



# **The State of Social Entrepreneurship in Belgium**

**SEFORIS Country Report**

**Marieke Huysentruyt, Ira Lardinois & Bram Oers**

**Oksigen Lab**

**April, 2014**



## **About SEFORIS: Social Enterprise as FORce for more Inclusive and Innovative Societies**

SEFORIS is a flagship multi-disciplinary, multi-method international research project on social enterprise funded by the European Commission. Through the generation of robust evidence and internationally leading research, SEFORIS aims to better understand the role that social enterprises play in the EU and beyond in the development and evolutions of inclusive and innovative societies.

SEFORIS will investigate key processes through which social enterprises deliver inclusion and innovation (spanning a range of domains, from organisation and governance, over financing and innovation to behavioural change) as well as the contexts in which social enterprises thrive. In terms of methodology, we will start from policy and social enterprise practitioner questions and challenges together with critically scrutinizing existing academic literature. We use this first step to develop theoretical frameworks that then serve as a basis for thinking systematically about innovation and inclusion processes in context. This is followed by field and lab experimentation with social enterprises and in-depth case studies to expand and enrich our understanding of social enterprises. Unique longitudinal survey data will be collected across 9 distinct countries to test new (and at times counterintuitive) hypotheses to reach novel insights and generalizable conclusions. We engage policy makers and social enterprises throughout the research process to ensure that our research is relevant for them and can inform their practice.

### **The SEFORIS partnership**

SEFORIS is a consortium of 12 organisations from 10 countries including Belgium, China, Germany, Hungary, Portugal, Romania, Russia, Spain, Sweden, and the UK.

#### **Academic partners and research institutes:**

KU Leuven (Belgium), Hertie School of Governance (Germany), Autonomous University of Barcelona (UAB, Spain), University of Aveiro (Portugal), Centre for Economic and Financial Research (CEFIR, Russia), Stockholm School of Economics (Sweden), Aston Business School (United Kingdom)

#### **Social entrepreneur support and financing organisations**

Oksigen Lab (Belgium), i-propeller (Belgium), Non-Profit Incubator (NPI, China), Nonprofit Enterprise and Self-sustainability Team (NESsT, Hungary & Romania), and The Foundation for Social Entrepreneurs - UnLtd (United Kingdom)

#### **Advisors**

Organisation for Economic Co-operation and Development (OECD, France), Harvard Business School (HBS, USA) and the European Venture Philanthropy Association (EVPA, Belgium)

#### **Funder**

This project has received funding from the European Union's Seventh Framework Programme for research, technological development and demonstration under grant agreement no 613500.





# Table of Contents

|                                                                                    |    |
|------------------------------------------------------------------------------------|----|
| Executive Summary .....                                                            | 1  |
| 1. Key facts and figures on social entrepreneurship.....                           | 3  |
| 1.1 Definition and common understanding of social enterprise.....                  | 3  |
| 1.2 Size of social enterprise .....                                                | 3  |
| 1.3 Sectors and regions in which social entrepreneurs are active .....             | 4  |
| 1.4 Recent developments in social entrepreneurship .....                           | 5  |
| 2. General country context.....                                                    | 6  |
| 2.1 Number of inhabitants and size of country.....                                 | 6  |
| 2.2 Top 5 societal challenges .....                                                | 6  |
| 2.3 Overview of (social) policy, entrepreneurial and civil society landscape ..... | 7  |
| 3. Social enterprises in (an institutional) context.....                           | 8  |
| 3.1 Institutional and stakeholder landscape of social enterprises .....            | 8  |
| 3.2 Key context dimensions for social entrepreneurs .....                          | 9  |
| 3.3 Linkage between social entrepreneurs and inclusive society.....                | 9  |
| 4. Organization of social enterprises in market and society .....                  | 10 |
| 4.1 Legal form of social enterprises.....                                          | 10 |
| 4.2 Operational model of social enterprises.....                                   | 11 |
| 4.3 Important values for social entrepreneurs.....                                 | 11 |
| 5. Financing of social enterprises .....                                           | 12 |
| 5.1 Sources of revenue and funding for social enterprises .....                    | 12 |
| 5.2 Financial Crisis.....                                                          | 12 |
| 5.3 (New, dedicated) players.....                                                  | 13 |
| 6. Innovations of social enterprises.....                                          | 14 |
| 6.1 Innovation drivers and barriers .....                                          | 14 |
| 6.2 Typology of innovations.....                                                   | 15 |
| 6.3 Innovation process .....                                                       | 15 |
| 7. Impact of social enterprises .....                                              | 16 |
| 7.1 Impact measurement: does this take place?.....                                 | 16 |
| 7.2 Impact results and dimensions .....                                            | 16 |
| 7.3 Trends and developments related to social impact.....                          | 17 |
| 8. Overview of studies .....                                                       | 18 |
| 9. Annex 1: Operational models explained .....                                     | 19 |
| 10. Annex 2: Main social performance indicators.....                               | 20 |

## Executive Summary

Belgium is facing societal challenges – poverty and social exclusion, the aging of the population, youth unemployment, environmental issues like air quality and renewable energy – in a (post-) financial and economic crisis period and high sovereign debt.

Some percentages demonstrate the importance of these societal challenges:

- 15% of the Belgian population lives in poverty. 20% struggle every month to make ends meet and many more *feel* poor.
- Between 2011 and 2060 spending on pensions would increase by 4,6% of GDP.
- Unemployment hits disproportionally Belgian youth (their unemployment rate in 2013 was 23,1%) and immigrant population.

Societal innovation and social entrepreneurship have definitively an important complementary role to play in our economy and society at large in tackling these major societal challenges. Pursuing social goals in an entrepreneurial way, combining societal and economic progress, grow a “shared value” economy which contributes positively to society and its challenges.

This Belgian SEFORIS country reports highlights below 10 remarkable questions, findings, topics of debate to illustrate the current status of social entrepreneurship. Therefore some literature and desk research, interaction with stakeholders took place.

### 1. Awareness about social entrepreneurship is rising

Despite the lack of a common definition and understanding of the concept of social entrepreneurship, several initiatives (receiving attention from media) demonstrate more interest for this topic: the launch of dedicated platforms for networking, training in the academic world; new dedicated financing players; ..

### 2. Majority of social enterprise population is not brand new

A recent study shows that 75% of a representative sample of social enterprises exists over more than 10 years. There is also the suggestion of some renewal in the sector but at a lower rate than in other EU countries surveyed (Spain, Hungary, Sweden, Romania and UK).

### 3. Large diversity of sectors and activities in which social enterprises are active – reflecting societal needs?

Several activities per social enterprise (in average 3,3 per organization). Most popular sector is “business activities” including building maintenance, marketing and communication, recruitment & outplacement etc. The proportion of social enterprises active in the area of education, health and social work is quite low. Given high youth unemployment this current low activity rate of social enterprises in education can be considered as a potential future area of growth?

