

## Chapter 2

# Social Innovation Factory: An early-stage business support structure, Belgium (Flanders)

*The Social Innovation Factory is a support structure for early-stage businesses support that also raises awareness about social innovation and social entrepreneurship. The chapter describes the organisation's objectives, rationale and activities. It presents the challenges faced in implementing its programmes and the impact achieved to date. It concludes with the lessons learnt and the conditions for transferring this practice to another context.*

### Summary

The Social Innovation Factory was established in Brussels (Belgium) in 2013 by a mix of civil-society organisations (CSOs), social enterprises and private companies. Its mission is to raise awareness of social innovation and social entrepreneurship, and to enable its stakeholders to tackle challenges in a socially innovative and entrepreneurial way.

Innovation falls within the competence of Belgium's regional governments. The Factory's main subsidies come from the Agency for Innovation and Entrepreneurship (a recent fusion of the Agency for Entrepreneurship and the Agency for Innovation through Science and Technology), which falls under the authority of the Ministry of Work, Economy and Innovation in the Flemish region. The Factory was initially designed as an Innovation Platform funded by the Agency for Innovation through Science and Technology, which funded various Innovation Platforms acting as support structures to promote innovation in specific sectors such as food, mobility, media and logistics.

In Flanders, "social innovation" was initially defined as workplace innovation (SERV, 2008), but was later expanded to include all innovative answers to societal challenges (VRWI, 2011). One of the Social Innovation Factory's core tasks as an Innovation Platform

was to identify and help develop projects falling under the budget earmarked for social innovation. Thus, the Factory should not be perceived as focusing solely on supporting start-up social enterprises.

The Factory's main impact and strength lie in informing and helping people start their entrepreneurial project, without necessarily accompanying them along the entire trajectory, to the launch of their product or service. The Factory offers services such as face-to-face assistance by process managers, enrichment sessions with experienced innovators, workshops and boot camps. It also runs broader communication and awareness campaigns, and organises numerous networking opportunities for all stakeholders involved. It has helped more than 300 innovators test and validate their ideas, and has identified a large number of enablers (funders and experts) who support innovators where needed.

An interesting feature of the Social Innovation Factory is that it works with an alternative barter currency, the SIF. People use Factory services in exchange for helping someone else; all of the transactions in this virtual currency are translated into euros in the financial accounting system, so that in-kind resources are converted into financial resources.

### Key facts

The Social Innovation Factory was formally established as an “association without lucrative purpose” (*vereniging zonder winstoogmerk* [vzw], the Flemish legal term for a not-for-profit organisation) in March 2013. The consortium of 17 founding partners were a mix of social enterprises,<sup>1</sup> private companies<sup>2</sup> and CSOs.<sup>3</sup>

The Flemish government committed to funding the Factory with a maximum EUR 640 000 (euros) (80%) per year, providing the Factory raised EUR 160 000 (20%) in co-funding by the end of 2016. This strict 80%-20% budget rule will apply after a period of four years, at which time the percentage of government funding will be reconsidered and will possibly decrease; until then, the balance of funding can vary every year. In 2016, the Factory secured approximately EUR 250 000 in European Union funding<sup>4</sup> for the “Spark Social Enterprise” project running from 2016 to 2019.

The Factory's two constitutive bodies are its board and general assembly, both of which ensured a strict balance of members from (social) enterprises and CSOs over 2013-16. The board comprises 9 members and the general assembly 16 members, equally distributed among representatives from companies and/or social enterprises, CSOs and the government. In April 2016, based on an evaluation of the first three years, and an assessment of future (mainly funding) challenges and needs, the general assembly changed a few of the Factory's statutes and eliminated the strict “balance” requirement in both bodies. Thus, selection of new board members focuses more on individual competencies, rather than professional backgrounds.<sup>5</sup>

The Factory's services mainly target innovators – people who have a concrete idea and want to implement a project. However, the Factory also reaches out to “potential innovators” – people who appear to be in a good position to explore a more socially innovative approach to their work – as well as the broader public and enablers. Over the years, it has built a large network of funders and experts, ready to enable social innovators and social entrepreneurs.

