

# ***Building an ecosystem for social entrepreneurship: lessons learned from The Netherlands***

*From a 'black hole' to a substantial driver for sustainable change*

October 2018



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At PwC, our purpose is to build trust in society and solve important problems. We’re a network of firms in 158 countries with more than 250,000 people. At PwC in the Netherlands over 5,000 people work together. We’re committed to delivering quality in assurance, tax and advisory services. Tell us what matters to you and find out more by visiting us at [www.pwc.nl](http://www.pwc.nl).

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# Preface



Six years ago Filippo Addari – the then President of The Euclid Network – characterized the social enterprise sector in the Netherlands as ‘the black hole of Europe’. Nowadays this black hole has been filled with manifold social enterprises of all different sizes. Collectively these account for around 3.5 billion euros in turnover and create in excess of 80,000 jobs.<sup>1</sup> The present study is a response to the question of how the sector in the Netherlands has flourished in a short space of time and what lessons can be learned from this. We hope that this publication will provide insights into how the social enterprise sector might be developed (or developed further) in other countries.

PwC has been supporting the social enterprise sector since 2012 using its knowledge and expertise. We have entered into a variety of partnerships, are carrying out research in conjunction with universities, are giving masterclasses and supporting in excess of hundred social enterprises each year with their strategic, financial and/or tax queries.

Thus ensuring that the social enterprises learn from us, but also ensuring that we learn a great deal from them too. Society is appealing to the business community more and more pointedly and urgently to contribute to solving global issues. This is finding expression in changing consumer demand, in government policy on such matters as social return, as well as in the Sustainable Development Goals formulated by the United Nations, to which we too are keen to make a serious contribution. For instance, in line with one of these goals we are aiming to be fully circular by 2030. What this means for us is no CO<sub>2</sub> emissions, no waste and maximum recycling of

materials and products. PwC’s ambition is to build trust in society and to contribute to solving important problems. We are in the process of transforming into a purpose-led and values-driven organization. Social enterprises are like that right from their inception, which is why they are helping us and inspiring us during this transformation process.

This study would not have been possible without the cooperation of all the interviewees who shared their vision and valuable experiences with us and of all other people who contributed. Whilst engaged in the study we drew fresh inspiration from the drive and enthusiasm of the social enterprises and the stakeholders from their ecosystem. We hope that this report will have the same effect on other people and (national and international) organizations that are also keen to contribute to the development of the social enterprise sector (or its ecosystem).

Social enterprises are no panacea. Which is why the efforts of the regular, established business community, NGOs, public organizations and the government are also essential. Several stakeholders we spoke to for the purposes of this report stated that they are hoping that social becomes the new normal. We want to use this survey to add further impetus to this.

On behalf of the PwC research team: Astrid van der Werf, Jitske van Hattem, Laetitia Ruppert, Marloes Tap, Pjotr Anthoni, Rhimou Bensalah and Wouter Klijn.

Renate de Lange-Snijders  
Executive Board PwC Nederland and responsible  
for Corporate Responsibility

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<sup>1</sup> McKinsey&Company,  
Scaling the impact of  
the social enterprise  
sector, October 2016.

## Definitions

*This study has been based on a study of the literature as well as interviews with some 40 social enterprises and parties in ‘their’ ecosystem. In this regard, we will be using the following definitions:*

**Ecosystem:** *The aggregate of interdependent parties and factors coordinated in such a way that they enable productive entrepreneurship in a particular region.<sup>2</sup>*

**Social enterprise:** *A business that sets a social or societal objective above making (financial) profit and that has an inclusive stakeholder approach. See chapter 2 for a more detailed definition of a social enterprise.*

**Social enterprise sector:** *The aggregate of social enterprises in (for the purposes of this study) the Netherlands. Strictly speaking, the social enterprises do not constitute a sector, as they are in fact active in all kinds of branches. As such, it is more a question of business model than sector. Nevertheless, we have stuck to using the term ‘social enterprise sector’, firstly because it presents a convenient means of referring to these businesses collectively, and secondly because these businesses collectively are commonly referred to as a sector in the literature.*

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<sup>2</sup> Leonie Oosterwaal, Erik Stam, Jan Peter van den Toren, Openbaar bestuur in regionale ecosystemen voor ondernemerschap, Ministry of the Interior, 2017.

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# 1. Management summary

*The circa 40 social enterprises and stakeholders interviewed confirm the picture of a social enterprise sector that has been developing considerably in the Netherlands in recent years. The proverbial ‘black hole’ – to which the then President of The Euclid Network, Filippo Addari, compared the sector six years ago – is no longer an apposite designation. The sector is now flourishing, with thousands of (primarily small) businesses on the threshold of the subsequent scale-up phase. The present study entailed examining how the social enterprise sector in the Netherlands developed, what lessons this has yielded and what insights this offers for other countries.*

The lessons learned are partly linked to the intrinsic character of the Dutch, who have a long tradition of entrepreneurship, innovation, social initiative and solving problems through dialogue. These lessons are also inextricable from the country’s economic and political context. Which is why they should not be regarded as a blueprint but as a source of inspiration.

## Three phases in the development of the social enterprise sector (chapter 2)

Based on our interviews and study of the literature, we discern three phases in the development of the social enterprise sector.<sup>3</sup>

**Prior to 2012** there are already enterprises around that feel responsible for ensuring healthy business

operations, yet are also keen to do their bit towards solving a social problem. They carve out their image on this basis and become recognized as figureheads. However, the term ‘social enterprise’ is still pretty much unknown during this **preparatory phase** in the Netherlands. There is not yet an organized movement under way with which other parties can join in.

**The pioneering phase (2012 – 2014)** begins once a new generation of social enterprises enters the market and starts building the sector from the bottom up. 2012 also sees the inception of the nationwide platform Social Enterprise NL, which unifies and represents social enterprises, shares knowledge, works on acknowledgement and recognition, lobbies for the sector and contributes to social enterprises promoting themselves as such. The ecosystem starts to take shape during this phase too, with a few local authorities, companies and funds taking the initiative to support and finance the sector.

In 2015 we move from the pioneering phase into the **development phase (2015 – present)**, which is characterized by robust growth on the part of the ecosystem surrounding social enterprises due to the arrival of new social enterprises, network organizations and platforms.

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<sup>3</sup> The division into phases suggests the existence of clearly defined periods of time. In reality, the sector has been continuously developing itself. The phases serve to enhance understanding.

Several institutes of higher education (academic and vocational) are providing courses and carrying out research. Support for the sector – particularly from local authorities and the regular business community – is on the rise and there is a marked improvement in terms of financing options.

### **The sector is now at a tipping point (chapter 3)**

According to the entrepreneurs and ecosystem parties that we interviewed, the sector in the Netherlands is now firmly on the map, social entrepreneurship has become a phenomenon and social enterprises have been given a clear identity. Nevertheless, there is still ample room for growth and professionalization. We are on the eve of the next phase, which will entail a further increase in the impact of the social enterprise sector.

### **Lessons learned from the Netherlands (chapter 4)**

The study of the literature and the interviews in particular yield a number of lessons and insights which (partly) explain why the Dutch social enterprise sector has manifestly developed in a short space of time.

### **In summary, these are the following seven lessons:**

- 1. Start rather than waiting for someone else to make the first move** – The versatile, enterprising and innovative social enterprise sector in the Netherlands is the result of a movement that has arisen from the bottom up: pioneers in all groups of stakeholders have set

to work on their own initiative and from the perspective of their own expertise and have (gradually) united.

### **2. Cooperate and build an integrated ecosystem**

– Social Enterprise NL and trendsetters are actively engaged in building an ecosystem, with an increasing number of parties (networks and platforms, local authorities, the regular business community, institutes of research and education, financiers and consumers) becoming involved and associated.

- 3. Ensure fertile soil** – Networks, companies, financiers and local authorities have started incubator and acceleration programmes, knowledge-sharing and coaching, thereby creating a fertile soil enabling further growth.

- 4. Reduce obstacles for social enterprises** – Even though the social enterprise sector is arising from the bottom up, central government and local authorities have an important role to play in reducing obstacles, e.g. in terms of tendering procedures and bolstering acknowledgement and recognition.

- 5. Invest in knowledge development** – Businesses, schools and universities have started to take an early interest in the sector in the Netherlands. Their specific expertise in terms of such things as successful business models is much needed for a sector in development.

**6. Use technology to tackle social problems –**

The use of innovative technology gives many Dutch social enterprises reach and impact in excess of what one would expect from organizations of their size and generally their solution is relatively scalable.

**7. Dare to do things differently and propagate it**

– The social enterprise sector in the Netherlands is using innovative solutions in the market and, driven by intrinsic motivation, is propagating a catchy and inspiring story. In so doing, the sector is managing to mobilize customers and other support.

**A look to the future (chapter 5)**

Because the Dutch social enterprise sector is still very much in development, chapter five will look at a number of points of relevance for the near future, namely the lessons we are still learning or the challenges with which an expanding sector can be expected to face.



**Kromkommer**

Around ten percent of all fruit and vegetables never reaches our plates because of their looks, despite the fact that there is nothing wrong with it flavour-wise. Kromkommer is doing its utmost to combat fruit and veggie waste, and is keen to get people to change their perception of the quality of these products. The organization is doing so in partnership with growers, shops, restaurants and fans. Kromkommer is putting wonky fruit and veggies in the spotlight with playful campaigns and with 'Kromkommer products', such as soups made of wonky vegetables and wonky-veggie toys.



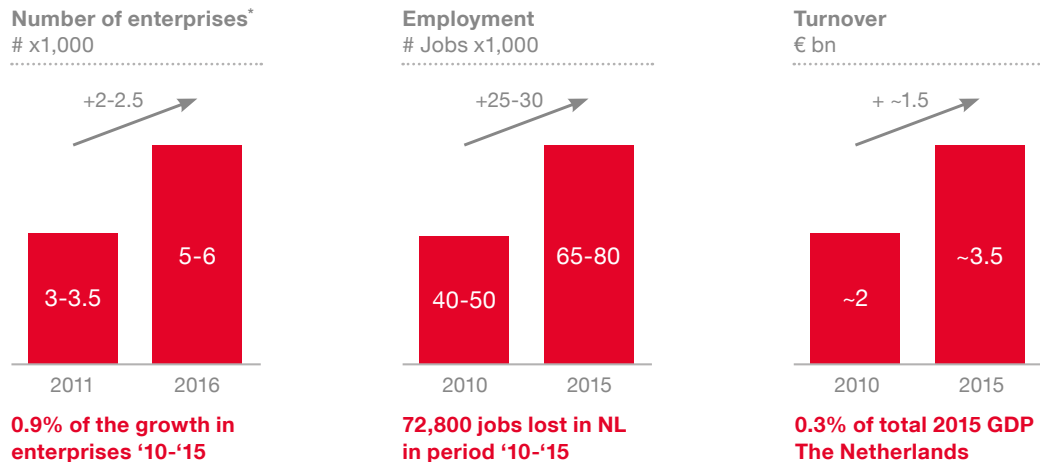


## 2. From ‘nothing’ to flourishing: the development of the social enterprise sector in the Netherlands

The Dutch social enterprise sector has evolved from a sector that was extremely limited in scale and was not recognized as such into a flourishing sector with its own figureheads. Figure 1 from McKinsey’s 2016 report illustrates this growth. Key data is difficult to obtain on social enterprises, due to the lack of a

label, certification or legal form and due to the lack of an unequivocal definition of a social enterprise. Nevertheless, in this chapter we will be looking at the development of the social enterprise sector in the Netherlands in terms of phases, time, facts and figures.

