funding is also available for the support that social enterprises offer to people who experience difficulties in the labour market. This can often take place within existing arrangements concerning employment participation.

'Support in kind' is a very commonly encountered form of support. This is actually a very broad term. Support in kind ranges from providing workshops to brining social enterprises in contact with parties in the municipality's network that can meet the needs of social enterprises.

Social entrepreneurs respond in different ways to such types of support. In practice, the tools needed to support social enterprises in the various phases of their development appear to be missing (life cycle management). A subsidy during the start-up phase/proof-of-concept phase is often appreciated and can play a major role in helping to get businesses up and running. This phase is about testing and further specifying the initial idea. Furthermore, a good business plan is also very important; in this regard, social enterprises are no different than regular start-ups. The interviews confirm the impression that existing social enterprises appreciate subsidies and support during this phase. Once the business is up and running, social enterprises prefer their products and services to be purchased by the municipality rather than receiving subsidies and other types of support.

During the growth phase, social enterprises often find it more difficult to obtain the required funding. After the initial phases, investment is often needed in order to start production on a larger scale. Research shows that social enterprises need more time to become profitable and also share less profit because it is invested in the company and the company's social objective (Hoogendoorn e.a., 2011). This makes it less appealing for financiers to lend money to or financially participate in social enterprises. This is exactly why a public investment fund could be useful, whereby a longer repayment period or lower yield is accepted due to the social value of the social enterprise's product or service.

However, the questionnaire presented to social enterprises showed that only 36% of social enterprises said the municipality played a role in the financial support they received. For instance, in the form of loans or subsidiaries.

4. The media

During the start-up phase, social enterprises can benefit considerably from a good storyline, having the right people in the right place and a good image. Together, these aspects are referred to as the media strategy (Schulz, Steen, & Twist, 2013). Social enterprises execute this media strategy by sharing attractive and engaging stories that consumers want to hear and be a part of. A good pitch (or a gripping storyline) can greatly benefit social enterprises. Customers that are enthusiastic about the pitch then become ambassadors for the company, and their enthusiasm spreads to others (Verloop & Hillen, 2013).

However, the government faces a dilemma when deciding whether or not to contribute to the media strategy of social enterprises. On the one hand, the government wants to support social enterprises because they pursue a social objective which is often shared by municipalities. On the other hand, social enterprises often - implicitly or explicitly - criticise the existing system, and thus the government. Municipalities can hardly encourage such criticism, but they also cannot be seen as an obstacle to good initiatives (Schulz, Steen, & Twist, 2013).

In practice

Approximately 50% of our municipal respondents were uncertain about this issue; they do not know whether the municipality effectively conveys what social enterprises are trying to achieve. Approximately a third of all municipalities (37%) think they do this, while circa 13% think they do not. Social enterprises are even less likely to believe that municipalities correctly convey what they do: for instance, only 32% agreed with the statement.

The duality aspect expressed in literature is not encountered very often in practice. For instance, the approaches adopted by some social enterprises do criticise municipalities, but this does not happen on a large scale. In the interviews we conducted, many social enterprises were not explicitly critical of the systems implemented by municipalities. However, social enterprises say that municipalities often fail to understand their goal and how the goal will be realised. There is a lot of unfamiliarity and this spoils a good storyline. Things would be a lot clearer if the municipality had a more open mindset during meetings or visits. In addition, it was said that social entrepreneurs often have to develop a pitch before they can count on cooperation from the municipality. Having a good pitch, which shows why the impact of the social enterprise benefits the municipality, is an integral part of being involved in a social enterprise.

"Concrete evidence about the effectiveness of the approach first had to be provided before the official was willing to entertain the partnership." – a social enterprise

13%

Media 50%

37%
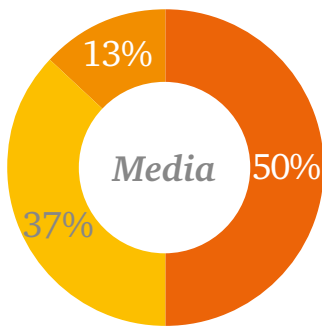
- ■ Unsure
- ■ Contribution to media strategy
- ■ No contribution to media strategy

Another point that was mentioned about how the storyline is positioned, was that social enterprises belief this is a task for social enterprises themselves and that there is no need for direct interference from municipalities. Municipalities agree with this stance because they believe social enterprises must clearly define why they actually exist.