## Objectives

Three important principles define the Factory's work. First, the Factory reaches out to all individuals and organisations, whether commercially oriented or not (Social Innovation Factory, 2015a). This allows true involvement of all societal actors, and greatly enriches their knowledge and skills. Second, the Factory works at the early stages of the innovation funnel. Third, the Factory relies on a bottom-up approach.

The Factory's long-term goal is to help all kinds of stakeholders – social organisations, companies, individuals, academia, and government actors – contribute to social wellbeing of the society. To this end, it aims to:

- raise awareness of social innovation and social entrepreneurship
- enable actors to tackle challenges in a socially innovative and entrepreneurial manner.

During its early years, the Factory learned to work with four target groups – the public, potential innovators, innovators and enablers from civil-society groups, social enterprises and companies<sup>6</sup> (Social Innovation Factory, 2016a). While the Factory encourages all actors to build a solid financial basis for their innovations, it does not exclude projects that generate societal gains only, without economic returns.

## Rationale

The overall societal context in Flanders has been one of growing awareness of “complex problems”, such as obesity, poverty, and environmental challenges. Policy makers and social actors have begun to realise that these problems cannot be solved by known methods or traditional actors only. They require new and innovative approaches.

Subsidy cuts have made the need for social innovation and social entrepreneurship more acute. Many CSOs have faced decreasing subsidies in recent years, and are increasingly exploring ways to generate income from non-governmental sources. At the same time, traditional CSO funders are increasingly focusing on impact measurement, often linked with economic valorisation. The growing exploration of social impact bonds illustrates this trend.

A number of CSOs have paid attention to social innovation for some years, even though innovation policies have mainly focused on technological innovation and its economy valorisation – rather than social gains – first. In a 2009 memorandum to the Flemish government, the CSO umbrella organisation Verenigde Verenigingen defined social innovation as one of the priority working areas of civil society (Verenigde Verenigingen, 2009). Private companies also showed a growing interest in contributing to a better society through “corporate social responsibility” initiatives and networks (e.g. Kauri, and Business and Society, recently merged into The Shift<sup>7</sup>) bringing together civil-society actors and companies.

In 2012, civil society actors (represented by Verenigde Verenigingen) and the social enterprise i-propeller jointly issued an official request to the minister responsible for innovation to fund the Social Innovation Factory. This proposal was welcomed by the government, which saw the need for raising awareness on new concepts such as social innovation and social entrepreneurship. The fact that some large companies backed the demand was probably instrumental in the government's decision. Around the same time, a recently established social impact investment fund (SI2-fund) had collected about EUR 12 million in a very short time – another indication that private funds were willing to jump into the fray.

## Activities

The Factory wants to inspire people in different sectors – e.g. sports, youth, culture, education, and companies – to look at the world through the lens of social innovation and social entrepreneurship. People who have an idea or concept can attend an orientation session. Using a standard template, they present their idea to the Factory’s process managers, who inform them on access to finance, knowledge and/or contacts. Some of the innovators are referred to follow-up services.

**Payment for services:** an innovative element is the Factory’s use of a virtual currency called the “SIF”. An innovator who receives help during an enrichment session must pay a certain amount of SIF, logged in a debit balance; the innovator clears the balance through an in-kind contribution (e.g. helping another innovator enrich a concept, acting as a speaker, or writing a blog post on social innovation) and receives full accounting documentation, with invoices for services received and credit notes for services delivered. A rigorous monitoring system ensures that all balances are cleared within a year, allowing the Factory to manage the learning network’s growth. All SIF transactions are translated into euros in the Factory’s accounting system. In this way, in-kind resources are counted as privately generated income, and can be used to reach the 20% co-funding requirement. Thanks to the SIF, participants feel recognised and useful, and greatly appreciate this creative and innovative way of working (Social Innovation Factory, 2015b).