**Figure 1:** The growth of Dutch social enterprises (source: McKinsey 2016).

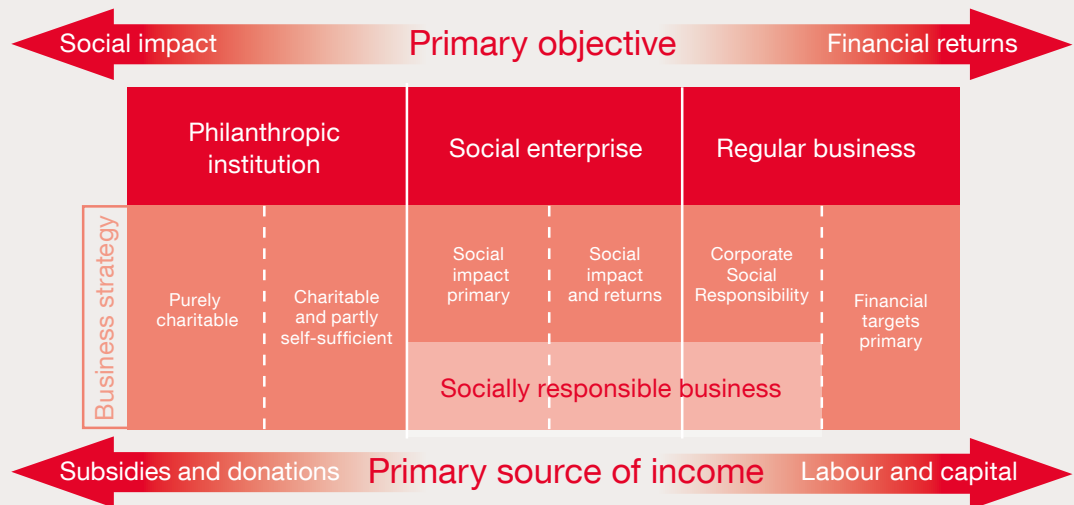


\* Number of enterprises was 4,000-5,000 in 2011 rapport. Difference due to better data availability and application of 2013 EU definition. Source: Statistics Netherlands (CBS), Chamber of Commerce, McKinsey Social Enterprise survey (N=182).

### Context: the social continuum

A social enterprise is positioned at the interface between commercial business and philanthropy. Social enterprises prioritize impact, though not without a revenue model. This connection between social impact and financial returns is aptly illustrated in a so-called 'social continuum'. The continuum runs from 'exclusively focused on social/societal impact' (left) to 'exclusively focused on financial returns and maximization of profit' (right). To the left of the overview we find institutions such as funds, social organizations and charities, and to the right we have the traditional, commercial enterprises.

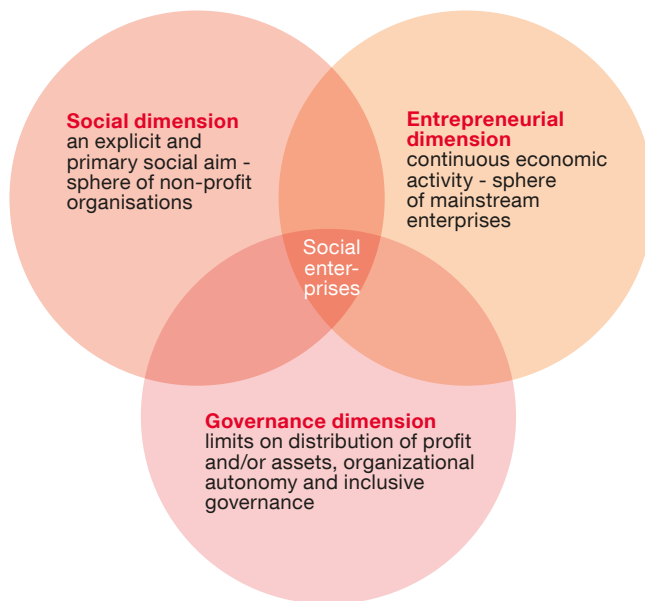
The continuum suggests a discrepancy between social/societal impact and financial returns. They are not mutually exclusive, however. When social enterprises perform well, they generate both social and financial returns.



### Defining social enterprise

Different parties in the Netherlands use their own definition of a social enterprise, with different emphasis. Many local authorities, for instance, seem to predominantly define social enterprises provisionally within the framework of the labour market and participation therein. PwC dovetails with the definition used by the nationwide platform Social Enterprise NL.

**Figure 2** The three dimensions of a social enterprise according to the European Commission.



The definition offered by Social Enterprise NL is based on the European Commission's definition.<sup>4</sup> This encompasses three elements or dimensions:

- 1. Social dimension:** 'A social enterprise is an operator in the social economy whose main objective is to have a social impact rather than make a profit for their owners or shareholders.'
- 2. Entrepreneurial dimension:** 'It operates by providing goods and services for the market in an entrepreneurial and innovative fashion and uses its profits primarily to achieve social objectives'
- 3. Governance dimension:** 'It is managed in an open and responsible manner and, in particular, involves employees, consumers and stakeholders affected by its commercial activities.'

When the European Commission formulated its definition for social enterprises in 2012, part of that definition stipulated that the enterprise had to be financially self-sufficient to a certain extent. The European Commission later removed this element. Social Enterprise NL dovetails with the three elements put forward by the European Commission, yet retains the original criterion of self-sufficiency in its own definition. Hence dependence on donations or subsidies should be limited. Otherwise the definition would be at risk of encompassing the entire semi-public sector. This is also an important element in Social Enterprise NL's lobbying of the government and the Social and Economic Council of the Netherlands (SER).

<sup>4</sup> European Commission, Social Business Initiative - Creating a favourable climate for social enterprises, key stakeholders in the social economy and innovation, 25 October 2011 and A map of social enterprises and their eco-systems in Europe, 2015. The definition stems from the Social Business Initiative.

Social Enterprise NL's definition puts forward the following criteria for classification as a social enterprise:<sup>5</sup>

1. Mainly has a social mission: *impact first!*;
2. Achieving this as an independent business supplying a product or service;
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;
  - conscious of its ecological footprint;
  - is transparent.

In order to create as much uniformity and recognizability throughout the world, it would be sensible for each country to dovetail to the fullest extent possible with the internationally accepted principles within their own specific frameworks (e.g. role of government, culture, social challenges).

### **Facts and figures**

As noted earlier, key data on social enterprises is scant. In the Netherlands there is a number of studies shedding more light on the key data for the sector. Social Enterprise NL carries out research among its members on an annual basis, reporting the results in its Social Enterprise Monitor. McKinsey performed a study of the sector in 2011 and repeated this in 2016.<sup>6</sup> ABN AMRO published a study in July 2017 based on its own database, which they have been populating since 2012.<sup>7</sup>

McKinsey's definition of social enterprises differs from the definition used in this publication and from the European Commission.<sup>8</sup> A broader or narrower definition will naturally have direct consequences for the figures. However, in view of the fact that McKinsey's comparative figures are based on a similar definition, it is at any rate possible to derive information from these on the sector's development.

### **The number of social enterprises has grown considerably**

McKinsey's research made manifest the fact that the number of social enterprises grew significantly within the space of five years.

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<sup>5</sup> <https://www.social-enterprise.nl/sociaal-ondernemen/definitie>

<sup>6</sup> McKinsey&Company, Scaling the impact of the social enterprise-sector, October 2016, and Opportunities for the Dutch Social enterprise-sector, 2011.

<sup>7</sup> ABN AMRO, De noodzaak van marktontwikkeling voor sociale ondernemingen, July 2017.

<sup>8</sup> McKinsey uses a definition of social enterprise that differs from that of the European Commission on four elements:

- the organization should aim to make more than 50% of their revenues from commercial activities;
- organizations owned by traditional commercial companies (such as ASN Bank and Greenchoice) and public organizations are excluded;
- there are no limits in terms of profit distribution; and
- the EU governance criteria are not applied, because while transparency, fairness and balanced roles are important, they are hard to measure objectively.



## Examples from Dutch local authorities

### Utrecht

Utrecht City Council initiated its Social Impact Factory 'breeding ground' in 2014 – a hotspot and platform where (social) entrepreneurs meet and collaborate on social issues. The OECD and the EU cite this platform as an example of a successful business support structure. In addition, Utrecht City Council is advising, informing and connecting the sector in various ways, such as through an online market for social purchasing and assistance with job-seeking.

### Amsterdam

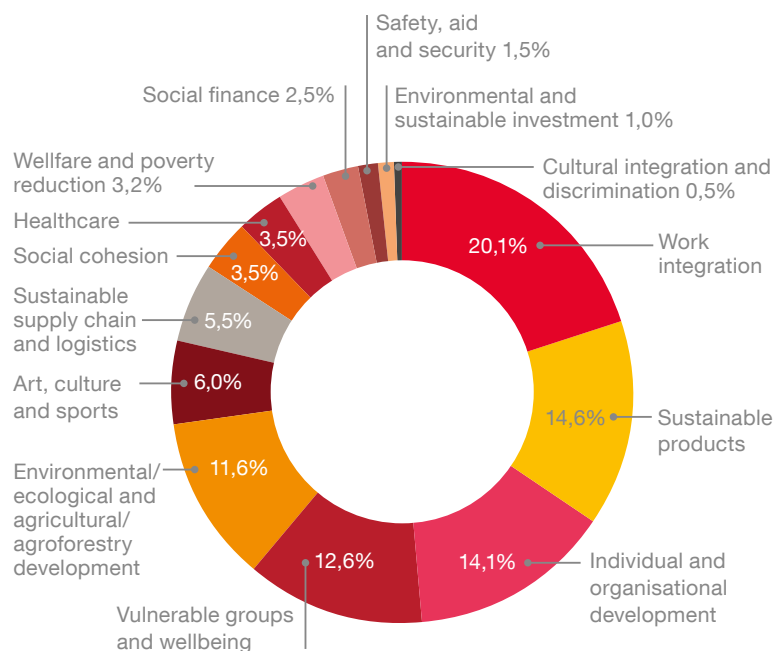
Since 2015, Amsterdam has been running the Amsterdam Impact action programme, which the city is using to foster the growth of social entrepreneurship. The social entrepreneurship ecosystem is being bolstered in conjunction with partners, collectively ensuring that more impact is made in terms of the challenges with which Amsterdam is faced. Buy Social matching meetings with corporates, organizations and social enterprises are leading to

concrete deals. A Buy Social awareness campaign aimed at the general public is planned. The Integrated Capital Network has been developed with financiers. Amsterdam is also involving social enterprises in solving social challenges, such as in the Amsterdam City Fellowship Health and the SDG Challenge. Amsterdam Impact is the municipal desk and hub for partners in the ecosystem.