#### 4. Shift taking place towards (even) more market-orientation

Already 56% of annual revenues on average were generated from selling products or services on the market. During these recent interviews the trend popped up of social enterprises proactively searching for new revenue sources in order to reduce the share of subsidy and become more and more independent. In part due to government budget cuts, there is a growing sense of urgency amongst mission –driven organizations to diversify revenue streams, more market-facing, more social entrepreneurial.

#### 5. Legal form ‘with social purpose’ not widely taken up (yet?) by social enterprises, in contrast with non-profit

Almost three quarters of social enterprises interviewed recently had a non-profit legal statute (71%). Cooperatives (CVBA, CVBASO) were present (14%), but far from the dominant legal form. The dedicated legal form “with social purpose” has so far not widely spread across the sector of social enterprises, only 5% of the sample adopted this statute. This finding raises some doubts about on the adequacy and added value of this legal form for social purposes.

#### 6. Employment model & fee for service/product model are by far the two most popular operational models for social enterprises

54% of the organizations have at least one service configured following the employment model. This confirms that work integration remains a key model in the sector and that plenty

of Belgian social enterprises generate their revenues by creating economic activities to employ or train specific target groups. 46% of the organizations have at least one service following the fee-for-service model. Two main raisons link this model to social impact: first, the product or service is in effect the medium to create social impact and realize the social mission; second, the fee-for-service activity generates revenues allowing to finance a social mission.

#### 7. Landscape of financing institutions in movement

Some new initiatives and modifications at existing offer-side, in both public and private institutions, demonstrate dynamics in the financing world of social enterprises in order to better fit their needs.

#### 8. A large majority of social enterprises do some social impact measurement but can benefit from some strengthening

80% of recently interrogated social entrepreneurs reported that they have at least 1 indicator in place to track their social impact. Most of them expressed high interest to strengthen their social impact measurement approach. In fact, two trends were noticed: first a lack of in-depth and tailored indicators to capture the entire social impact of the organization; second, a dissociation of the social performance indicators and the social mission of the organization (for ex. only HR indicators expressed as social performance by an environmentally oriented social enterprise).

# 1. Key facts and figures on social entrepreneurship

“Most of us started from social goals. We divided the support and growth came automatically. That time is over, we have to continue on our own. This we should do together as much as possible. But we also must dare to learn from regular companies. They can challenge us to change our thinking.”

- Danny Vercauteren, CEO of Kringwinkel Antwerpen (socialeeconomie.be)

## 1.1 Definition and common understanding of social enterprise<sup>1</sup>

- There exists no legal definition of social enterprise in Belgium. It is unlikely that this will change in the near future, as this is not a topic of public debate where public authorities see a priority need;
- Following elements are found to characterize social enterprises: primary social aim, self-generation of market income, at least 1 FTE employed, limits on distribution of profits and assets, independence and participatory governance;
- There is also no broad consensus on what type of organizations should be considered as social enterprises in Belgium. The least problematic are WISEs (work integration social enterprises), commonly classified as social enterprise;
- The concept of social enterprise is understood substantially different in the Belgian linguistic communities. The terms social enterprise and WISEs are often used interchangeably, especially in Flanders. In Wallonia, the concept of social economy is more widely used and specific references to social enterprises are very scarce.
- The term ‘social enterprise’ is most frequently used by academics. Public authorities use ‘social enterprise’ only sporadically while the concept of social economy prevails. Organisations recently interviewed, consider themselves as social enterprises but are not necessarily aware of the details of the on-going debate and what exactly such terms should imply.

## 1.2 Size of social enterprise<sup>2</sup>

- As there is no legal definition of social enterprise in Belgium, there are also no comprehensive statistics. Recently an estimation has been made on the size of the total population: between 2210 and 3 170 social enterprises.
- The population of social enterprises is not brand-new: almost three quarter of the organizations interviewed have existed for more than 10 years.
- A fair spread of the sample across the different age groups suggests a renewal of the sector, though early-stage social enterprises seem to be present in Belgium at a lower rate than in the other EU countries surveyed (Spain, Hungary, Romania, Sweden, and UK).
- Social enterprises in Belgium are far from trivial economically speaking. This is readily apparent from their size, both in terms of their revenues and number of employees.

---

<sup>1</sup> ICF GHK. 2013. “A Map of Social Enterprises and their Eco-Systems in Europe.” European Commission, DG Employment, Social Affairs and Equal Opportunities.

<sup>2</sup> Huysentruyt, M., Kint, A., and Weymiens, S. 2013. “Mapping of social enterprises in Belgium.” i-propeller with support of the King Baudoin Foundation.

**Table1: Key data on size of social enterprises**

| Key Data                       |                      |                       |
|--------------------------------|----------------------|-----------------------|
| Organizational age             | Number of employees  | Revenues              |
| 72% older than 10 years        | 21% 1-10 employees   | 50% above 1M revenues |
| 18% between 5 and 10 years old | 43% 11-49 employees  |                       |
| 10% younger than 4 years       | 18% 50-249 employees |                       |
|                                | 18% 250+ employees   |                       |

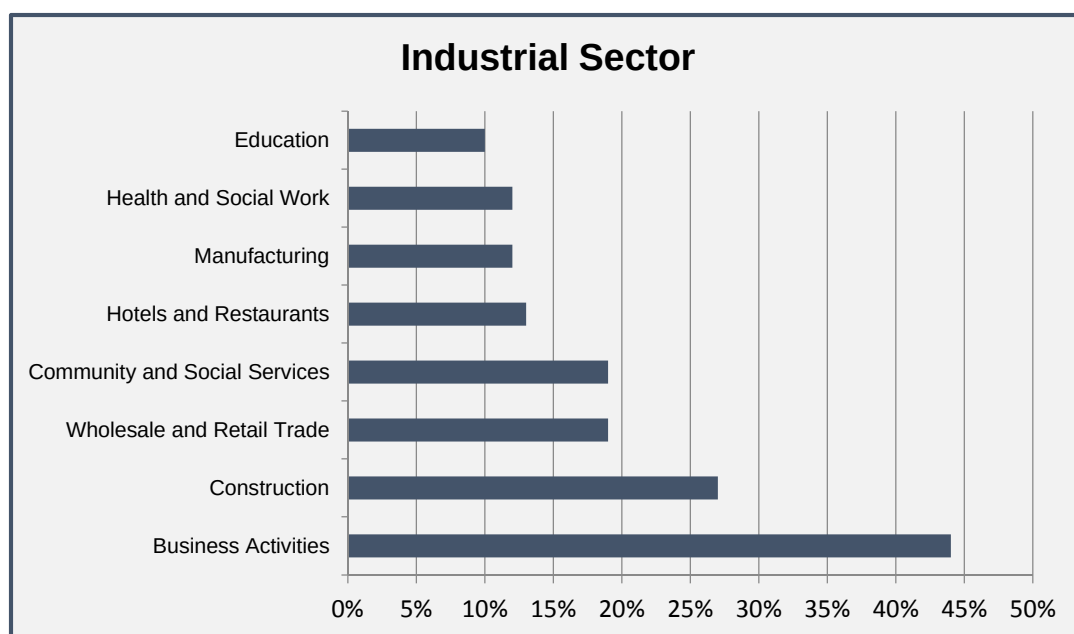
### 1.3 Sectors and regions in which social entrepreneurs are active<sup>3</sup>

#### Industrial sector

93% of the social enterprises do have more than one activity and in average 3,3 per organization. Moreover, their activities span in very diverse industries, ranging from health and social work, over wholesale and retail trade to construction. It is quite striking to note that 51% of our sample is actually present in at least two industry segments.