**Networking (Factory learning network):** the Factory engages innovators and enablers in annual events, focus groups, and networking opportunities (such as the Social Pitch Box<sup>8</sup>). It has constructed an extensive database, matching innovators with specific needs with innovators or enablers with the corresponding expertise; both are then invited to participate together in an enrichment session. The Factory also organises workshops (e.g. on pitching, financing and impact-driven business modelling), peer tables (e.g. on food waste or community care) and boot camps on social entrepreneurship.

**Knowledge-building:** to further knowledge in the field, the Factory has launched an **action research** on measuring and evaluating impact.<sup>9</sup> Along with the European project “Spark Social Enterprise”, it aims to improve the capacity of social enterprises, by creating more effective models and support tools. The Factory also takes potential innovators on “field trips” (called “Safaris”) to visit innovations related to their sector, and organises “inspiration sessions” that show companies or organisations positive examples of social innovation in their sector.

**Communication:** in May 2015, the Factory and a number of partners (including the newspaper *De Standaard*<sup>10</sup>) ran the “Radical Innovators” campaign, a large-scale search to identify radical innovations for a better world. The search generated 335 results, from which a panel of judges chose 10 winning innovations. Thanks to the broad media coverage, the campaign informed a wide audience on the concepts of social innovation and social entrepreneurship.

## Challenges encountered and impact

### Challenges

The Factory welcomes all themes or requests submitted by innovators or enablers, and hence does not impose a specific thematic approach. As a result, some actors – including some ministers in the Flemish government – feared that the Factory would absorb funding that would otherwise have been dedicated to other policy domains. Some CSOs also worried that

the inclusion of actors primarily driven by financial gains would jeopardise social innovations that would never generate market revenues. Finally, for-profit actors were concerned about the decrease in innovation budgets initially intended for companies. However, thanks to the boldness and dedication of a small group of committed and well-placed individuals (from major civil-society groups, large companies, pioneering social enterprises and government cabinets), the initial reluctance was overcome in a relatively short time.

The Factory's main mission and strength lies in informing and helping people get started without accompanying them along their entire innovation trajectory. However, defining where exactly it stops providing assistance is challenging. The Factory will need to explore this question in collaboration with a variety of (newly emerging) support structures and intermediary organisations, based on how they perceive their role.

Considering the future decrease in subsidies, the limited participation of larger institutions (both traditional civil-society actors, such as unions and socio-cultural organisations, and social enterprises) in the Factory's network will need to be addressed. The Factory's relationships with these stakeholders are rather weak, probably owing to its strong focus on innovation, as well as newly emerging trends and organisations. Hence, the Factory will need to focus on building stronger relationships with bigger "established" actors working in its fields of activity.

In the same vein, despite large corporations' growing interest in social entrepreneurship and innovation, as well as their initial support of the Factory, few are actually involved in the network. Those companies that do find their way to the Factory often have well developed "corporate social responsibility" strategies, but fail to incorporate social impact directly into their core activities.

Finally, the Factory's funding situation in the near future is at risk. The government believes that companies and civil-society groups themselves are responsible for further developing social innovations, and is gradually pulling out. Even though this evolution is not unexpected, the Factory is under great pressure to find alternative income, e.g. from sponsoring, partnerships, participant fees, speaker fees and fees for service.

### **Impact**

The Factory's first English-language publication (Social Innovation Factory, 2015b) presented an overview of social issues addressed through its network, such as poverty, aging population, climate change, diversity, social cohesion and urbanisation; the bulk of innovators work on establishing new partnerships and connections.

The Factory helps them with business modelling, finding partners, evaluating their impact, upscaling and analysing their target group. To a lesser extent, it also provides support on communication, value proposition, methodology and co-creation (Social Innovation Factory, 2015b).