### The Hague

By means of its Social Entrepreneurship action programme The Hague has been doing its utmost to boost the number of social enterprises in the city. The local authority sees in social entrepreneurship an opportunity to bolster labour participation in The Hague. The action programme is facilitating, encouraging and initiating a sizeable number of initiatives in order to spur on the nascent social entrepreneurship movement in the city. An example of this is the creation of a single municipal point of contact for social enterprises and the foundation of Social Hub The Hague, which is helping social enterprises to set up, scale up or establish themselves in the city.

**Figure 3** Impact areas, Nyenrode/PwC research.



Since the first study was performed in 2011, another 3,000 or so social enterprises have been set up and around 700 businesses ceased operations. Consequently, the group grew to 5,000 to 6,000 businesses by 2016, an increase of some 70% on the 2011 figure. This research suggests that social enterprises are outperforming other SMEs, an average of 38% of which ceased trading over a five-year period, compared to around 20% of the social enterprises. ABN AMRO's research puts the number of social enterprises as at 2017 slightly lower, estimated to be between 4,000 and 5,000.

The McKinsey research talks of 65,000 to 80,000 jobs in social enterprises in 2015. Hence McKinsey records an increase of in excess of 60% compared to 2010. According to ABN AMRO's research of 2017, social enterprises are providing between 50,000 and 70,000 jobs.

McKinsey estimates the overall contribution to the Netherlands' GDP to have been around 3.5 billion euros in 2015, which would equate to 0.3% of total GDP (see figure 1) and an increase of about 75% over the five-year period.

### Most social enterprises are in start-up or early growth phase

Both the McKinsey study (2016) and the ABN AMRO study (2017) show that most social enterprises are in a start-up (1-3 years) or early growth phase (2-5 years).

### Profitability of social enterprises

It is evident from McKinsey's research of 2016 that one in three social enterprises in the Netherlands is profitable. For commercial businesses this is one in two. Of the social enterprises that took part in Social Enterprise NL's Social Enterprise Monitor 2018<sup>9</sup>, 44% were profitable, 28% broke even and 28% made a loss in 2017.

### Most social enterprises are active in a variety of sectors

The studies of McKinsey and ABN AMRO as well as recent research from Nyenrode/PwC (see figure 3)<sup>10</sup> and Social Enterprise NL's Social Enterprise Monitor 2018 reveal that social enterprises in the Netherlands are active in a variety of sectors. In the research by Nyenrode/PwC, labour participation emerges as the most significant area or impact, followed by the production and sale of sustainable products.

<sup>9</sup> Social Enterprise NL, Social Enterprise Monitor 2018, September 2018.

<sup>10</sup> T.E. Lambooy, P.A. Anthoni, A. Argyrou, Aren't we all pursuing societal goals in our businesses? Defining 'societal purpose' in social enterprises, publication to follow later this year.

### Local authorities are becoming increasingly active

It is increasingly the case that local authorities are active in terms of collaboration with social enterprises, though it is apparent that there is still a lot to be achieved in this respect. Just 40% of local authorities have a policy of encouraging and facilitating social entrepreneurship.<sup>11</sup> We take the view that social enterprises constitute a logical partner for governments and local authorities in particular, because both parties are engaged in devising solutions to social problems. Following the local elections of March 2018, most local authorities now have a municipal executive agreement in place. A number of major cities (such as Amsterdam, Rotterdam and The Hague) have a programme of action geared towards social entrepreneurship. An increasing number of municipal executive agreements mention social entrepreneurship.<sup>12</sup> Nevertheless, the term ‘corporate social responsibility’ features in just two of a random sample of 25 municipal executive agreements from medium-sized local authorities, and the term ‘social entrepreneurship’ does not crop up at all.<sup>13</sup> This picture of growing attention from local authorities, with just a few local authorities as pioneers, corresponds to what is observed by three of the experts we interviewed. The government is starting to recognize the efficacy of social entrepreneurs, and is increasingly open to new forms of collaboration.<sup>14</sup>

### Attention from central government is gradually increasing

The extent to which central government is devoting attention to social entrepreneurship is also increasing. The Dutch House of Representatives recently organized three hearings on social enterprises and the role that the government can play to further foster the ecosystem. Although the hearings did not immediately give rise to a concrete call to action, one of the political parties (coalition partner ChristenUnie) took the initiative to submit an initiative memorandum at the start of September 2018: *Ondernemen met een maatschappelijke missie – (H)erkenning van Sociale Ondernemingen door de BVm*.<sup>15</sup> This shows clearly that the topic’s significance is becoming more prominent on the political agenda at national level.

An example of information disclosure by the government is the publication ‘Het Impactpad’.<sup>16</sup> The concrete aim of this publication is to make impact measurement more accessible to social entrepreneurs and to enable them to further improve the measurement process step by step.

Finally, the EU and the Organisation for Economic Co-operation and Development (OECD) are increasingly devoting attention to social enterprises. An OECD study of the Dutch social enterprise sector is currently under way and is expected to be published at the start of 2019. ■

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<sup>11</sup> PwC, Early opportunities: cooperation between social enterprises and municipalities in the Netherlands, March 2018.

<sup>12</sup> Social Enterprise NL, Sociaal ondernemen veel genoemd in coalitieakkoorden, 12 July 2018.

<sup>13</sup> Opinion FD Petra Hoogerwerf and Joost Clarenbeek, Lokale overheid mist stille revolutie rond sociaal ondernemen *Opinie*, 3 July 2018. Municipal executive agreements were studied for 25 Dutch municipalities with between 40,000 and 60,000 residents.

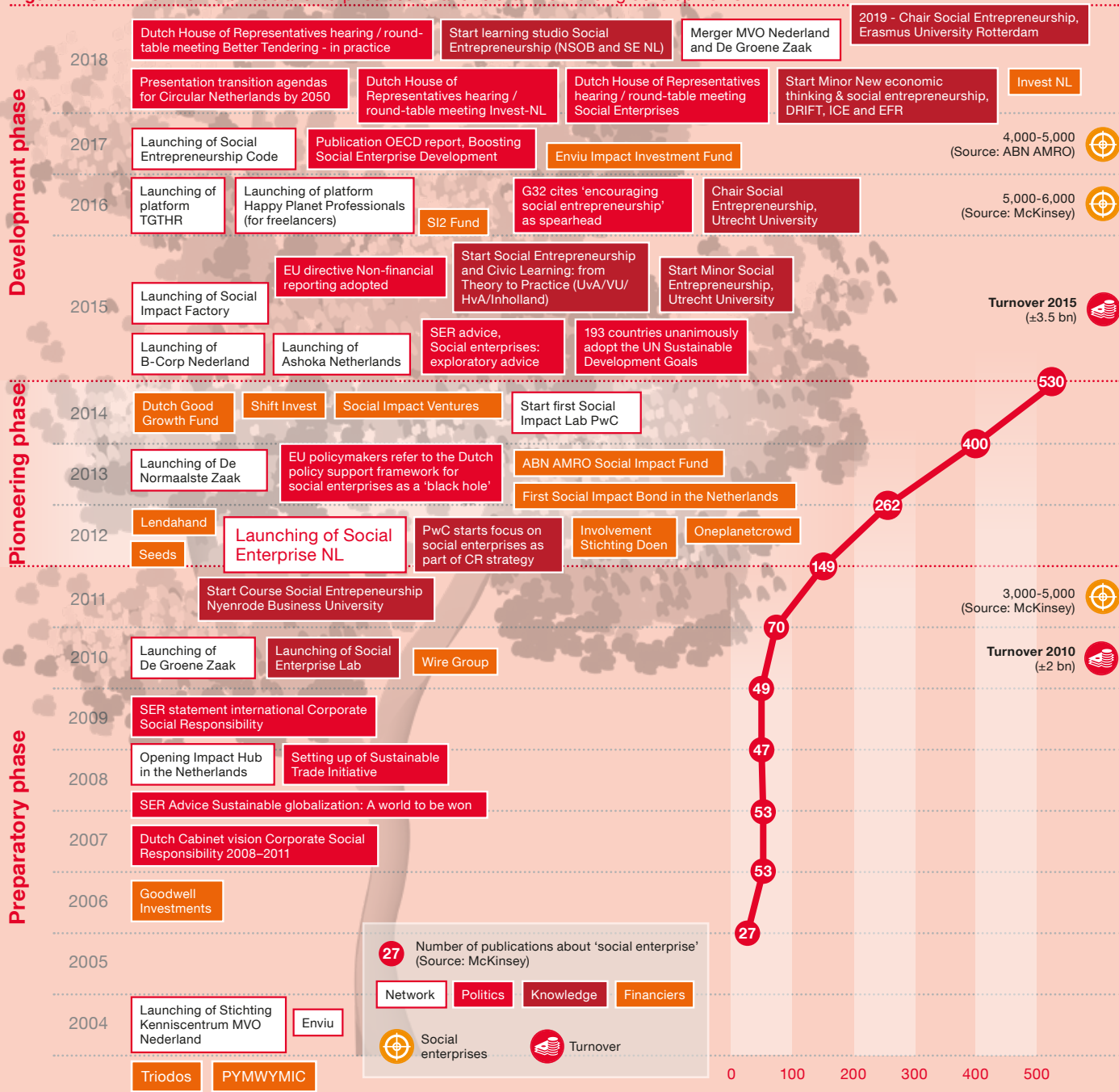
<sup>14</sup> Willemijn Verloop, Mark Hillen and Kaat Peeters, Zaken die je raken – Hoe sociaal ondernemers maatschappelijke verandering creëren, 2018.