"Social enterprises must be able to convince the municipality about why we should work with them." – Municipality of Eindhoven

5. Procurement

Municipalities look for the most economically beneficial option when issuing tenders and buying products and services. They award points for price and quality, but not for social impact. This means the social benefits provided by social enterprises are not taken into account during tenders, thus decreasing their chances of earning a contract. Verloop & Hillen state that social enterprises should still be able to compete with other companies. According to social entrepreneurs, the government should introduce general compensatory arrangements in such cases (Verloop & Hillen, 2013).

Furthermore, by implementing the principle of social return, municipalities actually do a disservice to social enterprises because they often employ people who encounter difficulties in the labour market (SER, 2015). In addition, in the interest of economies of scale, municipalities regularly join forces with several other municipalities for their purchases, which means they buy in large quantities or tender large projects. Social enterprises are often (still) too small and are unable to register for such large projects.

Because social enterprises encounter difficulties when selling their products or services, it is more difficult for them to find personnel because they offer lower salaries in order to remain competitive. This hinders the growth of social enterprises (Gynes, 2009).

In practice

Municipalities procure products and services that may be relevant to social enterprises, like the maintenance of public parks, cleaning, waste processing and canteen services. However, our survey showed that 62% of municipalities said they did not consider social enterprises during their procurement activities; 38% said they explicitly took them into account.

If social enterprises are taken into account during the procurement process, this is done in various ways. For instance, some municipalities award points for corporate social responsibility during the tender procedure. This approach also applies to other companies, not just social enterprises. Another approach involves making social return on investment (SROI) an integral part of procurement policy. Finally, some municipalities take the size of the tender into account and sometimes deliberately reduce the size of their tenders. Our interviews showed that municipal respondents realise the importance of procurement, and place the aspect in third place. Social enterprises clearly feel it is the most important aspect and place it in first place. 41% of social enterprises said the municipality actually purchases its products or services.

Social entrepreneurs feel it is particularly important for their social value to be considered during the procurement process or tender. They feel it is important for social value to be recognised, so a value trade-off can take place.

....

"The only way the municipality can help me is to procure my services!" – a social entrepreneur

....

Municipalities also face an added complication when buying products; namely that the budget comes from a single department, while the social impact also meets the social objectives of other departments. These departments should actually help pay for the product, but this is often quite complicated in practice. In addition, it is said that procurement is determined by the person you deal with and whether the concerned official sees the benefits of the social enterprise's products or services.

....

"Willing and understanding officials, who are also referred to as 'smiling fixers', put you in touch with the right people within the municipality." – social enterprise MidWest

....

A few municipalities also said it is perfectly possible to buy from social enterprises within existing procurement regulations. Many municipalities have an individual tender limit of €25,000 or €50,000. Purchases for such sums can be very important to small or new social enterprises and can give them the opportunity to develop or continue their growth.

6. Flexibility

Social enterprises try to innovate and improve as they grow. This, for example, can mean launching renewed or new products or services, often with a new approach towards social impact. In this case, new requests will sometimes be made to municipalities or they will be asked to participate in specific initiatives. One the one hand, municipalities want to support these social enterprises but, on the other hand, they are not involved in the realisation phase, which means there is an absence of frameworks, guidelines and/or government policy. The initiatives, products or services of social enterprises clash with existing arrangements, existing policy and the existing system (Schulz, Steen, & Twist, 2013). This makes it difficult for municipalities to approve such requests. Social enterprises ask municipalities to show a level of flexibility that they do not always possess. Schulz e.a. (2013) clearly demonstrate this using the request of a sheltered workplace, which also wants to start collecting general household waste using disabled employees. This attractive idea clashes with existing contracts with companies that collect general household waste, and also involves the environment department and social department in the initiative without the accompanying policy or rules.

In practice

64% of municipalities agreed with the statement "The municipality wants to flexibly contribute to and exploit products and services supplied by social enterprises". Social enterprises were less likely to notice this flexibility: only 27% of social enterprises agreed with the same statement. Municipalities acknowledge that flexibility is sometimes too heavily determined by individual officials who deal with social enterprises.