About the dominant industries, 'business activities' is to be considered through the large spectrum of activities that are listed in this category: recruitment/outplacement services, building maintenance like professional cleaning and gardening, IT management and software testing, audit/consultancy, print and mail, communication, marketing and advertisement services.

Finally the proportion of social enterprises active in the area of community and social services, and education is quite low, much lower than it is in other European countries.



**Figure 1: Distribution of industry presence (N=78)**

<sup>3</sup> Huysentruyt, M., Kint, A., and Weymiens, S. 2013. "Mapping of social enterprises in Belgium." i-propeller with support of the King Baudoin Foundation.



## **Regional level**

21% of the interrogated sample is active on Belgian national level; 58% of them are anchored and operational in one of the three regions (Flanders, Brussels, and Wallonia).

### **1.4 Recent developments in social entrepreneurship<sup>4</sup>**

- Still very limited but growing number of enterprises adopting the legal form “social purpose”
- (Mental) shift taking place towards (even) more market-orientation given budget constraints of public authorities
- Diversification of social economy, providing new opportunities for growth: e-commerce, recycling, highly creative projects, logistics and the ‘green’ economy.

---

<sup>4</sup> Huysentruyt, M., Kint, A., and Weymiens, S. 2013. “Mapping of social enterprises in Belgium.” i-propeller with support of the King Baudoin Foundation.

## 2. General country context

“Today the public interest is not only served by the government, but also by new private actors, for example social entrepreneurs.”

- Professor Jacques Defourney (Moneystore.be, February 2013)

### 2.1 Number of inhabitants and size of country

Table 2: Number of inhabitants and size of country

|                       |                           |                                                                                     |
|-----------------------|---------------------------|-------------------------------------------------------------------------------------|
| Number of inhabitants | 11.161.642 (1/1/2013)     |  |
| Size of country       | 30,528 km2 / 11,787 sq mi |                                                                                     |

### 2.2 Top 5 societal challenges

Table 3: Top 5 societal challenges

|                                                                                                                                                                                              |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Poverty and social exclusion (like migrant population)</b>                                                                                                                                |
| - 15% of Belgian population lives in poverty. In fact, 20% struggle every month to make ends meet, and triggered by the financial crisis many more feel poor <sup>5</sup> .                  |
| <b>Aging population (cost for health care and pensions, adapted housing, loneliness ...)</b>                                                                                                 |
| - Between 2011 and 2060, spending on pensions would increase by 4.6% of GDP (from 9.9 to 14.5% of GDP), while the health care costs would increase (from 8 to 11% of GDP) by 3% <sup>6</sup> |
| <b>Labour market: Youth unemployment in large cities and too early exit of +50 year olds</b>                                                                                                 |
| - In 2013, the youth employment (people aged 15 to 24 ) rate in Belgium was 23,1% <sup>7</sup>                                                                                               |
| - The employment rate of +50 years old in Belgium is 52,4% (2012) <sup>8</sup> – EU2020 objective: 60%                                                                                       |
| <b>Environment &amp; transport: Air quality (greenhouse gases, particulate matter)</b>                                                                                                       |
| - 120 million ton CO <sub>2</sub> -equivalent (2011)                                                                                                                                         |
| - Still 1 out of 3 Flemish people take the car for distances less than one kilometer (2011) <sup>9</sup>                                                                                     |
| <b>Environment &amp; energy: Renewable energy</b>                                                                                                                                            |
| - The share of energy from renewable sources in gross final energy consumption was 5.1% in 2011 <sup>10</sup>                                                                                |

<sup>5</sup> Huysentruyt, M., Kint, A., and Weymiens, S. 2013. "Mapping of social enterprises in Belgium." i-propeller with support of the King Baudoin Foundation.

<sup>6</sup> Federale Overheidsdienst Financiën 2013. "Belgisch stabiliteitsprogramma 2013-2016." Accessed March 14, 2014. [http://stabiliteitsprogramma.be/nl/sustainability\\_cost.htm](http://stabiliteitsprogramma.be/nl/sustainability_cost.htm)

<sup>7</sup> Eurostat. 2013. "Youth unemployment rate - % of active population in the same age group." European Commission. Accessed March 14, 2014. <http://epp.eurostat.ec.europa.eu/tgm/table.do?tab=table&init=1&language=en&pcode=tipslm80&plugin=0>

<sup>8</sup> Startpunt voor Werk en Sociale Economie 2012. "Werkzaamheid 50-plussers." Accessed March 14, 2014. <http://www.werk.be/cijfers/vlaanderen-2020/werkzaamheid/50-plusser>

<sup>9</sup> "Eerst de auto, ook voor (hele) korte afstanden." *De Redactie*, September 17, 2012. Accessed March 14, 2014. <http://www.deredactie.be/cm/vrtnieuws/binnenland/1.1431962>

<sup>10</sup> Task Force Duurzame Ontwikkeling. 2013. "Hernieuwbare energie: verbruik van energie uit hernieuwbare bronnen." Federaal Planbureau. Accessed March 14, 2014. <http://www.indicators.be/nl/indicator/hernieuwbare-energie-verbruik-van-energie-uit-hernieuwbare-bronnen?detail>

- Belgium has the objective to have a share of 13% of energy from renewable sources in gross final energy consumption in 2020