<sup>15</sup> ChristenUnie, Ondernemen met een maatschappelijke missie – (H)erkenning van Sociale Ondernemingen door de BVm, 8 September 2018.

<sup>16</sup> impactpad.nl: developed on behalf of the Ministries of Social Affairs and Employment, Economic Affairs and Climate and Foreign Affairs.



**Figure 4 Growth of the Dutch social enterprise sector and relevant reinforcing developments**





## Visual depiction of the development of the social enterprise sector

**Based on our interviews and study of the literature, we discern three phases in the development of the social enterprise sector.<sup>17</sup> And on the basis of this distinction, figure 4 shows the most relevant developments in the Dutch social enterprise sector.**

**Preparatory phase (prior to 2012)** – Before 2012 there were already some businesses with a social mission, such as Triodos Bank, De Prael brewery, Dopper, Taxi Electric and Tony's Chocolonely. These are parties that feel responsible for ensuring healthy business operations, yet are also keen to do their bit towards solving a social problem. They carve out their image on this basis and become recognized as figureheads. There are also consultancy firms in the field of sustainability, support is available for start-ups from such entities as Impact Hub Amsterdam, and a few impact investors are already active too (e.g. PYMWYMIC). However, the term 'social enterprise' is still pretty much unknown in the Netherlands. There is not yet an organized movement under way with which other parties can join in.

**Pioneering phase (2012 – 2014)** – The Netherlands is still the proverbial 'black hole' at the start of this period, but right from its outset developments proceed rapidly. A new generation of entrepreneurs is entering the market, with the ambition of doing their bit towards solving social problems. Together with the existing 'icons' from the preparatory phase, they constitute the face of the movement towards increased sustainability and social impact. They inspire others and get them to join in. These are entrepreneurs who are building the sector from the bottom up, without the government facilitating their activities. The sector is increasingly regarded as a pioneer in the new economy and is active in various 'new' impact areas such as energy, circularity and sustainable food.

2012 also sees the inception of the nationwide platform Social Enterprise NL, which unifies and represents social enterprises,

shares knowledge, works on acknowledgement and recognition and lobbies for the sector. From that point onwards, a lot of social entrepreneurs start promoting themselves as such, in part because Social Enterprise NL is providing assistance and insight in this regard. A number of major corporations, such as PwC and funds like Stichting DOEN, take the initiative of supporting and/or financing this movement. Other parties soon join in, e.g. ABN AMRO and the Anton Jurgens Fund. Several local authorities, such as that of Utrecht, discover the social enterprise sector, look to collaborate with social enterprises and encourage social entrepreneurship. By doing so, they kindle enthusiasm in other local authorities. Action programmes are developed, but a stringent municipal policy is still lacking.

**Development phase (2015 – present)** – This period is characterized by growth of the ecosystem surrounding social enterprises. More social enterprises and more platforms and networks are being created. The worldwide organization Ashoka gets a Dutch office. In Utrecht the Social Impact Factory 'breeding ground' is initiated, which is cited by the OECD and the EU as an example of a successful business support structure in a 2017 report containing best practices.<sup>18</sup> The involvement of and support from the regular business community continues to increase. Companies such as CMS, Accenture and DLA Piper are now also offering knowledge and expertise. There are marked improvements in financing options. Institutes of education and research are showing more and more interest in the sector. Local authorities are formalizing their approach and are collaborating more frequently on harmonizing their policies and exchanging knowledge and experiences. They are also implementing concrete measures, such as opening separate social enterprise facilitation desks.

From the perspective of central government, which to date has had pretty much no dealings with social enterprises, the advice issued by the Social and Economic Council of the Netherlands (SER)<sup>19</sup>, one of the most important advisory councils in the country, marks a milestone. This puts social enterprises in the spotlight at national level too, and an action plan is drawn up. Hence the 2017 coalition agreement includes attention (albeit limited) to social enterprises.

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<sup>17</sup> The division into phases suggests the existence of clearly defined periods of time. In reality, the sector has been continuously developing itself. The phases serve to enhance understanding.

<sup>18</sup> OESO/EU, Boosting Social Enterprise Development: Good Practice Compendium, 2017.

<sup>19</sup> SER, Sociale ondernemingen: een verkennend advies, issued to the Minister for Social Affairs and Employment, Advice 15/03, May 2015.



*In 1994 Willemijn Verloop set up War Child Nederland, a foundation providing help to children in war zones, which she headed up for 15 years. 2012 saw her join forces with Mark Hillen to set up Social Enterprise NL, the platform connecting social enterprises, representing their interests and contributing to knowledge development across the sector. Furthermore, since 2014 she has been co-founder and partner of impact investment fund Social Impact Ventures.*

## ***‘The rise of the Dutch social enterprise sector is a bottom-up movement’***

*Her work for War Child brought Willemijn Verloop into contact with inspiring social entrepreneurs all over the world. The Netherlands was not yet familiar with the term ‘social entrepreneur’ back then. Six years ago she set up Social Enterprise NL together with Mark Hillen (former Managing Partner at Accenture). Largely due to the efforts of this platform, social entrepreneurs are now a firm fixture in the Netherlands. ‘We’ve now reached the point at which other countries are looking to us.’*

‘There was pretty much nothing when we started out’, explains Verloop. ‘There were some businesses that could in hindsight be regarded as a social enterprise – such as Triodos and Tony’s Chocolonely – but both the form of doing business and the term itself were unknown. Neither was there a connection between social entrepreneurs in the Netherlands, let alone a thriving network, sector or movement.’

### ***Amassing building blocks***

In 2011 Willemijn Verloop joined forces with McKinsey and immersed herself in the task of building an ecosystem around social enterprises, the infrastructure required to make an impact-driven business or sector viable and to get it to flourish. ‘We discovered that recognition and acknowledgement are crucial preconditions for building the sector and that we had to create connections between businesses, amass knowledge and spur on research, attract impact-driven capital and create connections with authorities, corporates and NGOs. There was a vast array of building blocks you could use to build a sector. And that’s how Mark Hillen and I did it in the end: we knocked on all the doors, as it were, to amass all those building blocks. PwC was one of our first corporate partners.’

### ***Positive message***

Social enterprises often crop up where the government steps back, yet Verloop prefers to think of the rise of the sector as the product of a government that may well be supporting everything with generous subsidies but is not managing to provide structural solutions to a number of tough social issues. Verloop: 'I primarily view social enterprises in the context of innovation. These are companies looking for new solutions to existing social problems. Which shows positivity, energy and autonomy. Social enterprises are pioneers demonstrating how things could be done differently. And that message can be used to mobilize other parties.'

### ***Government quiet***

All parties that Hillen and Verloop wanted to associate with the sector have now become associated with it. Only central government is still keeping quiet. Too quiet, in Verloop's view. She doesn't particularly need a raft of regulations for social enterprises. 'But the government could contribute to the recognition and acknowledgement of social enterprises, such as by creating frameworks within which other authorities and semi-authorities could have business dealings with social enterprises', she says. 'It's currently the case that social enterprises are being lumped together in tendering processes with regular commercial businesses, and that's extremely frustrating.'

### ***Surfing the wave of a current trend***

'The social enterprise sector has been built from the bottom up', says Willemijn Verloop. She is happy with all the praise that has been showered upon her (now much bigger) organization as well as with the fact that her organization has made an impact, but she says that the timing of the founding of Social Enterprise NL was fortuitous. 'To a huge extent we were surfing the wave of a current trend. The height of the financial crisis was just behind us, and people were looking for alternative solutions. There was an appetite for doing things differently, and we – and thus social enterprises too – were able to capitalize on this.'

### ***From rearguard to vanguard***

The sector has made great strides and is now in a vanguard position, says Verloop. 'It may well be the law of the handicap of a head start here, but I'm now noticing that other countries are beginning to look to us. I hope that the professionalization and growth of Dutch social enterprises will continue and that in a couple of years we will be even better able to share our success factors and best practices with foreign countries.'



### 3. The ecosystem's thoughts on the current state of play

*The previous chapter shows how the social enterprise sector has developed in the Netherlands to date. In order to get a picture of the current situation in the country, we asked the stakeholders we interviewed how they would regard and characterize the state of play in 2018.*

#### **A 'strapping adolescent'**

Most of those interviewed state that they are optimistic about the state of play in the social enterprise sector in the Netherlands. We asked the stakeholders to rate the maturity of the social enterprise sector as it was five years ago and as it is in 2018. The ratings attest to substantial growth. At the same time, virtually everyone says that there is still a lot to do and that the regional differences are significant – most social enterprises are relatively small and have trouble scaling up. 'A strapping adolescent', is how Social Enterprise NL's Willemijn Verloop describes the sector at

present. 'The sector is no longer in its infancy. People are familiar with the term social enterprise and everyone understands what the opportunities are now.' Several stakeholders offer a similar classification. Largely due to a few successful examples, social enterprises are making clear what problem they are solving and what their added value is. Nynke Struik of the Rabobank Foundation: 'Evidently there first needed to be a number of future-proof companies before the outside world latched onto the fact that a social enterprise is a normal business. This is fairly in line with the regular market. Here too it holds that movements



#### **African Clean Energy (ACE)**

Each year some four million people in developing countries succumb to diseases that arise due to breathing in smoke from cooking equipment. ACE provides households in developing countries with a hybrid energy system that supplies heat to enable safe, smoke-free cooking and which supplies electricity as well. The technically advanced product – the ACE 1 – is accessible to this group of customers because they can afford to pay it off within nine months, due to such factors as the amount they save on their energy costs. This scheme enables ACE to provide equipment worth over 100 dollars to households that live on approximately two dollars a day. Integration of the Android system will soon allow households to purchase the ACE 1 in combination with an extremely affordable smartphone, thereby enhancing their access to education, healthcare and finance.

can't get properly under way until there have been a few successes. That's currently the case in the Netherlands.'

### ***Powerful proposition in tune with the spirit of the times***

The most significant development that the social enterprise sector has experienced in the Netherlands in recent years is that it has become visible. The European Commission has formulated a definition, the sector has been 'discovered' by the regular business community and local authorities and interest on the part of the government has also been kindled. Doing business with the aim of making a positive impact on society has become more important in general. The academic community is actively engaged in research and running courses in this sphere too.

If we ask what else characterizes the Dutch social enterprise sector in 2018, then the first terms offered are 'intrinsic motivation on the part of the entrepreneurs', 'drive' and 'passion'. Social entrepreneurs have started their businesses from the perspective of an intrinsic, authentic motivation to solve a social problem. They are innovative and enterprising and keen to contribute to making the world a better place in a creative way.