"Our colleagues in the social domain are enthusiastic, while colleagues in other departments are more cautious when it comes to collaborating with social enterprises."
– a municipality

Social enterprises recognise the feeling that collaboration is greatly determined by the person you deal with. In their option, this is mainly due to a lack of familiarity. In addition, social enterprises notice that there are major differences in the flexibility of different municipalities in the Netherlands.

....

"Flexibility differs per municipality. I am able to work perfectly with one municipality, while I don't even get invited for a meeting at another." – a social entrepreneur

....

Some municipalities are taking specific measures to become more flexible. The Municipality of Rotterdam works with a single contact person, who then further arranges matters internally at the town hall. The Municipality of Utrecht has established an initiatives network, where officials from various departments prioritise particular initiatives. The Municipality of Eindhoven has also implemented 'the right to challenge', which means residents have the right to challenge the municipality to execute existing policy in a different manner. This encourages residents to propose innovative ideas, while also giving the municipality the moral duty to take the ideas of residents seriously and respond with the required flexibility.

Furthermore, officials want to exploit innovative ideas from social enterprises, but find it difficult to do so at the same time as their existing tasks. A lot of time is also needed for negotiations and to circumnavigate existing rules or procedures; and this time is often in short supply.

7. Compartmentalisation

Social enterprises often deal with social issues that affect several of the government's policy domains. However, municipalities often work separately per department or policy domain, which makes it difficult to keep up with and assist social enterprises (Hillen, Panhuijsen, & Verloop, 2014). The worlds of entrepreneurs and the government do not always coincide with one another (SER, 2015). That is why social enterprises want to collaborate with a whole department (Schulz, Steen, & Twist, 2013).

In practice

27% of municipalities said they '(completely) agree' when presented with the statement "All the municipality's departments work together effectively; we have no problems with compartmentalisation". Only 5% of social enterprises responded with '(completely) agree'. Social enterprises thus encounter a great deal of compartmentalisation when collaborating with municipalities. Municipalities also acknowledge this problem, since 73% of municipalities disagreed with the statement. Social enterprises mainly see one solution, namely establishing a single point of contact.

"I currently have four contact persons at the municipality. It would be good if we only had to deal with one official." – a social entrepreneur

Municipalities sometimes adopt this approach, but also notice that it is sometimes insufficient because the central contact person ends up encountering internal obstacles. That is why more action is needed internally.

"We must also create consensus internally because the attitude of officials can differ per department." – a municipality

That is why some municipalities take a few stakeholders from various departments to create a task force, project group or network, like the afore mentioned initiatives network at the Municipality of Utrecht. In addition, municipalities that rated collaboration with social enterprises with a score of 9 all had a single point of contact for social enterprises.

They acknowledge the fact that, due to their focus on social impact, social enterprises often have to deal with several departments and policy domains. In many municipalities, the first point of contact is still the business counter. This means social entrepreneurs often need extra involvement to establish contact with environmental, labour-related or other relevant policy domains.

"Our office helps everyone in the eco-system to function within the municipality of Amsterdam. But the opposite is also true; we also work internally, so our colleagues become more familiar with the eco-system." – Municipality of Amsterdam

The social domain, in particular, is rather complicated because various tasks are not carried out by the municipality, but by regional organisations like regional social services, regional companies or regional care institutions. However, some municipalities say this arrangement also offers opportunities. These regional organisations can often play a special supporting role for social enterprises. For instance, social company Soweco has a special Extend department, which focuses on several aspects of social entrepreneurship, offers advice and coordinates activities, companies and business processes.

Successful partnerships

Afval loont

Background information
Waste is a raw material and is valuable. Afval loont believes we, together with our sorters, can create different types of value for society by pre-sorting waste before it is collected.

Collaboration with the municipality
A good business case, a lot of discussion and determination are needed to establish a constructive and lasting partnership with the municipality. It is important to forge links with the municipality in all three areas and to involve and inform council officials, councillors and aldermen (several departments are often involved). This means it can sometimes be difficult to convince all layers of the municipality about the benefits of collaboration. Afval loont has now been operational for around seven years and is involved in waste processing activities within five municipalities. Contact with the municipality requires a great deal of time and energy. But the good thing is, if you spend time and energy getting a foot in the door at the municipality, this leads to effective contact and a pleasant partnership.