## 2.3 Overview of (social) policy, entrepreneurial and civil society landscape

Table 4: Overview of landscape

| (Social) Policy Landscape                                                                                                                                                                                                                          | Entrepreneurial Landscape <sup>11</sup>                                                                                                                                                                                                                                                                                                                                                                                                             | Civil Society Landscape <sup>12</sup>                                                                                                                                                                                                                                                                                                                             |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>SOCIAL EXPENDITURES<sup>13</sup></b><br>30,7% of GDP (2013)<br><br><b>POLITICAL STABILITY AND ABSENCE OF VIOLENCE<sup>14</sup></b><br>Rank 74 (0=lowest; 100=highest)<br><br><b>RULE OF LAW<sup>14</sup></b><br>Rank 89 (0=lowest; 100=highest) | <b>HIGH Global Entrepreneurship Monitor (GEM) SCORE</b> <ul style="list-style-type: none"> <li>- Fear of failure</li> </ul><br><b>LOW GEM SCORE</b> <ul style="list-style-type: none"> <li>- Perceived capabilities</li> <li>- Entrepreneurial intentions</li> <li>- High status to successful entrepreneurs</li> <li>- Media attention for entrepreneurship</li> <li>- New business ownership rate</li> <li>- Cultural and social norms</li> </ul> | <ul style="list-style-type: none"> <li>- Important economic actor: 11,9% of labour market &gt;5% of GDP Growth trend</li> <li>- Broad range of activities: socio-economic, socio-cultural, health &amp; well-being, education, religion, sports</li> <li>- Largest economic weight: Health care Social service (to vulnerable groups like the elderly)</li> </ul> |

Note: GEM stands for Global Entrepreneurship Monitor. The scores indicate nationwide attitudes, activities and characteristics which have a positive or negative influence on entrepreneurship. The scores for Belgium are compared with the mean scores of the *innovation-driven* countries comparison group.

<sup>11</sup> "Global Entrepreneurship Monitor 2013 Global Report." GEM Consortium 2013.

<sup>12</sup> "Het Economische Gewicht van Instellingen Zonder Winstoogmerk in België." King Baudoin Foundation 2013.

<sup>13</sup> "Social Expenditures - Aggregated Data." OECD 2013. Accessed March 14, 2014.

<http://stats.oecd.org/Index.aspx?QueryId=4549>

<sup>14</sup> "Worldwide Governance Indicators." The World Bank Group 2013. Accessed March 14, 2014.

<http://info.worldbank.org/governance/wgi/index.aspx#home>

### **3. Social enterprises in (an institutional) context**

#### **3.1 Institutional and stakeholder landscape of social enterprises**

- **Policy makers – public authorities**

Belgian public authorities are organized at federal, regional, community, province and local level. Recently competencies have been transferred between policy levels in the Sixth State Reform, mainly from federal to regional level. Main policy areas for a lot of social entrepreneurs (given a large focus in Belgium on work integration) are Work (regional and federal level) and Social Economy (regional level).

- **Non-profit organizations – civil society organizations**

Given budget cuts by public authorities a growing number of non-profit organizations search for new ways to accomplish their social mission and become more social entrepreneurial.

- **Commercial organizations**

Commercial organizations paid more attention in recent years to their societal role. The concept of CSR became more known and put into practice. Some social and commercial enterprises relate as supplier-client in a B-2-B context. In debates commercial companies sometimes complain about unfair competition by social enterprises who receive public subsidies for work integration.

- **(Social) Business support organizations**

Social entrepreneurs can rely on dedicated support organizations besides general oriented support services. Some niche consultancy organizations offer services to social entrepreneurs like Ashoka and Oksigen Lab. There exist by public authorities recognized advice instances for social economy.

- **Academic world**

During last years the concept of social enterprise received growing attention in the academic world. Programs, courses, events,... are organized on social entrepreneurship in several universities, business schools.

- **Consumers-clients-general public**

44% of recently interviewed Belgian social entrepreneurs offer services specifically targeted to businesses like recruitment/outplacement services, building maintenance like professional cleaning and gardening, IT management and software testing, print and mail etc. The other 66% offer products and services in sectors which are more consumer-oriented. In general a growing awareness about the importance of the social component of business can be noticed, for example in the raising sales figures of fair trade products.

### **3.2 Key context dimensions for social entrepreneurs**

- **Welfare state**

The welfare state is like in a lot of European countries under pressure. For the first time some social security domains like child boni, elderly care have been regionalized in the recent Sixth State Reform. This was a very difficult political process in which solidarity shifted from interpersonal towards interregional solidarity.

- **Social enterprise-specific legislation**

A separate legal form exists in Belgium for enterprises “with a social purpose”, but is not widely used at this moment. At this moment the implementation of a large reform of social economy in Flanders is taken place, called “Maatwerkdecreet”. The impact on social enterprises is not clear yet.

- **Regulatory density**

35% of recently interviewed social entrepreneurs called for a reduction in administrative complexity and barriers to entrepreneurship.

- **Cultural values, norms**

Belgium consists of 3 language and cultural communities: the Flemish, the Walloon and the German community. The religious background of our country is Catholic. Successful entrepreneurship is –as mentioned in the General Country Context- not perceived by entrepreneurs as having a high associated status.

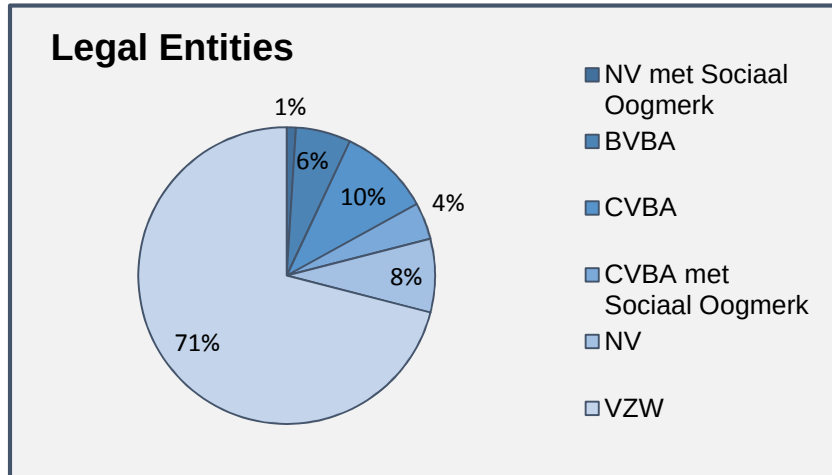
### **3.3 Linkage between social entrepreneurs and inclusive society**

In Belgium, two third of social enterprises are focused on bridging the gap to the labour market for target groups encountering difficulties to find a “regular job”. Note that this focus on work integration is not the full picture of what they do and the whole social value they create. A lot of social enterprises offer products and services that are accessible for - or even targeted to- the poor, like recycling shops.

## 4. Organization of social enterprises in market and society

### 4.1 Legal form of social enterprises<sup>15</sup>

The legal form 'non-profit' is dominant.