Director Krispijn Bertoen from Social Impact Factory: 'The field is homing in on a social need. In a number of areas it is proving extremely difficult for the government to come up with solutions independently, so more and more they're having to look to collaborate with market parties for the solutions. Social enterprises can offer these solutions and have a very powerful proposition in tune with the spirit of the times.'

It is often the case that those interviewed think that the sector needs further professionalization – something that ties in with the matter of the sector's maturity. Hubertine Roessingh from B Lab Europe, the organization behind B Corps<sup>20</sup>: 'There's a wide gap between those powers of innovation and good ideas and knowing how to find a market for them. Which is why a great many companies languish in the start-up phase.' According to Gert-Willem van Mourik, Programme Manager Social Entrepreneurship at The Hague City Council, ideas have not always been thought through properly. 'The business case often lacks substantiation. Obviously social engagement is indispensable, but it's imperative that the business is founded on entrepreneurial spirit.'

According to Ashoka's Erlijn Sie, continued growth and enhancement of impact will require entrepreneurs to 'think big and think beyond the business, looking past the boundaries of existing organizational structures and more towards networks and communities, in which we need to make social innovation key rather than the aforementioned boundaries.'

### ***Struggling with recognizability and scaling-up financing***

The social enterprise sector has grown considerably, but many stakeholders are of the opinion that the sector's recognizability has not kept pace with its size. A separate legal form is lacking. Bert Otten, former Municipal Executive of Hengelo: 'Now that social entrepreneurship is so current, the lack of clarity is resulting in fuss, irritation and fragmentation, because it's never unequivocally clear what we're talking about. This can give rise to a degree of cynicism in various parties.'

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<sup>20</sup> Throughout the world 2,600 companies are B Corp-certified, this being the certification for entrepreneurs who put humanity, society and the environment centre stage as well as profit and shareholders.





### Roetz-Bikes

Roetz-Bikes makes bicycles responsibly. Roetz bicycles are produced locally, based on recycling, and by people with a disadvantage on the labour market. In excess of one million bicycles are discarded in the Netherlands each year. This huge mountain of waste presents opportunities in terms of recovering raw materials by using parts in circular fashion. Roetz is striving towards being the first company with a fully circular solution for bikes. Within the compass of a partnership with NS OV-fiets, some 3,000 amortized bicycles in the OV-fiets bike-sharing scheme were returned to NS in an 'as new' condition by Roetz, making it a solution that is more than 70% circular.

In order to enhance the acknowledgement and recognition of social enterprises for customers, financiers and other business partners, Social Enterprise NL developed the Social Entrepreneurship Code. This sets out the guiding principles of social entrepreneurship. 'A collective Code will help social enterprises to position themselves more firmly in society and for other parties, such as governments and financiers, could serve as a basis for bolstering policy', says Mark Hillen, co-founder of Social Enterprise NL. The initiative memorandum *Ondernemen met een maatschappelijke missie*, which was submitted to the parliament by political party and coalition partner ChristenUnie, proposes enshrining this Code in law.

Stef van Dongen from Enviu notes that if you consider the sector through the lens of financing, the investments being made are still small. 'If we manage to bring in 10 million euros, that's a big deal for us, but a drop in the ocean compared to the investments being made in the traditional sectors. At present we're seeing that there are plenty of

pioneers and pilots. The sector will only proceed to the next phase once the larger cities and the larger corporates get moving and play an active role in creating the right market conditions for the markets in which social enterprises are active, as these are often not working well yet.'

Rogier Pieterse from impact investor PYMWYMIC thinks that the market still has to get used to the relatively new phenomenon of social enterprises. 'The sector is struggling with the balancing act between social and financial returns. Persuading people that the financial returns can be just as high despite so much emphasis being placed on social impact is still challenging.' Social entrepreneur Robin Konijn from Salt Farm Texel: 'There is perceived incongruence between the social and enterprise elements. Which leads to investors thinking it's a mismatch, because they're usually just after straightforward financial returns.' ■



## ***‘We want social to become the new normal’***

*If you want to change something, you need to share your knowledge. That is one of the reasons why Joske Paumen from The Colour Kitchen is easily persuaded to attend presentations, conferences and other types of meeting and gathering. ‘As a social enterprise we need to render ourselves superfluous as swiftly as possible.’*

The Colour Kitchen was one of the first social enterprises in the Netherlands and one of the first members (‘pioneers’) of Social Enterprise NL, the platform set up by Willemijn Verloop and Mark Hillen. Even though they scarcely had any time for it during those arduous first few years, sighs Paumen. ‘When you’re starting out in business, you’re busy

dealing with things at the micro level and you don’t have any time for the issues at the macro level. During The Colour Kitchen’s first five years we were only working on our proposition and our revenue model. Only once this business model was a proven concept did we start shouting and sharing.’

### ***Creating critical mass***

Joske Paumen: ‘We think it’s imperative that people struggling to get a job should be able to find their niche – not just from us but anywhere in the regular job market. In that sense we’re looking to effect a cultural change. Which is why we believe it’s important to make knowledge available. You won’t change anything without sharing your experiences.’ In other words, she is not afraid of competition.



‘If we want to change something, then we can’t go against the established order’, says Paumen. ‘We’ll never create critical mass by ourselves. There are 700,000 unemployed people in the Netherlands. They can’t all come to The Colour Kitchen. We want social to become the new normal.’

### ***The sky is the limit***

Joske Paumen confirms that the social enterprise sector has undergone substantial development in recent years. ‘If I were to be starting up now, then the sky would be the limit. There are so many sources of support available. You can now professionalize your operations faster than you could a decade ago.’ Nevertheless, she points out that there are still some major hurdles. ‘Access to capital has improved, but remains a problem. It was only in 2016 – i.e. when we had been up and running for eight years already – that we were able to open a current account with a bank. And there are impact investors, of course, but if you want to look to them for help then you’ll need to get an interim student. Due diligence takes up so much time that it’s almost impossible. A process like that completely takes you away from the day-to-day running of the business.’

### ***Appealing to third parties***

‘And the current issue: how do you lure in people who will be in a position to help the business progress? People who are socially involved, and are also just a good administrator or a good controller. Believe me, my salary is nothing like what it would be if I were working for a bank or PwC. As social enterprises, I think we also need to be presenting a united front: how do we ensure that we’re appealing and interesting to third parties?’

### ***Maintaining position in the vanguard***

The major driver behind the growth of the social enterprise sector is the advent of the purpose economy, observes Paumen. ‘People are looking for meaning in their lives, and therefore in their work too. As Nelson Mandela once said: “What counts in life is not the mere fact that we have lived. It is what difference we have made to the lives of others that will determine the significance of the life we lead”. We’ve developed ourselves properly; we’re employing 180 people and we’re an example to others and we have a strong desire to innovate. We’re striving to maintain our position as a frontrunner.’

*Joske Paumen is one of the founders of The Colour Kitchen, a social enterprise in the hotel and catering sector which trains up people in the trade, thereby closing the gap between them and the job market. On 1 August 2018 she ceased to be a director of the company, though she will continue to be associated with it in the capacity of shareholder and through the eponymous foundation.*



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## 4. Lessons learned from the Netherlands for the purposes of building an ecosystem for social entrepreneurship

*Social enterprises operate within a context rather than a vacuum. Their success is markedly dependent on factors and parties from their environment which collectively form the ecosystem. Within the compass of the present study, we engaged in discussion with these parties in the Dutch ecosystem on what factors they deem to have contributed to the development of the social enterprise sector. Compared to the situation in other countries, the social enterprise sector in the Netherlands is a relatively late bloomer. Nonetheless, the pace at which this growth has occurred is high. What specifically did the Netherlands do? What was our approach? Who played a crucial role in this? And what are the most significant lessons and insights? This qualitative research yields seven lessons learned which have been decisive for the development of the social enterprise sector in the Netherlands.*

We are aware of the fact that the Netherlands is a prosperous country, characterized by a comprehensive welfare state, good infrastructure, a well-educated working population and the ability to rely on a tradition of entrepreneurship, debate, social initiative and innovation. This context is influencing (or has influenced) the genesis, development and characteristics of the social enterprise sector in the Netherlands. Hence we are not professing to offer a blueprint for other countries, but instead hoping that our lessons and insights will be useful to and inspiring for other countries keen to build or further develop a social enterprise sector within their own social, cultural and economic context.

### 1. Start rather than waiting for someone else to make the first move

#### Not hindered by a government agenda

One of the most salient features of the social enterprise sector in the Netherlands is that it has been built from the bottom up. Pioneers within all stakeholder groups (such as entrepreneurs, local authorities, the business community) have set to work on it individually and independently from the perspective of their own expertise. Almost all stakeholders we interviewed cited this as a success factor.

The movement in the Netherlands is being driven by entrepreneurial spirit. For example, Social Enterprise NL has amassed several leading social enterprises, generated attention in government and in the press, thereby creating momentum of its own accord to ensure that social entrepreneurship in the Netherlands is put on the map. Neither has the nationwide platform applied for any subsidies, instead attracting partners from the regular business community off its own bat to secure financial and other support. This meant that Social Enterprise NL and the social enterprises were free to decide and do business their way, with a high degree of autonomy and without being hindered by a (government) agenda. Willemijn Verloop from platform Social Enterprise NL: 'At first we looked at Great Britain, where the government became extremely active in promoting social enterprises due to all the privatizations it pushed through. There the sector was created top-down. We deliberately opted for the bottom-up approach'.

### Filling a gap

Social entrepreneurs anticipate on social problems that they flag up in their direct or indirect environment, and set up a business to do their bit towards solving this problem. In the Netherlands, this has resulted in a wide array of social enterprises focusing on a variety of current social issues. Consequently, social enterprises are represented in all sectors (see also figure 3). In other countries the social enterprise sector is a lot more homogeneous and more the product of the top-down policy of the government, meaning that social enterprises are particularly focused on healthcare and education.

In addition, social enterprises in the Netherlands proactively filled a gap left when the government –

partly with a view to making cutbacks – withdrew from certain spheres or devolved tasks to lower-level authorities (e.g. in terms of reintegrating people with a disadvantage on the labour market). This is widely corroborated. Krispijn Bertoen from Social Impact Factory: 'By leaving more to citizens themselves, the government has sent out a clear signal that there is a gap in the (public) market. In response, individuals have risen to these social challenges and are tackling them in an enterprising way.'