Thuisafgehaald

Background information
Thuisafgehaald is a community of hobby chefs, takeaways and collaboration partners. Thuisafgehaald makes it possible to share food again and is thus perfectly in keeping with the trend of a sharing economy.

Collaboration with the municipality
It is very important to identify the social impact of a social enterprise before starting discussions with the municipality. That is because municipalities place great emphasis on measurable social impact. It is more difficult to identify the social impact in social issues than it is to identify the financial impact, for example, when people with difficulties in the labour market can be helped to find a job. This can be supported by figures, while the impact of e.g. social cohesion is more difficult to identify. It recently became possible for us to measure our social impact. This has taken us a step closer to new partnerships with municipalities in the Netherlands.

GWS de Schoonmaker

Background information
Gascogne believes everyone can learn how to clean. People who experience difficulties in the labour market (and are able to perform cleaning work) are given a chance at Gascogne. Unfortunately, people who are discriminated in the labour market do not always have the best image.

Collaboration with the municipality
Gascogne, which is part of the GWS group, is satisfied with the partnership with the Municipality of Eindhoven. Contact and cooperation both flow smoothly, partly because Gascogne meets the definition, needs and social issues of the Municipality of Eindhoven. It was easier to propose Gascogne's range of services because the needs of the municipality could be met. This resulted in a valuable and lasting partnership.

Social enterprises should thus realise how important it is to address the social issues identified by the municipality.

3. Conclusions and recommendations

3.1 Introduction
Collaboration between municipalities and social enterprises is promising, complex and, in many cases, at an early stage. Municipalities are important to social enterprises because they often pursue the same social objective and can be a major customer for their products and services. Social enterprises often develop new solutions for problems experienced by residents and local politicians. This leads to an alternative solution to the one offered by the government.

Although many municipalities acknowledge the opportunities offered by such collaboration, there can be differences in the expectations and outlook of entrepreneurs and authorities. And this can sometimes lead to conflict. Nonetheless, we still encountered a lot of enthusiasm for discovering and reinforcing opportunities for further collaboration. In the meantime, 41% of municipalities have formulated policy for social entrepreneurship, with such partnerships being appreciated more in municipalities that implement this policy.
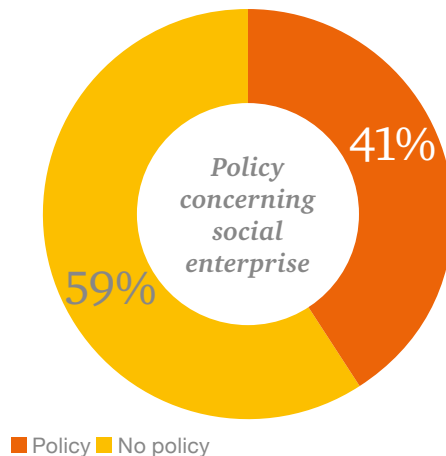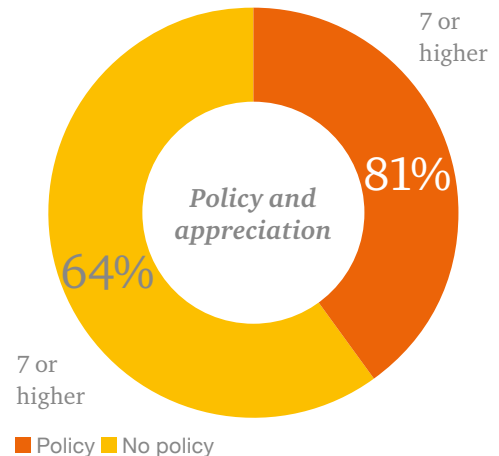
Figure 4

41%

Policy concerning social enterprise

59%

■ Policy ■ No policy

Figure 5

7 or higher

81%

Policy and appreciation

64%

7 or higher

■ Policy ■ No policy

Acknowledgement and recognition

Procurement

Knowledge

Flexibility

Financing

Compartmentalisation

Media

We started this survey with two questions:

1. *How can we better understand the influence of municipalities on the development of social enterprises?*

2. *In which way can municipalities more effectively encourage the development of social enterprises?*

Our literature study then resulted in the following seven mechanisms:
- Recognition and acknowledgement
- Knowledge
- Financing
- Media
- Procurement
- Flexibility
- Compartmentalisation.