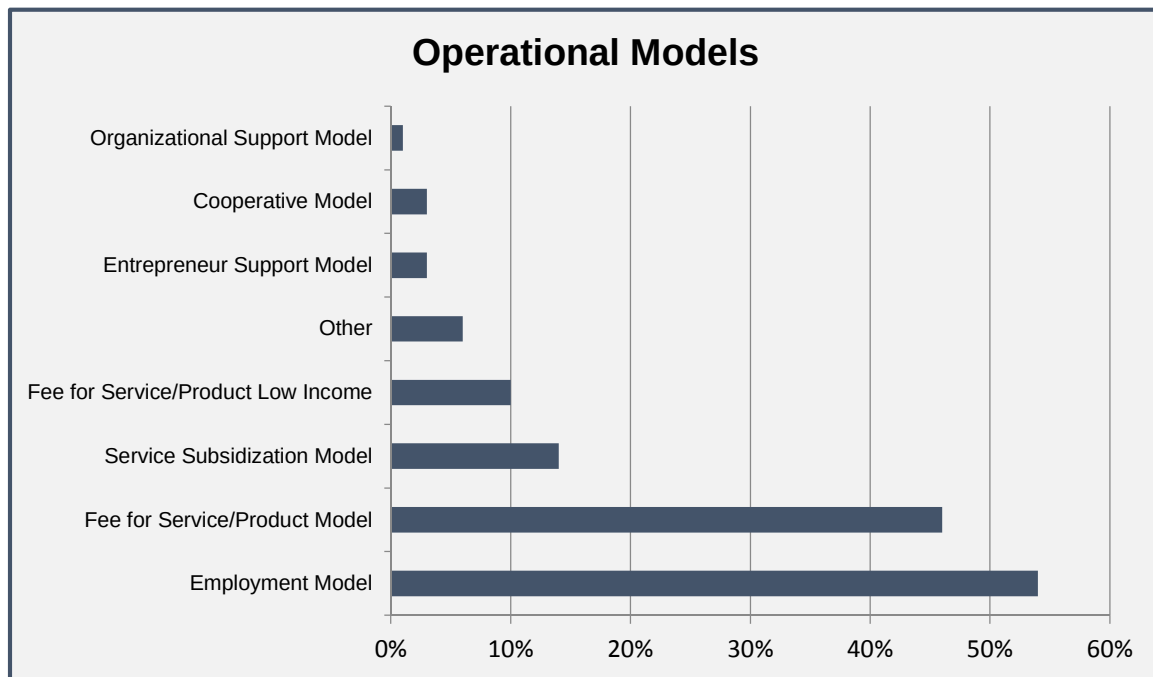


**Figure 2: Legal entities (N=78), some organizations were actually composed of several legal entities but the above figure shows only the primary legal entity.**

- Almost three quarters of social enterprises interviewed had a non-profit legal statute (71%), which they also often combined with another statute for different reasons, such as to better accomplish different social objectives or to create more flexibility in the revenue generation and access to financing means.
- Cooperatives are present ('CVBA' and 'CVBA met sociaal oogmerk'), but far from the dominant legal form. In similar vein, the dedicated legal form 'with a social purpose' (met sociaal oogmerk/avec finalité sociale) has so far not widely spread across the sector of social enterprises, with 5% only of our sample having adopted this statute. The latter finding raises some doubts on the adequacy and added value of this legal form for social enterprises.
- To the best of our knowledge, there is so far only one B Corp accredited enterprise in Belgium, namely Re-vive.

<sup>15</sup> Huysentruyt, M., Kint, A., and Weymiens, S. 2013. "Mapping of social enterprises in Belgium." i-propeller with support of the King Baudoin Foundation.

## 4.2 Operational model of social enterprises<sup>16</sup>



**Figure 3 Operational Models. See Annex for explanation of the different models.**

## 4.3 Important values for social entrepreneurs<sup>16</sup>

Compared to a representative sample of Belgian citizens, Belgian social entrepreneurs on average display: strong self-direction and stimulation values, reflecting a relatively big openness to change; lower conservation and normative attitudes; strong universalism and benevolence – this is also confirmed by the motivation drivers below; average self-interest and relative consideration of power and personal achievement – also validated by the low importance allocated to salary expectations.

Social entrepreneurs tend to manage their organization day-to-day in ways that are aligned with their values and their social ambitions. They tend to adopt more participatory management practices: less top-down decision-making, more involvement and consultation of co-workers, and instituting a smaller salary spread than is conventional amongst commercial businesses.

Directors of social enterprises typically earn lower wages than their counterparts in mainstream businesses, yet they report very high average own (and employee) job satisfaction. They appear to be most strongly motivated by the intrinsic and reputational benefits linked to their position.

<sup>16</sup> Huysentruyt, M., Kint, A., and Weymiens, S. 2013. "Mapping of social enterprises in Belgium." i-propeller with support of the King Baudoin Foundation.

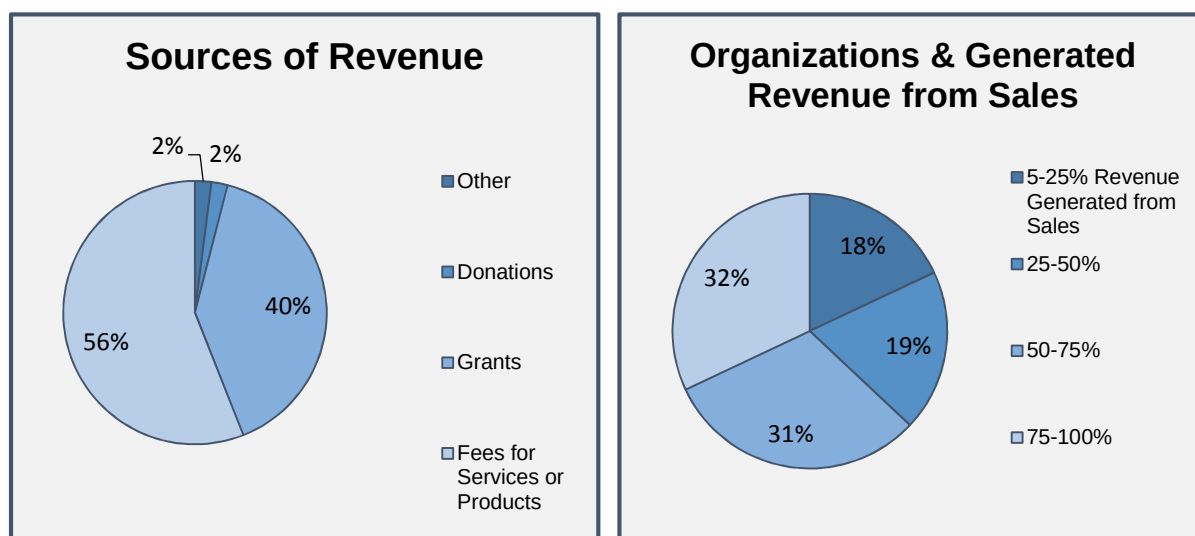
## 5. Financing of social enterprises

“Does an investment always have to yield 15 percent? If you reach 5 percent with a new and inspiring company, isn't that great?”