### Momentum crucial

One thing that is stated by everyone in this respect is that the momentum has been crucial here. Since the financial crisis of 2008, society has become more critical of the established business world's way of working. It is not only financial returns that are important, but also social returns, and this is precisely what social enterprises are targeting. Which is why their story resonates with a wide audience. Ellen Oetelmans, Programme Manager Amsterdam Impact within Amsterdam City Council, says that the financial crisis has affected the way people think and act. 'Social enterprises are the living proof of how things can be done differently', she says. Hubertine Roessingh from B Lab Europe, the organization behind B Corp, cites the diminished trust in existing private and public 'institutions' as a driver of the development of the social enterprise sector in the Netherlands. Moreover, more than was previously the case, it is normal for people to earn money by doing good things. In that context, entrepreneurship is less 'shady'. Professor Rob van Tulder has the following to say on this: 'It's now accepted that people wanting to do something good will work with a business model. Just as it has become the norm for the regular business community to be more socially aware than it previously was.'

The fact that social enterprises in the Netherlands are not usually started on the back of government control or subsidies means they have an enterprising character right from their inception. Their point of departure is their business model, which they use to ensure they can stand on their own two feet. The potential flip side of this is that it often takes these businesses longer to grow, and a sizeable proportion of them remain small-scale.

## 2. Cooperate and build an integrated ecosystem

### More co-solvers than competitors

If one thing stands out after the interviews with social enterprises and the people in and around the sector, it is that they are all willing to cooperate and share knowledge. Social enterprises are aware that they will not be able to solve the problem they are endeavouring on their own, and that they therefore will not be able to keep things to themselves. Other social enterprises are more co-solvers than competitors. Former Director of Social Impact Factory Kim Kiszelnik: 'Despite the amount of time and energy it takes to set something up, the entrepreneurs are always willing to tell others about their experiences and inspire them with these. There is a desire to expand the circle. More parties should appreciate how much time the entrepreneurs are dedicating to the task.'

This collective motivation is enabling Social Enterprise NL and the sector leaders to actively and successfully build an ecosystem, with an increasing number of parties (networks and platforms, local authorities, the regular business community,

institutes of education and research, financiers and consumers) - gradually and in phases - joining in and getting involved. Also parties that cooperated less readily in earlier phases are now cooperating.

### Usual suspects

Incidentally, there are stakeholders warning of a social enterprise bubble. In their view, it is the social enterprises and the usual suspects around them that are connecting, but we are a long way off having a wide-ranging stakeholders' involvement.

## 3. Ensure fertile soil

### New and innovative financing options

The Netherlands is a prosperous country and in general has good infrastructure and is teeming with potential customers. Furthermore, setting up a business there is not particularly difficult. In that respect, entrepreneurs will find fertile soil here. The same goes for social entrepreneurs, though that does not mean that the path has been obstacle-free here. Financing was initially a very real problem, particularly for the sector's pioneers, who started out when the term 'social enterprise' was not yet commonplace. The story of social entrepreneur Joske Paumen is illustrative in that regard. 'Her' business, The Colour Kitchen, has been around for eight years, she employs 180 staff, but she has only had a current account for the business for the past couple of years.

Our research showed clear growth in terms of the financing options in the Netherlands over the past years. In addition to financiers like Stichting DOEN and the Start Foundation, in recent years the major banks have also set up impact funds and

impact investors have entered the market. Parties like Triodos Bank and PYMWYMIC, which were already active before the term ‘impact investor’ was coined, constitute a natural partner for the sector. Moreover, innovative solutions have been devised, such as crowdfunding and Social Impact Bonds. The main thing to emerge from the interviews is that far more options now exist for start-ups. A best practice from France cited by Yvette Go from the European Investment Fund is the development of a ‘stamp’ for social impact bonds, which provides these bonds with recognition and acknowledgement. The idea is that this will make it easier for social enterprises to secure finance.

#### Coaching and guidance

Due to the spirit of the times, their passion, drive and good story, social enterprises have been able to draw a lot of attention. Thanks to the efforts of parties like Social Enterprise NL, Ashoka and Impact Hub Amsterdam, they have also been given plenty of support, which they have been able to build on. Major corporates such as PwC and CMS have provided them with coaching, guidance and above all knowledge. In addition, all kinds of initiative have been set in motion at municipal level to help the sector progress.<sup>21</sup>

Some people are even warning that the sector might be starting to become spoilt. Marlon van Dijk from consultancy firm Sinzer: ‘Social enterprises are being given free support from all kinds of angles, from corporate programmes, networks and through their investors. How willing are they to pay for the support they’re receiving? Or what’s the return on

this investment of time? Properly thinking like an entrepreneur is what’s sometimes still missing in the sector.’

Willemijn Verloop also sees the risk of an overly fertile soil and says that some businesses are kept alive for too long. The owners are so driven and work so hard that someone is always coming to their aid. Willemijn: ‘*Tough love* is really important too. We need to stop going to any lengths to keep the not-quite-so-viable fledgling businesses alive. We need to take a really critical look to see where the successful business models are.’

## 4. Reduce obstacles for social enterprises

#### Government can accelerate developments

As stated, the social enterprise movement in the Netherlands was built from the bottom up rather than being steered by government policy or agendas – a fact that presents a number of advantages. Yet most of the stakeholders we spoke to say that they are expecting some kind of action on the part of central government too. By which they do not mean a rigorous regulatory framework but efforts geared towards reducing the obstacles that social enterprises are encountering at present.

Regulations on such matters as social security are complex, production requirements are strict and the requirements set in tendering processes are often too

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<sup>21</sup> PwC, Early opportunities: cooperation between social enterprises and municipalities in the Netherlands, March 2018.

high for start-ups to satisfy. Moreover, it is frequently the case that price is the decisive factor in considering the tenders submitted rather than the extent of impact. Social entrepreneurs active in the sphere of labour participation and working across municipal boundaries are sometimes faced with a variety of local regulations. Furthermore, social enterprises have a hard time getting parties like the Employee Insurance Agency (UWV) to meet with them. In short, the government is being asked to make things less complex for social enterprises. Willemijn Verloop from platform Social Enterprise NL: ‘The government is not an initiator, but can be a major accelerator.’

#### Winning in terms of impact

There is also a downside to the enterprising nature of the Dutch social enterprise sector: the acknowledgement and recognition are less clearly defined. Previous research from Nyenrode and PwC showed that a lack of acknowledgement and recognition constitutes the biggest impediment to social enterprises.<sup>22</sup> According to the parties interviewed, there is a great deal of frustration in this regard (and hence a significant obstacle as well) – they are being lumped in with the regular business community and consequently lose tendering processes because their higher prices (often necessary for making the impact they strive for) draw more attention than the impact they want to make. There could be a task for the government here too. Although most stakeholders are therefore

expecting more from central government, they speak highly of the role of those local authorities that are active, such as the city councils of Utrecht, Amsterdam and The Hague, which have set up networks and partnerships, thereby giving the sector a significant boost.

At the same time they also observe that local authorities have missed opportunities by not (enough) procuring goods and services from social entrepreneurs. Furthermore, social enterprises are having to deal with too many different contacts and departments within local authorities.<sup>23</sup>

## 5. Invest in knowledge development

#### Lecturers and research

The stakeholders are of the opinion that knowledge development is crucial for the creation and further development of the social enterprise sector. At present the Netherlands is profiting from the knowledge already acquired in recent years. The parties interviewed indicate that the sector is currently at a tipping point – if it is to genuinely scale up, then even more knowledge will be required on such matters as the structure and ways of functioning of ecosystems, successful revenue models, HR policy and sales and marketing.

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<sup>22</sup> A. Argyrou, P.A. Anthoni, T.E. Lambooy, Legal forms for social enterprises in the Dutch legal framework: an empirical analysis of social entrepreneurs’ attitudes on the needs of social enterprises in the Netherlands, *International and Comparative Corporate Law Journal* Volume 12 Issue 3 2017.

<sup>23</sup> PwC, Early opportunities: cooperation between social enterprises and municipalities in the Netherlands, March 2018.

As mentioned in chapter 2 (figure 4), the number of publications on social entrepreneurship has increased considerably in recent years. Universities such as Utrecht and Rotterdam and Amsterdam University of Applied Sciences are lecturing on and carrying out research into social entrepreneurship. A number of social entrepreneurs we spoke to studied at one of these institutions. In addition, Nyenrode University is offering a Social Entrepreneurship course. Utrecht University has its first professor in this subject area in the figure of Harry Hummels. The second chair will be at Erasmus University Rotterdam, with the candidate selected for this position to be announced at the start of 2019. Niels Bosma, Associate Professor at Utrecht University: 'It's not just about students all becoming social entrepreneurs. We're also teaching people who will go on to work in the ecosystem that is focused on social value creation and in which social enterprises are playing a (significant) role. This will pay dividends in due course'.

### Significant interest

There is considerable interest on the part of students in the lectures on social entrepreneurship. Those interviewed often speak about the young people looking for a sense of purpose too. Pretty much everyone says that access to talent has been extremely important for the growth of the social enterprise sector.

It is not particularly easy to get a social enterprise to prosper, say many of the stakeholders. You need a lot of things: business acumen, powers of innovation and perseverance. Such talented individuals are not in short supply in the Netherlands – we have a well-educated working population and our (higher) education is of a good standard.

### 'Alternative' knowledge development

Niels Bosma, Utrecht University, is also arguing for knowledge development in primary education, in the sense that young children are capable of learning to solve problems differently, relinquishing 'parochialism' and proceeding along creative, unorthodox lines. Renate Westdijk, who is involved in Friesland Provincial Executive's social return programme, concurs: 'Everyone can contribute to society and that can encourage education, particularly by moving away from parochialism and embracing diversity'.

## 6. Use technology to tackle social problems

### Seizing upon technological developments

The Netherlands is in the global vanguard when it comes to innovation and technological developments.<sup>24</sup> Plenty of social enterprises are making smart use of technological developments to solve social problems. This is evident in a variety of sectors and areas of impact, from agriculture to healthcare, and from climate change to human rights. Using new technology makes social enterprises' reach and impact considerable, despite their sometimes small scale, and it makes scaling up their solutions relatively straightforward. Willemijn Verloop from Social Enterprise NL: 'I primarily view social enterprises in the context of innovation. These are companies looking for new solutions to existing social problems. Which shows positivity, energy and autonomy'.

24 World Economic Forum, 'The Global Competitiveness Report 2017–2018', 26 September 2017; The Global Innovation Index 2018: Energizing the World with Innovation, Cornell University, INSEAD and WIPO, 2018.