The questionnaires we sent to municipalities and social enterprises showed that all seven are acknowledged, but that municipalities and social enterprises agree that four of them are more important than the others:
- Procurement;
- Flexibility;
- Compartmentalisation;
- Recognition and acknowledgement.

Municipalities deem recognition and acknowledge to be the most important aspect, while social enterprises deem the procurement of products and services to be the most important aspect.

Statements were used to present the various mechanisms to municipalities and social enterprises. This provided the following results:

Statements	(completely) agree Municipalities	(completely) agree Social enterprises
1. The municipality acknowledges and appreciates social enterprises for what they are trying to achieve.	84%	40%
2. The municipality wants to flexibly contribute to and exploit products and services supplied by social enterprises.	64%	27%
3. The municipality buys products or services from social enterprises.	59%	41%
4. The municipality plays a role in the financial support offered to social enterprises (for example, loans, subsidies, etc.)	41%	36%
5. The municipality effectively conveys the storyline of social enterprises (for example, via the media).	36%	32%
6. All the municipality's departments work together effectively; we have no problems with compartmentalisation.	27%	5%
7. The municipality possess the knowledge and expertise needed to support social enterprises in their development.	23%	24%

The conclusion that can be drawn from this is that both municipalities and social enterprises roughly have the same opinion concerning knowledge, media and financing. Municipalities and social enterprises agree to a much lesser extent when it comes to mechanisms involving recognition and acknowledgement, flexibility and compartmentalisation.

3.2 Conclusions and recommendations
We have briefly summarised the main findings below and have indicated how cooperation can be reinforced.

Acknowledgement and recognition
The vast majority of municipalities (84%) said they recognised and acknowledged social enterprises; this was experienced very differently by social enterprises (30%). Some municipalities implement reasonably effective policy concerning social enterprises, while such policy is more or less non-existent in other municipalities.
In terms of recognition, the definition for social enterprises is used almost everywhere. If an overview of all social enterprises is available, this facilitates mutual contact, allows social enterprises to participate in goals pursued by the municipality and creates the foundation for a social enterprise network.

Gaining an insight into the social enterprises active within a municipality is the first step for collaboration; between social enterprises themselves and between social enterprises and the municipality.

But more is needed for the sense of acknowledgement. In this case, it is important for the social value created by social enterprises to result in a sort of value trade-off. First and foremost, this value trade-off must involve selling products and services. Besides the sale of products and services, other types of acknowledgement are also possible, which support the sale of products or services in another manner. By supporting this, municipalities can show that they acknowledge the social impact created by social enterprises. This is possible using the mechanisms we have described below.

Social entrepreneurs are also entrepreneurs; they take risks. This includes the risk of municipalities not being able or willing to buy their products or otherwise support them. Not all entrepreneurs pay attention to this factor.

Explore whether the social impact of the social enterprise can lead to a value trade-off with the municipality.

Social entrepreneurs can often benefit by better researching the various structures in the municipality (council, aldermen and administrative organisation) and the municipality's main policy objectives.

....

A social enterprise is more likely to be acknowledged if social entrepreneurs are familiar with the structure and workings of the municipality, as well as its main policy objectives.

....

Social enterprises often develop new solutions for problems.

Procurement

For social enterprises, the most important thing in any partnership is to sell their products or services. Municipalities can respond to this by considering the social value of social enterprises during the procurement process. This can be done by also considering social aspects when evaluating the quality of a proposal, by deliberately opting for smaller volumes and/or by implementing social return on investment. An in-depth study, to inventory the various methods and compare their effectiveness, can help to improve (often) relatively recent policy initiatives.

....

Make sure procurement policy explicitly focuses on the social impact created by a social enterprise, so this is taken into account during the assessment.

....

Flexibility

The products and services of social enterprises almost always require municipalities to be extra flexible. For instance, a product or service can often have two or more facets. There is the product itself, and there is the social impact created by the product. Social enterprises often develop new solutions for problems. This often creates an alternative solution to the one offered by the government. These innovations cannot be predicted in advance and can only be exploited at the moment they become available. And this requires flexibility. One cannot plan for such innovations in advance, but one can anticipate them. Some municipalities are already doing this by establishing a network of employees from different departments, so such initiatives can be exploited. They sometimes do this by appointing a contact person, who is responsible for arranging everything throughout the organisation. In this case, support from management, as well as support from politicians, is very important.