- Piet Colruyt, Social Impact Investor (Humo, September 2013)

### 5.1 Sources of revenue and funding for social enterprises<sup>17</sup>

- On average 56% of annual revenues were generated from selling products and services on the market, which underlines the strong entrepreneurial orientation of these ventures. In fact, 15% of the organizations were fully independent from any source of grant finance or donations, with 100% of their total yearly revenues generated via the sales of products and or services.
- On average 40% of the total revenues came from grant funding, most of which are provided by the public sector. This can be explained by the fact that the mission of numerous social enterprises was to accomplish a public service, and thus received financial means to do so. Throughout the interviews, we noticed a common trend of proactive search for new revenue sources in order to reduce the share of subsidy and become more and more independent.



Figures 4 & 5: Source of revenue (left), organizations and generated revenue from sales (right).

### 5.2 Financial Crisis

A recent study<sup>18</sup> on 6000 not-for-profit associations that had registered their annual accounts at the National Bank of Belgium (which over-represents the larger nonprofits) shows that over the period 2006-2012 the share of loss-making nonprofits has been on the rise. 2008 has clearly had an impact.

In part due to government budget cuts, there is a growing sense of urgency amongst mission-driven organizations to diversify revenue streams, become more market-facing - more social entrepreneurial, if you will.

<sup>17</sup> Huysentruyt, M., Kint, A., and Weymiens, S. 2013. "Mapping of social enterprises in Belgium." i-propeller with support of the King Baudoin Foundation.

<sup>18</sup> Het Economische Gewicht van Instellingen Zonder Winstoogmerk in België, 2013, King Baudouin Foundation



Two interesting cases to highlight in the banking sector: The Triodos Bank in Belgium realized a steady, balanced growth in its number of clients, size loans and savings, and net profits, despite the crisis. In March 2013, plans for launching a new participatory and cooperative bank, called newB, were made public; and 40,000 individuals signed up to become a member in less than 3 months' time. These phenomena underscore a widely held disappointment with and loss of confidence with mainstream banks, and the opportunity this creates for alternative forms of banking.

### **5.3 (New, dedicated) players**

- Relatively new private social impact investors:
  - o SI2Fund (15 M €), launched in 2012
  - o KOIS Invest (5 M €), launched in 2010
- Other existing dedicated private financial players are: Triodos, Crédal, Hefboom, King Baudouin Foundation, Netwerk Rentevrij, ...
- Financial support for social enterprises from public authorities is organized at the regional level and exists already several years.
  - o Flanders: Trividend, The Social Investment Fund
  - o Wallonia: SOWECSOM
  - o Brussels: Brusoc
- IWT, the Flemish e government agency for Innovation by Science and Technology, now also welcomes funding proposals for initiatives with a primary societal goal, societal innovation, proposals coming from social enterprises.
- Important new and redesigned European financing instruments are putting an ever greater emphasis on the importance of supporting social enterprises.

## 6. Innovations of social enterprises

“Innovations should be ‘societed’ instead of ‘marketed’.”

- Danny Jacobs, CEO of Bond Beter Leefmilieu (am magazine, No 1, 2013)

### 6.1 Innovation drivers and barriers<sup>19</sup>

The main driver for 62% of the interviewed social entrepreneurs was **to increase the range and/or quality of the product and/or services** that they deliver (62%). This is also the most common response found with mainstream entrepreneurs. Interestingly, and unlike with mainstream businesses, the second most cited driver was **to achieve social enterprise’s social goals** (58%) (by increasing the quality of social impact, spreading social impact or reducing environmental impact). This is indeed in line with the strong social focus of their mission. The third most common driver was **to increase the enterprise’s financial sustainability and expand its market** (55%).

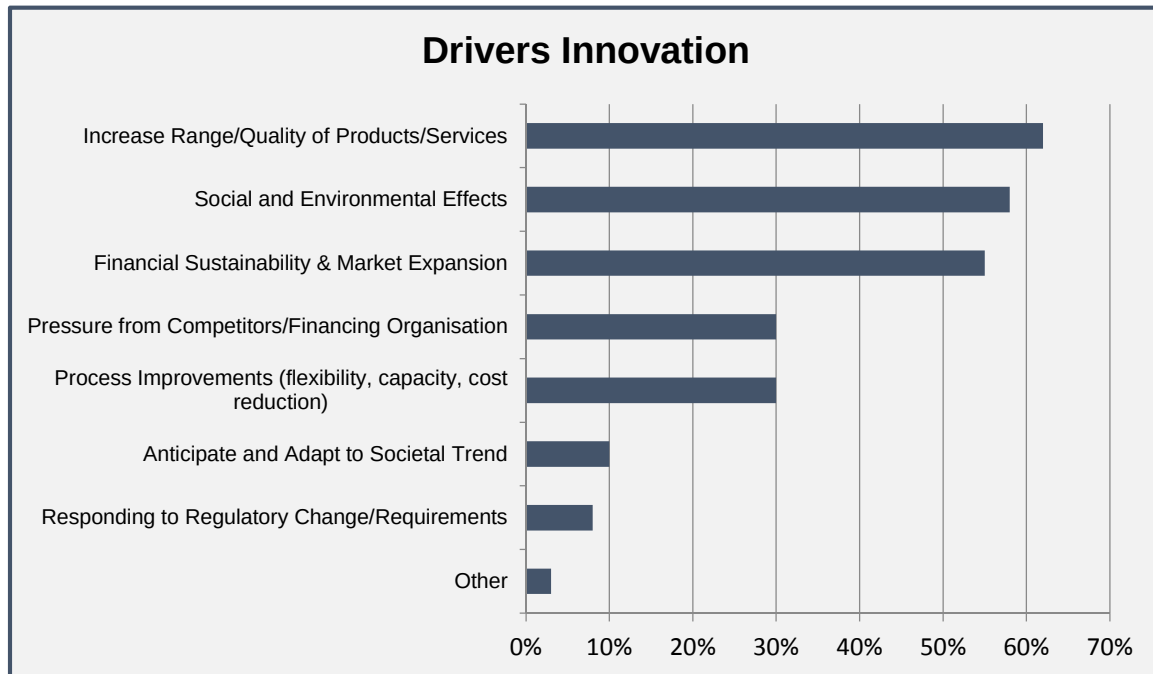


Figure 6: Innovation drivers (N=77), the categories were obtained through prior exploratory research, and from the Community Innovation Surveys (available through Eurostat)

67% of the respondents of the Belgian Selusi study encountered innovation barriers.

- **Cost-related innovation barriers** (much like with commercial enterprises) are the most frequently mentioned (67%). More than one third of the sample experienced problems with the availability or lack of finance and also because of costs being too high for financing their project.

<sup>19</sup> Huysentruyt, M., Kint, A., and Weymiens, S. 2013. “Mapping of social enterprises in Belgium.” i-propeller with support of the King Baudoin Foundation.