### New solutions to existing problems

There are various examples of social enterprises in the Netherlands that are carefully following technological developments and seizing upon them. Consider in this regard 100WEEKS, which is using mobile technology to effect payment transactions and retrieve data from women in rural areas in developing countries, or Pacmed, an organization using big data to assist general practitioners' decision-making. Social enterprise Active Cues is using technology to facilitate social connection and interaction for people with dementia or a mental disability.

## 7. Dare to do things differently and propagate it

### Dare to do things differently

Social entrepreneurs in the Netherlands are regarded as 'system changers' or 'chain changers'. Whereas it used to be the case that social enterprises in other countries were often 'regular' companies, or the outcome of an entity in the public sector transforming, a sizeable proportion of the social enterprises in the Netherlands start out with a new business model, enabling them to solve a social problem in an innovative way. Social enterprises are creating a 'new economy' as a result. Consider in this regard such things as redesigning a coffee or chocolate chain, or developing a new product that radically changes healthcare services. It is often the case that these innovations are up against the established order, meaning the social entrepreneurs have to overcome resistance if they are to bring their innovations to market successfully.

### A good story

A lot of social entrepreneurs are passionate about their business and mission, and so have a good story to tell about it. That story is appealing to a wide audience and does well in social media, newspapers and on talk shows. Strong, inspiring leaders are needed, not just by the social entrepreneurs themselves but also by other parties active in this sector. Rogier Pieterse from PYMWYMIC cites inspirational leadership as being crucial for success. Former MVO Nederland Director Willem Lageweg puts it aptly too: 'It's about strong personalities with considerable social passion, which they give form to in an entrepreneurial way'. Incidentally, he believes that a strong personality can also be a pitfall sometimes and actually impede this progress and growth.

### Social media

In general, social enterprises do not have big marketing budgets, so they are dependent on other creative methods of getting their supporters enthusiastic and selling their products or services. That other method of boosting brand awareness and generating support is through social media. Social media platforms like Facebook, Twitter and Instagram spread success stories (and failures) at lightning speed, enable companies to influence consumer behaviour, and can make or break them. Jos Verhoeven from Start Foundation: 'The media have been extremely important in what has happened over the past five years and that will continue to be the case over the next five years. They play a role in enthusing the new generation'. ■

A man with glasses and a mustache, wearing a light blue patterned button-down shirt, dark blue trousers, and a black belt, stands against a plain white wall. He is looking off to the side with a thoughtful expression, his arms crossed in front of him. He is wearing a watch on his left wrist and dark shoes.

***‘Cooperation  
will be the most  
important focal  
point over the  
next few years’***

*If social enterprises want to enhance their impact, then cooperation with other parties will be crucial. If they fail to cooperate, then they will be running the risk of their impact remaining limited and perhaps even becoming negative. This is the admonition of Professor Rob van Tulder, who has been studying sustainable business practices for many years now. Van Tulder’s view is that building so-called ecosystems and entering into partnerships will be two of the most important focal points for the sector over the next few years.*

Social enterprises often take up tasks left or relinquished by governments. Take the social enterprises that organize their business model around helping get unemployed people into work. Van Tulder: ‘These enterprises have a very significant, positive effect on the people they actually help find work. But the number of people they’re not reaching is still far bigger, as these enterprises are often working on a small scale. Yet there’s a risk that their efforts will take the pressure off the government from resuming or supporting the job of getting the unemployed back to work; after all, the social enterprises are doing a good job. The political pressure to work on structural solutions may be reduced. The long-term risk is that a lot of people will continue to be kicked to the kerb.’

### ***Tipping point not being reached***

The effect of (the success of) social enterprises can be an adverse one, suggests Van Tulder. And obviously nobody wants that. He gives a few examples of these effects regarded in the literature as instances of crowding out or rebound effects. ‘For example, there’s a growing number of social enterprises focused on making international supply chains more sustainable. That’s extremely important and relevant, as those chains are a long way from being socially and ecologically sustainable. Yet in many a chain the chosen method – such as using certification to persuade consumers to pay for the ‘fair’ product – is having only limited impact. The tipping point of genuine change isn’t being reached because it’s often the case that these initiatives cover less than five percent market share.’

### ***An excuse to do nothing***

‘The cause is psychological and commercial: businesses state that they’re following the consumer’s wish to have part of their consumption sustainable, but are also giving the consumer an excuse to do nothing for the remainder, and are therefore neglecting 95% of the problem. Regular businesses should be filling this gap, but in fact they’re stating that enough is being done already.’

### ***Coming to the table with the right people at the right time***

Which is why he is stressing the need for a concerted effort between social enterprises, the ‘regular’ business community, governments and platforms. A more significant role in bringing parties together could also be played by (higher) education, the trade associations and the corporates (such as PwC), who are supporting the social enterprise sector by virtue of their CR policy. Rob van Tulder: ‘The positive impact that social enterprises could make is largely dependent on coming to the table with the right people at the right time. Doing things alone will not bring about a revolution.’

*Rob van Tulder is Professor of International Business-Society Management at Erasmus University’s Rotterdam School of Management. He is also founder of the Partnerships Resource Centre, an organization that brings the business world, government, civil society organizations and academics together. Van Tulder is also a supervisory director of trade association Social Enterprise NL.*



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## 5. A look to the future

*Looking ahead, the Netherlands is on the tipping point of a next phase and several new developments, with initial lessons having been learned. We have also seen challenges that have not yet fully crystallized. We are keen to share these, because they may well manifest themselves elsewhere too.*

**Focus more on scale-ups** – We are seeing that the number of social enterprises in the Netherlands has grown, but that a lot of them are (still) small. Scaling up is proving to be a difficult process. The number of businesses managing to make widespread impact and influence (supply) chains continues to be limited. In order to progress towards a new economy and (partly) instigate chain transformations, the ecosystem will need to (partly) shift attention to supporting and financing scale-ups. At the same time, a critical look at the viability of existing business models will be required.

**Look at purchasing criteria of the government and the business community** – As stated, the sector has received a great deal of support, but the market share and turnover of many social entrepreneurs are lagging as a result. A lot of the stakeholders we interviewed see a significant role for governments and businesses in terms of buying more from social enterprises. This can be achieved by joining in with purchasing initiatives (e.g. Buy Social) or by amending and/or making better use of existing

tendering procedures and criteria to ensure that social enterprises do not lose on price (as is common at present) but instead win on impact. Australia and Scotland are good examples, both having developed national purchasing strategies for the benefit of social enterprises.

**Work on acknowledgement and recognition** – Despite the fact that awareness of the term ‘social enterprise’ has grown over the past six years, and social entrepreneurs are increasingly feeling acknowledged and recognized, this is still an area for attention in the Netherlands. The jury is still out on the matter of whether or not having a separate legal form for social enterprises in the Netherlands is desirable. Legal status would increase recognition, but could also be an impediment. The Social Entrepreneurship Code of Social Enterprise NL is a starting point for increasing this recognition.

**Integrate social entrepreneurship into education** – Universities in the Netherlands have made a start on introducing specialized courses and master’s programmes. In order to effect systematic change, however, more wide-ranging groups of people will need to learn the essence of social entrepreneurship, i.e. creating social and financial impact. This concept should be integrated into existing courses, such as economics, accountancy, business administration and public administration. There is even room within primary education for greater attention to



### **Instock**

Across the world 1.3 billion tonnes of food goes to waste throughout the food chain each year. Instock is keen to change this by literally and figuratively putting the issue of food waste on the map. Unsold products are picked up from local supermarkets and other producers. Consider in this regard fruit and vegetables with blemishes, one-day-old bread or meat and fish left over simply because of a surplus. Instock creative chefs turn this food into meals in restaurants in Amsterdam, The Hague and Utrecht or on food trucks, thus preventing significant volumes of food going to waste. Instock now has its own sorting centre and webshop where other restaurants and caterers can buy salvaged fruit and vegetables too.



### **MUD Jeans**

Each year 182 million kilos of clothing are incinerated in the Netherlands, even though most of the raw materials could be recycled or upcycled. Consequently, MUD Jeans introduced a system that entails trousers being returned once the user no longer requires them. This new consumption method is dubbed 'Lease A Jeans' – the material remains the property of MUD Jeans and consumers are merely users of their pair of jeans. Each year they can switch to a new pair. The 'Lease A Jeans' scheme already factors in the fact that the trousers will be recycled to create new products at the end of their life. Besides being sustainable, the jeans are also manufactured in an honest way, as the people in the production chain earn a living wage.

and appreciation of different ways of (economic) thinking and creating value. An example of this is the Scottish Social Enterprise Academy, which has been teaching social entrepreneurship in primary schools for 14 years now.

**Make the measuring of impact uniform** – In the Netherlands we are seeing social entrepreneurs, financiers, (local) authorities, network organizations and the business community struggling to measure impact. Is the social enterprise actually bringing about the impact it claims to be creating? Could there even be negative impact? There are lots of parties in the Netherlands working on this topic, but for the time being there is no consensus on a uniform method of measuring impact.

**Endeavour to appeal to (future) staff** – Access to talent has been extremely important for the social enterprise sector in the Netherlands. Nevertheless, growing social enterprises have had difficulties with finding people with the right skills, due to such people's wishes in terms of salary. A lot of stakeholders regard this as a sticking point for which a solution has not yet been found. ■





## ***‘PwC learning the importance of a social mission from social enterprises’***

*PwC has been supporting social enterprises since 2012, when it entered into a partnership with Social Enterprise NL. Since then, hundreds of social entrepreneurs (primarily start-ups) have been given help with drawing up or developing their business plan, strategy, tax matters or other questions. In turn, PwC is learning from the social enterprises as well, says Chair of the Board of Management Ad van Gils. ‘We’re keen to be an organization that makes a difference, just like social enterprises.’*

For several years, Ad van Gils was chair of the jury within PwC’s Social Impact Lab, a competition for social enterprises, the three winners of which are given two years’ coaching and guidance. He has thoroughly enjoyed assessing the business plans and pitches of the finalists in the Social Impact Lab. ‘The social enterprises I’ve seen are all hugely enthusiastic and motivated. The ideas they’ve developed are creative and innovative. That’s inspiring as well as a lot of fun.’

The Social Impact Lab isn’t all about the three winners, stresses Van Gils. ‘Around 200 social enterprises submit their business plans to us. They’re all given feedback from a total of around 100 PwC

staff assessing these plans. This gives our people the opportunity to demonstrate, enhance and validate their social involvement.’

### ***Being able to justify your existence***

In recent years PwC has been undergoing a transformation process towards a purpose-led and values-driven organization striving to build trust in society and to solve important problems. Ad van Gils: ‘Whether you’re PwC or another party, you need to be able to explain your *raison d’être*, your significance to the world in which you’re operating. Otherwise you won’t be able to justify your existence. Social enterprises have that story already in place.’