The Factory has managed to reach a very wide and diverse audience in a relatively short time, raising awareness of social innovation and social entrepreneurship among civil-society actors. Observers notice a cultural shift within civil society, with a new impact-related language and openness to new ways of financing.<sup>11</sup> This can provide an opportunity for further developing the Factory's activities.

More than 400 innovators have tested and validated their ideas with the Factory, which receives a constant influx of new innovators. While most are individuals who are not embedded in an organisational structure, existing social enterprises innovate as well.

The Social Innovation Factory works with a set of key performance indicators (KPIs), which are evaluated every year in the framework of their subsidy agreement with the government. The Factory's 2016 Action Plan presents the following table of expected and actual results on KPIs (Table 2.1.).

Table 2.1. **Social Innovation Factory KPIs**

KPI	2016 target	2013	2014	Expected for 2015	Expected for 2016	2013 – 20 expected total
KPI-1 - Number of companies/organisations contributing financially to operating costs	48	11	48	83	85	227
KPI-2 - Contribution (in EUR) of companies to projects started in this year	8.83M	140 810	1.1M	1.1M	1M	3.37M
KPI-3 - Number of activities and events organised (or co-operated)	204	22	60	65	60	207
KPI-4 - Event participants	6 510	1 005	2 400	2 900	2 400	8 705
KPI-5 - New services and/or products generated by projects	30	/	7	15	10	32
KPI-6 - Number of Flemish companies or organisations involved in Factory projects	256	7	27	87	65	186
KPI-7 - Number of companies and organisations using project results in a commercial or R&D trajectory	96	/	...	58		96
KPI-8 - Number of European project proposals with Factory participation or facilitation	10	1	3	2	2	8

Source: Social Innovation Factory (2016b).

The Factory monitors a range of other output indicators, such as the number of actors reached (7018 in 2015), the number of orientation meetings organised (111 in 2015) and the number of enrichment sessions organised (55 in 2015) (Social Innovation Factory, 2015a).

Table 2.2. presents an analysis of the Factory's strengths, weaknesses, opportunities and threats (SWOTs).

Table 2.2. **SWOT analysis of Social Innovation Factory**

Strengths	Weaknesses
<ul style="list-style-type: none"> <li>● Wide network, with a broad variety of actors</li> <li>● High output: increasing number of innovations initiated by individuals (not embedded in existing organisations)</li> <li>● Brokering role in an extensive and diverse network</li> <li>● Strong in early phases of the innovation funnel</li> <li>● Lean organisational model, where relatively modest operational costs generate substantial output</li> <li>● Focusing on a brokering role in a huge network to connect innovators with helpers to achieve greater impact</li> </ul>	<ul style="list-style-type: none"> <li>● Lower output: small number of innovations initiated by existing social organisations</li> <li>● Unclear when to stop providing support</li> </ul>
Opportunities	Threats
<ul style="list-style-type: none"> <li>● Cultural shift is taking place in CSOs, with a new impact-related language and openness to new ways of financing</li> </ul>	<ul style="list-style-type: none"> <li>● Unstable funding situation</li> <li>● Weak relationships with establishment actors (traditional civil-society groups, large companies)</li> </ul>

## Lessons learnt and conditions for potential replicability

### Lessons learnt

A solid demand needs to exist for supporting social innovation and social entrepreneurship, combined with a critical mass of intermediaries already working on these issues. Without this demand, an initiative such as the Factory runs the risk of being no more than a promotional tool, with its users continuing to do business as usual.



This demand must come from different actors in society. In Flanders, it grew simultaneously within civil-society groups, social enterprises, companies, grant makers and government, leading to a partnership among equals where no one felt manipulated.