- **Internal barriers** turn out to be almost equally blocking or slowing down their ambitions (63%). For instance, the lack of time available or lack of qualifications within the team but also internal resistance to change scored very high.
- On the other hand, **market barriers** (27%) (and this is different to commercial enterprises) and regulation-related barriers (23%) were least frequently cited.

## 6.2 Typology of innovations<sup>20</sup>

- The majority of the innovations introduced in the past year were either **service or process-related**.
- Categorisation in expected ROI: The overwhelming majority of social enterprises expect a return within one year. 24% of the organizations expect the introduced innovation to pay off in the medium term, i.e. 2 to 5 years. None of the interviewees mentioned a timeframe beyond five years.

## 6.3 Innovation process<sup>20</sup>

The Belgian SELUSI research suggests that Belgian social enterprises widely leverage both external and internal resources to define and develop their innovations. Over a quarter of the enterprises collaborate with other organizations in the same field or sector to develop new projects. An equally high share of enterprises sources in intelligence and guidance from consultants and commercial labs.

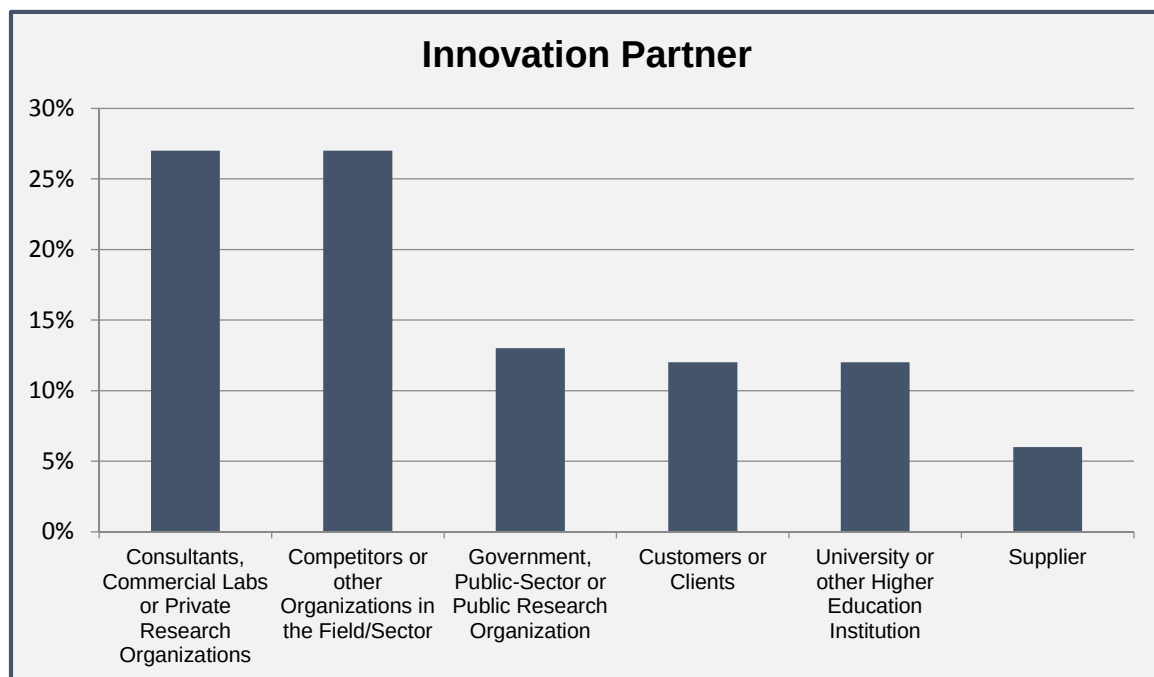


Figure 7: Innovation partner (N=61)

<sup>20</sup> Huysentruyt, M., Kint, A., and Weymiens, S. 2013. "Mapping of social enterprises in Belgium." i-propeller with support of the King Baudoin Foundation.

## 7. Impact of social enterprises

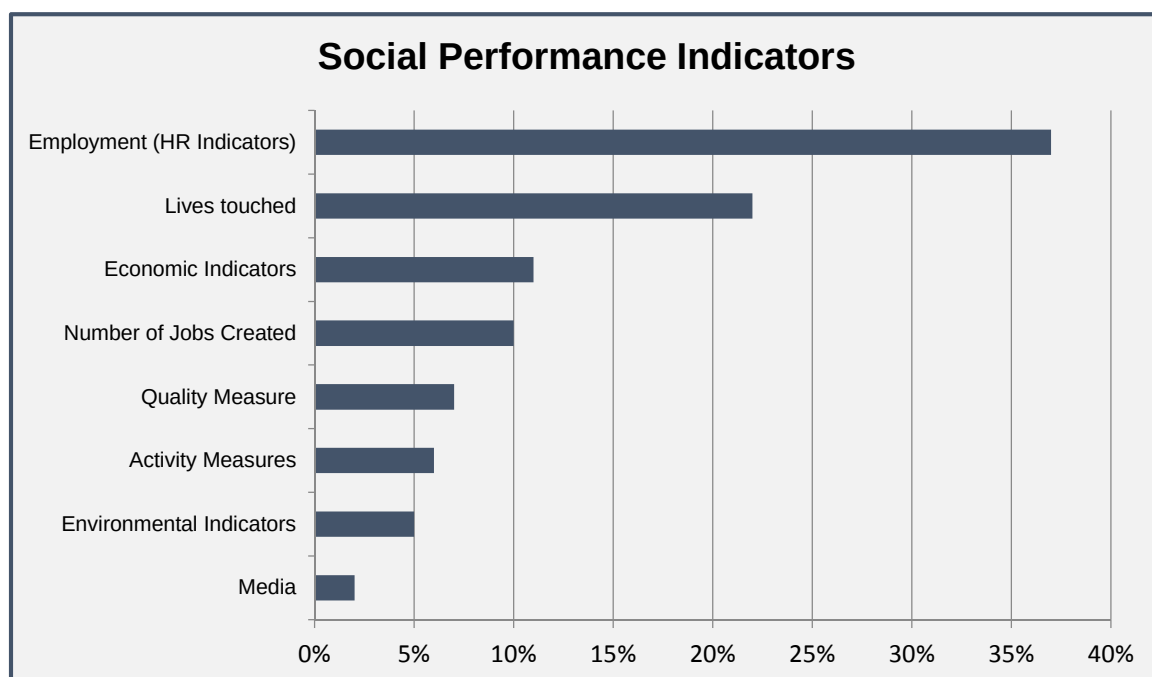
“Just like civil society may demand companies to be transparent, to show good governance and to be effective in reaching their goals, may the rest of the world, companies included, demand the same from civil society.”

- Lucie Evers, social entrepreneur (Column on MVOVlaanderen.be)

### 7.1 Impact measurement: does this take place?<sup>21</sup>

- 80% of the social enterprises interviewed reported that they have at least one indicator in place to track their social impact.
- Most of the interviewees expressed high interest in strengthening their approach to impact measurement.