....

Offer political support to internal networks or account managers, who must flexibly deal with initiatives from social enterprises that could result in social benefits. meente van maatschappelijke waarde vindt.

....

Compartmentalisation

Compartmentalisation is closely related to the call for greater flexibility. Both municipalities and social enterprises see compartmentalisation as a problem in partnerships with social enterprises. Although social enterprises often think a single contact person will resolve this problem, municipalities say this solution will not be sufficient. This means the above mentioned measures for improving flexibility are also needed.

....

Ensure a clear municipal point of contact for social enterprises.

....

Financing

47% of municipalities possess the tools needed to facilitate and stimulate social enterprises, which vary from subsidies and breeding grounds for starters to support in kind, e.g. in the form of cheap accommodation. The tools used for regular start-ups and scale-ups can also be used to develop and up-scale social enterprises. In early phase (proof of concept, pre-seed phase, etc.), subsidies or knowledge vouchers can be used to move from an initial idea to a product or service. Capital will then be needed in the following phase (start-up and infancy) where, besides equity capital, starters loans or participations could be suitable. Social enterprises often require special arrangements in this phase and the subsequent growth phase. Social enterprises often appear to need more time to become profitable and

also have lower returns in this phase due to costs and investments in their social objective. That is why municipalities could modify their approaches to take these points into account. This can also be supported using specific policy with regards to procurement.

....

The financial tools available to social enterprises during the development phases do not differ from those used by regular start-ups and scale-ups. In the start-up phase (early stage), it would help social enterprises if they were afforded more time to become profitable and if lower profits were expected because of their social objective.

....

Knowledge

The vast majority of municipalities (75%) believe they still possess insufficient knowledge about social enterprises. Social enterprises feel the same way, but are slightly more negative (76%). In practice, it seems municipalities try to improve knowledge internally by appointing an account manager, or by setting up a project group or task force. In addition, they also try to improve the acquisition of external knowledge, e.g. by setting up a network of social enterprises or by creating a breeding ground for the start-up of social enterprises. Social enterprises can play an active role such initiatives.

....

Knowledge about social enterprises can be accrued internally via an account manager or an internal network. In addition, another good way to expand knowledge is to set up an external network or a breeding ground for social enterprises.

....

Media

A social enterprise's storyline (or pitch) often forms an important part of the product or service it offers. Social enterprises and municipalities both think it is essential for social enterprises to present a clear storyline. It is the responsibility of social entrepreneurs to develop such a pitch, and to present it to the municipality in a convincing manner.

....

Social enterprises will be more effective in convincing municipalities if they have a clear storyline which explicitly identifies social impact.

....

Early opportunities

Partnerships between municipalities and social enterprises can be beneficial because both want to address social problems. If partnerships have not (yet) been established, our survey shows that they are normally hindered by recognition and acknowledgement, procurement-related issues, compartmentalisation and a lack of flexibility. However, financing, knowledge and the media also play a role. Whenever partnerships are established, they lead to positive results. And we hope this survey and our recommendations can help to maximise collaboration opportunities.

Partnerships between municipalities and social enterprises can be beneficial because both want to address social problems.

Appendix 1: List of literature

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Verloop, W., & Hillen, M. (2013). Verbeter de wereld, begin een bedrijf. Business contact.

Appendix 2: Respondent interviews

Municipalities	Respondent
Municipality of Maastricht	Marleen van Oeveren & Helmy Koolen
Municipality of Eindhoven	Yuri Starrenburg
Municipality of Ede	Willemien Vreugdenhil
Municipality of Rotterdam	Marie Louise de Bot
Municipality of Amsterdam	Ellen Oetelmans
Municipality of Den Bosch	Marga de Leeuw
Municipality of Utrecht	Daphne van Rhee
Municipality of Alkmaar	Esther Vogel

Social Enterprise	Respondent
MidWest	Anita Groenink
GoOV	Lars Nieuwenhoff
Colour Kitchen	Joske Paumen
Thuisafgehaald	Marieke Hart
Afval loont	Jørgen van Rijn
GWS de Schoonmaker	Gaby Westelaken

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