### ***Outward focus***

Also outside of the Social Impact Lab PwC staff are assisting social enterprises – pro bono and during working hours – with advice as well as collaborating on research to help the sector progress and/or organizing masterclasses and workshops. ‘For a long time our sector has been inward-looking’, says Van Gils. ‘At some point you find yourself faced with the question of what kind of things you could do to open your eyes to the outside world. We’re talking with an increasingly wide-ranging group of stakeholders, participating in more and more networks, operating an ambitious diversity policy and we’ve adapted our training and development programme. All of which is helping us to draw the outside world into our organization. Our work for social enterprises is also contributing in that regard.’

### ***Extra attention***

The Social Impact Lab has become international in nature. PwC is closely cooperating with member firms from Germany, Austria and Turkey, and social enterprises can now submit business plans there too. Two of 2017’s winners came from the Netherlands and one hailed from Germany. The 2018 Social Impact Lab saw three Dutch and two Turkish winners. Another change is the fact that as of 2018 the Social Impact Lab is no longer focused exclusively on start-ups, but also includes scale-ups. Van Gils: ‘Social enterprises find it hard to scale-up, just as other businesses do. It’s often the case that social enterprises don’t have a clear idea of how they will need to continue the

process of professionalization without losing focus on their social mission. We think this is something requiring extra attention.’

### ***Linking social impact to a viable business model***

PwC has included social enterprises in its own chain too. For example, festive gifts and corporate gifts are bought from social enterprises, some events are organized at social enterprises, and if a taxi is required, then Taxi Electric or Mama Taxi will show up. Van Gils thinks it is great to see businesses like this flourishing. ‘The philosophy underlying social enterprises – linking social impact to a viable business model – is wonderful. Both the social role and the innovative, entrepreneurial aspect of these companies appeals to a lot of PwC staff.’

*Ad van Gils has been a member of the Board of Management of PwC in the Netherlands from 1 July 2013 and as of 1 July 2013 he is Chair. Up to 1 July he was responsible for PwC’s corporate responsibility policies and in that capacity closely involved in PwC’s support for the social enterprise sector.*



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# Appendices

## Study justification

### *Objective*

The aim of this publication is to share lessons learned in the Netherlands for building an ecosystem for social entrepreneurship. More specifically the report seeks to inform other countries of how the social enterprise sector in the Netherlands developed and gathered momentum. We specifically looked into the developments of the past six years.

Strictly speaking, the social enterprises do not constitute a sector, as they are in fact active in all kinds of branches. As such, it is more a question of business model than sector. Nevertheless, we have stuck to using the term ‘social enterprise sector’, because it presents a convenient means of referring to these businesses collectively, and because these businesses collectively are commonly referred to as such in the literature.

### *Research questions*

The present research entailed examining how the social enterprise sector in the Netherlands developed, what lessons this has yielded and what insights this offers for other countries.

## *Desk research and fieldwork*

After establishing the research question, we got started on the desk research – an analysis of existing studies and publications (see the source list for the literature consulted). Through this desk research we were aiming to acquire as broad a picture as possible of the current state of play, of the developments of the past six years, and of the factors that contributed towards these developments. Our study of the literature and our adoption of the World Economic Forum’s definition of an ecosystem enabled us to distil seven elements that proved important for the development of the social enterprise sector in the Netherlands.<sup>25</sup>

Based on the desk research findings we drew up a questionnaire. This questionnaire contains general questions pertaining to the growth and development of the sector as well as questions examining the seven elements that emerged from the study of the literature (see above).

The desk research was followed by interviews with stakeholders we identified as being associated with the ecosystem of the social enterprise sector in the Netherlands.<sup>26</sup> EA total of 41 stakeholders were interviewed (see the list of parties interviewed) during the period running from 1 June to 9 July 2018, with the interviews being held face to face and over the phone.

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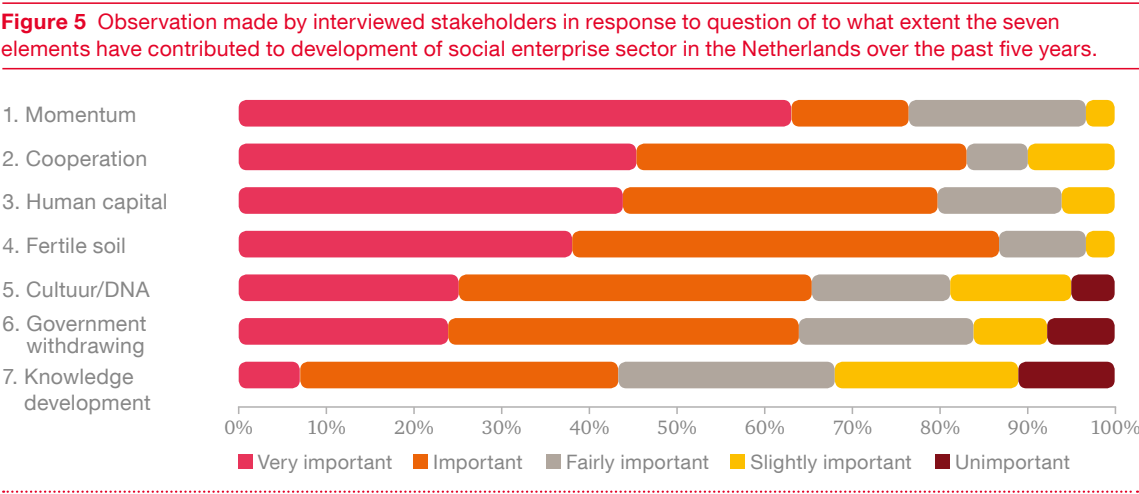
<sup>25</sup> World Economic Forum, *Entrepreneurial ecosystems around the globe and company dynamics*, 2013.

<sup>26</sup> Traditional investors have been showing increased interest in impact investment and ESG of late, and it is anticipated that they will start playing a more significant role in the scaling up of the social enterprise sector in future. However, the picture we have is that historically their contribution to the development of the social enterprise sector in the Netherlands has been limited. Our interviews confirm this picture. Accordingly, we did not interview any traditional investors.

Those interviewed were asked to rate the importance of the seven elements according to relevance (from extremely important to unimportant). We also asked them whether we had missed out any elements. In the end it was primarily the qualitative questions that constituted the source for formulating the lessons learned in the Netherlands. For the sake of completeness, the results of the study are provided below based on the seven elements presented.<sup>27</sup>

The above process has been portrayed as a step-by-step one, but in reality it was an iterative process. Additional publications were read during the study or additional stakeholders were interviewed. The quotes included in this publication have been fine-tuned with and approved by the relevant stakeholders.

Should you have any questions on this research, please feel free to get in touch with the research team or the CR Office of PwC NL.



<sup>27</sup> Figure 5 is derived from the ratings given for our seven elements by the parties interviewed. In this regard we should add that not all parties interviewed indicated the relevance of the seven elements.

## Overview of interviewed parties

1. ABN AMRO – Tjeerd Krumpelman – Head of Advisory, Reporting & Engagement
2. African clean energy – Ruben Walker – Commercial Director and co-founder
3. Amsterdam City Council – Ellen Oetelmans – Programme Manager Amsterdam Impact
4. Ashoka Netherlands – Erlijn Sie – Former Director and currently an international role within Ashoka
5. B Lab EU / B Corp Europe – Hubertine Roessingh – Director
6. CMS – Dolf Segaar – Lawyer and partner
7. Cool Endeavour Group / Heroes & Friends / Vandebroon – Tim Manschot – Co-founder & partner
8. Enviu – Stef van Dongen – Founder, Director and member of non-executive board
9. Enwestdijk – Renate Westdijk – Director Enwestdijk and set-up social return programme at Friesland
10. European Commission – Risto Raivio – Senior Expert Employment
11. European Investment Fund – Yvette Go – Head of Social & Environmental Impact Investments
12. Hengelo City Council – Mr Bert Otten – Former Municipal Executive and Senior Advisor Radar Advies
13. Impact Hub Amsterdam – Manon Klein – Programme Manager
14. Instock – Freke van Nimwegen – Co-founder
15. Lendahand – Peter Stolze – Director Marketing & Sales and co-founder
16. Ministry of Economic Affairs – Ineke Lemmen – Programme Manager and Strategic Policy Advisor
17. Ministry of Social Affairs and Employment – Robin Molenaar – Policy Advisor
18. Mud Jeans – Bert van Son – Owner and CEO
19. MVO Nederland – Maria van der Heijden – Director and Board member
20. MVO Nederland – Willem Lageweg – Founder and former Director and Board member
21. North Brabant Provincial Executive – Henri Swinkels & Astrid Kaag – Member of Provincial Executive Quality of Life & Culture and Advisor and Policy officer respectively
22. PwC Netherlands – Ad van Gils – CEO
23. PwC Netherlands – Wineke Haagsma – Director Corporate Responsibility
24. PYMWYMIC – Rogier Pieterse – Managing Director
25. Rabobank Foundation – Nynke Struik – Programme Manager Social Entrepreneurship
26. Rotterdam City Council – Marie Louise de Bot MPA – Strategic Advisor Social Entrepreneurship – Social Entrepreneurship Action Plan
27. RSM Erasmus University – Rob van Tulder – Professor of International Business-Society Management
28. Salt farm Texel – Robin Konijn – Financial Director
29. Sinzer – Marlon van Dijk – Managing Director and co-owner
30. Social Enterprise NL and Social Impact Ventures NL – Willemijn Verloop – Founder and Director of Social Enterprise NL and co-founder and Director of Social Impact Ventures NL
31. Social Enterprise NL – Mark Hillen – Founder and Director Social Enterprise NL, former partner Accenture
32. Social Impact Factory – Krispijn Bertoen – Director
33. Social Impact Factory – Kim Kiszelnik – Former Director and advisor in social entrepreneurship
34. Sociale Verzekeringsbank – Peter Bergema – Senior Purchaser
35. Start Foundation – Jos Verhoeven – Founder and Managing Director
36. Stichting DOEN – Saskia Werther – Program Manager
37. The Colour Kitchen – Joske Paumen – Former Director and board member
38. The Hague City Council – Gert-Willem van Mourik – Programme Manager Innovation and Social Entrepreneurship
39. TNO – Jeroen Dubel – Director Strategy
40. Triodos Bank – Raphael Nouwen – Manager Corporate Lending
41. Utrecht University – Niels Bosma – Associate Professor Entrepreneurship





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