### 7.2 Impact results and dimensions<sup>21</sup>



**Figure 8: Overview of the relative weight of different social impact metrics. N=164 indicators in total, 63 respondents. See Annex for explanation of the Main Social Performance Indicators.**

- The highest share of indicators mentioned was employment-related. This is notably consistent with the earlier findings that many enterprises deploy the employment model (as operational model) and undertake activities linked to training and job creation for deprived and disabled individuals in Belgium.
- Interestingly, we observed some uncertainties amongst the respondents regarding the scope of social impact to be taken into account. While some showed a very advanced thinking on social impact measurement, in general, we note two trends:

<sup>21</sup> Huysentruyt, M., Kint, A., and Weymiens, S. 2013. "Mapping of social enterprises in Belgium." i-propeller with support of the King Baudoin Foundation.

- o Lack of in-depth and tailored indicators to capture the entire social impact of the organization
- o Dissociation of the social performance indicators and the social mission (for ex. Only HR indicators expressed as social performance by an environmentally oriented social enterprise).

### **7.3 Trends and developments related to social impact**

The first Social Impact Bond in Belgium was launched in April 2014. This new Social Impact Bond brings together actors from the public sector (Actiris, the Brussels agency for employment), a non-profit (Duo for a Job) and social investors (gathered by Kois Invest) in a quest for a common objective: the reduction of unemployment among young migrants in Brussels. Brussels-based 'Duo for a Job' has been selected to serve that objective and will benefit from the capital raised via this new financing mechanism. Duo for a Job's innovation is a new approach to professional insertion of migrants: migrant jobseekers are 'matched' with experienced local retirees, and the so-called 'duos' work together during a period of six months to connect the migrant to local networks and help him/her find a professional opportunity. Simultaneously, more experimentation with new social impact-driven financial instruments is well underway (see for instance, the Oksigen Accelerator), and various initiatives are undertaken to raise awareness about the value of social impact measurement amongst social entrepreneurial initiatives.

## 8. Overview of studies

- Berghmans, M., Deprez, S., Celis, H., and Vandenabeele, J. 2014. "Peilen naar de impact van sociaal—culturele praktijken." Socius.
- Defourny, J., and Nyssens, M. 2010. "Conceptions of Social Enterprise and Social Entrepreneurship in Europe and the United States: Convergences and Divergences." *Journal of Social Entrepreneurship*, 1: 32-53.
- Huysentruyt, M., Kint, A., and Weymiens, S. 2013. "Mapping of social enterprises in Belgium." i-propeller with support of the King Baudoin Foundation.
- ICF GHK. 2013. "A Map of Social Enterprises and their Eco-Systems in Europe." European Commission, DG Employment, Social Affairs and Equal Opportunities.
- Marée, M., Gijssels, C., Loose, M., Rijpens, J., and Franchois, E. 2008. "Les associations en Belgique: Une analyse quantitative et qualitative du secteur." This research was published by the King Baudouin Foundation.
- Mertens, S. 2010. "La gestion des entreprises sociales." Edipro, Liège.
- Stevens, R. and Moray, N. 2014. "Attention allocation to multiple goals: the case of for profit social enterprises." *Strategic Management Journal*. Forthcoming.
- Stevens, R., Moray, N. and Bruneel, J. 2014. "The economic and social mission of social entrepreneurs: Dimensions, measurement and relation." *Entrepreneurship Theory and Practice*. Forthcoming.
- Terjesen, S., Lepoutre, J. Justo, R., and Bosma, N. and the Global Entrepreneurship Research Association. 2011. "Global Entrepreneurship Monitor: Report on social entrepreneurship - Executive Summary". GEM Consortium.

## 9. Annex 1: Operational models explained

Operational models describe how social enterprises align social and economic value creation<sup>22</sup>.

### 1. Employment model

The organisation provides employment opportunities and job training to its target population or people with high barriers to employment.

### 2. Cooperative model

The organisation provides direct benefits to its target population or clients through member services: market information, technical assistance, collective bargaining power, economies of bulk purchase, access to products and services, etc.

### 3. Market intermediary model

The organization provides services to its target population or clients, usually small producers to help them access markets.

### 4. Entrepreneur support model

Similar to the market intermediary model, the organisation sells business support and/or financial services to its target population or clients, which are self-employed individuals or firms. Its mission centers on facilitating the financial security of its clients by supporting their entrepreneurial activities.

### 5. Fee for service and/or product model

The organisation commercialises its social services and/or products, and sells them directly to the target population or clients, individuals, firms, communities, or to a third party player.

### 6. Low-income client model

The low-income client model is a variation of the fee for service and/or product model. The organisation designs and sells services specifically to low-income clients.

### 7. Service subsidisation model

The organisation sells products or services to an external market and uses the income it generates to fund its social programmes. Social and business activities may only align weakly.

### 8. Organisational support model

The organisational support model is similar to service subsidisation model, but the business activities are separate from the social programmes through different legal entities.

<sup>22</sup> Based on **Alter, Sutia K.** 2006. "Social enterprise models and their mission and money relationships." In *Social Entrepreneurship: New Models of Sustainable Social Change*, edited by A Nicholls, 205–232. Oxford: Oxford University Press.

## 10. Annex 2: Main social performance indicators

### 1. Lives Touched

- Number of beneficiaries and/or clients served/attended
- Number of volunteers
- Number of member organizations
- Number of people empowered
- Other lives touched

### 2. Employment

- Number of beneficiaries employed
- Number of beneficiaries placed in external jobs
- Other employment indicator

### 3. Economic indicators

- Productivity
- Sales
- Revenues
- Profitability/surpluses
- Other economic indicator

### 4. Environmental indicators

- Amount recycled
- Carbon footprint
- Other environmental indicators

### 5. Activity measure

- Number of projects, services and/or products provided to clients/beneficiaries
- Number of new projects, services and/or products provided to clients/beneficiaries
- Other activity measure

### 6. Quality measure

- Success of projects, initiatives, etc
- Client and beneficiary satisfaction
- Quality of participation or involvement of beneficiaries and/or volunteers
- Other quality measures

### 7. Social audits (SROI etc.)

### 8. Media

- No. of website visits
- No. of appearances in the media
- Other media indicators

### 9. No. of public policy changes that we have influenced

### 10. No. of other organizations replicating our model

### 11. Other





**KU LEUVEN**

  
Aston Business School

  
Hertie School  
of Governance

**UAB**  
Universitat Autònoma de Barcelona



**UnLtd** 

  
**OKSIGEN LAB**  
for social entrepreneurship

  
**iPROPELLER**  
OPEN INNOVATION

**NPI** initiative



This project has received funding from the European Union's Seventh Framework Programme for research, technological development and demonstration under grant agreement no 613500.