In the start-up phase, the civil-society actors and social enterprises involved in the Social Innovation Factory spent considerable time reaching a common understanding of the concepts of “social innovation” and “social entrepreneurship”. When is an action “socially innovative”? Can a non-profit organisation be called a “social enterprise”? The Factory’s advisory board developed 13 criteria for scoring a socially innovative concept. However, they also acknowledged that consensus may be hard to reach, which should not hinder taking action.

### **Conditions for potential replicability**

As a support structure, the Factory could be replicated in other countries and regions. However, since it provides only limited direct economic returns, a (local, regional or national) government must step in with funding – at least until most stakeholders widely recognise the added value of social innovation.

The government must also embed a social-impact criterion in its innovation policy. The Factory falls under the innovation policy area of the Flanders region, which was initially mostly technology-oriented and focused on economic valorisation of innovations. Thanks to the Factory, the government innovation agency included a social value-criterion in its list of funding criteria, inviting not only social actors to innovate, but all actors to consider their innovations’ social dimension.

The cross-fertilisation benefits derived from uniting civil-society actors and (social) enterprises in a single structure is another interesting element. Because equal importance is granted to an entrepreneurial mindset and skills on the one hand, and knowledge on societal issues on the other hand, the two groups truly meet on an equal footing and can collaborate for the greater good.

Finally, the use of an alternative currency opens the learning network to everyone, valorises all participants’ competencies and truly engages all the network members. This innovative feature has good potential for replicability. However, legal and fiscal advice should be sought when establishing an alternative currency, to avoid accusations of fraud or competitive distortion – especially when other market players offer similar services for “regular” payment.

### **Notes**

1. I-propeller, Joker Toerisme; Boobs-n-Burps; Youth & Urban Projects; Social Innovation Accelerator; Triodos Bank.
2. Tessenderlo Chemie.
3. Vlaams Netwerk van verenigingen waar armen het woord nemen; Bond Beter Leefmilieu Vlaanderen; Union Nationale des Mutualités Socialistes-Nationaal Verbond van Socialistische Mutualiteiten; Algemeen Christelijk Werknemersverbond – Mouvement ouvrier chrétien; Federatie van Organisaties voor Volksontwikkelingswerk; De Ambrassade; vzw Samen; Forum voor Amateurkunsten.
4. Within the framework of Interreg 2 Seas 2014-2020, a European Territorial Cooperation Programme covering England, France, the Netherlands and Belgium (Flanders), part-financed by the European Regional Development Fund. For more information, please refer to: [www.interreg2seas.eu/](http://www.interreg2seas.eu/).
5. Interview with Kaat Peeters, general manager of the Social Innovation Factory.

6. In Belgium, social enterprises operate under various legal structures, such as association without lucrative purpose, co-operative, co-operative with social purpose, company with social purpose, or even regular company. A commercial enterprise can choose to be a “social-purpose company” (*société à finalité sociale/vennootschap met sociaal oogmerk*). These enterprises embed their social goal in their statutes and have restrictions when it comes to paying dividends. At its inception, the Social Innovation Factory decided not to focus exclusively on “social-purpose companies”, as not all entities that effectively act as social enterprises have adopted this legal status. Recent research has revealed the need for establishing a better legal and fiscal framework for social enterprises (I-propeller, 2013).
7. For more information, please refer to: [www.theshift.be](http://www.theshift.be)
8. For more information, please refer to: [www.socialpitchbox.com](http://www.socialpitchbox.com)
9. For more information, please refer to: [www.impactnetwerk.be](http://www.impactnetwerk.be)
10. For more information. Please refer to: [www.standaard.be](http://www.standaard.be)
11. Based on a 2016 interview with Anne Demeulemeester.

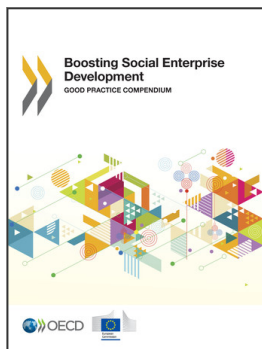
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### Further reading

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