Chapter 5

Copenhagen Project House (KPH): An incubator for social start-ups, Denmark

Copenhagen Project House (KPH) is a local incubator facilitating the entrepreneurial process from idea to action. The underlying business model of the KPH incubator rests on a robust multi-partner mentoring scheme and strong partnerships. This chapter describes KPH objectives, rationale and activities. It also presents the challenges faced in implementing the scheme and the impact achieved. It concludes with the lessons learnt and conditions for transferring this practice to another context.

Summary

Copenhagen Project House (KPH) is a Danish incubator that facilitates the entrepreneurial process – from idea to action – for social enterprises and innovative organisations working on social, cultural and environmental initiatives. KPH supports not only social enterprises (very narrowly defined in Denmark), but also entrepreneurs with a social mission.

KPH was initially fully financed by the City of Copenhagen. It aims to become financially independent by 2021, by developing a business model with membership fees as its core income, supplemented by foundation or consultancy investment, and potentially European Union (EU) financing.

KPH calls itself a “social innovation zone”, focusing on social inclusion and social responsibility. Its key objective is to support cultural and social enterprises during the early and scaling stages, so that they can become sustainable businesses and projects. KPH also operates in an open environment stimulating innovation and is based on strong mentorship programmes: all KPH members are contractually obliged to mentor or share their knowledge.
and experience with new members for a minimum of three hours per month. KPH also offers mentoring by outside experts, as well as a number of activities and networks to support its members.

KPH currently houses over 300 social entrepreneurs, more than 60 companies and organisations, and around 20 permanent cultural events in an organisation called KPH Volume. Over the last 5 years, KPH has hosted more than 2 400 entrepreneurs, working in more than 400 registered creative and social enterprises.

This case study provides insight into the lessons learnt in setting up an apolitical, independent and sustainable incubator for social enterprises, and covers the main factors enabling scaling and growth. Adopting a broad definition of social enterprises, implementing specific governance conditions that allow the incubator to attract further income streams and diversifying its service portfolio are keys to success.

Key facts

KPH is a non-profit organisation established in 2009 by a group of grass-roots youth culture organisations in a deprived area of Copenhagen. KPH rents an old, partly used tram depot, which is being gradually renovated as part of the area’s economic redevelopment plan developed by the City of Copenhagen.

From 2009 to 2012, KPH received an annual budget of approximately EUR 400 000 (DKK 2.9 million) from the Culture and Leisure Department of the City of Copenhagen. While KPH was initially designed as an initiative to deliver free services, early evidence showed that maintaining quality was difficult without an income stream. To improve its professionalism, KPH changed its business model to include membership and rental fees for the space provided. This move did not discourage social entrepreneurs; on the contrary, it created a very successful culture of acceleration.

From 2013 to 2016, the second operating agreement with the city reflected this shift through a slight change in the budget structure: KPH received EUR 320 000 (DKK 2.4 million) annually in direct funding, as well as EUR 80 000 (DKK 500 000) as a “growth package” for rent and utilities, to manage the newly established “4th Floor” programme.

KPH is currently preparing its application for the 2017-20 funding period, and plans to become 100% financially self-sustainable and independent of municipal funds by 2021. This requires expanding the workspace and possibly creating a foundation, thereby allowing it to offer different services and accept different funding sources.

Objectives

KPH has adopted an interdisciplinary approach focusing on cultural and social innovation. Its key objective is to create value for society, by helping young entrepreneurs develop non-traditional business models with a social mission at its core. KPH exclusively supports projects and organisations that have a social mission and deliver value in one of the following ways: 1) they deliver a public service in an innovative manner; 2) they create a service that enhances the public-service offering; 3) they can provide considerable savings in public funds, e.g. by delivering preventive services (such as creating employment or entrepreneurship skills for young former convicts); 4) they create employment opportunities for the hard-to-employ (e.g. immigrants); and 5) they develop a social outcome-focused service (e.g. by operating within the sharing economy or minimising food waste).
The initial agreement between KPH and the city of Copenhagen stated the following objectives:

- foster the development of social, creative and traditional enterprises
- contribute to the community socially, culturally and environmentally.
- The management and board of KPH added the following objectives:
  - strengthen inter-sectoral partnerships by actively linking the public, private and voluntary sectors
  - give Copenhagen a leading role in social, cultural and environmental innovation
  - focus on market failure areas where the municipality is not active, but where a need exists for new services.

**Rationale**

Today, social enterprises enable innovation within the public sector, particularly within social welfare; they address social issues that the public sector has failed to tackle. The European challenge is to grow and support the right kind of support structures for these emerging social and economic players. Incubators and accelerators play a crucial role in fostering, supporting and scaling social enterprises.

The Nordic countries currently face major challenges in maintaining and developing social welfare, and Denmark is no exception. As highlighted by the European Commission (2014), while Denmark has “a long tradition of third sector/voluntary sector involvement in delivering welfare benefits” and supporting the Danish society and culture at large, “the concepts of social economy and social enterprise are relatively new” to the country. This is reflected in the absence of a common definition for – and consensus on the potential of – social enterprises. The government’s National Civil Society Strategy, established in 2010, defines social enterprises as not-for-profit enterprises that:

- have a social, health-related and/or environmental purpose
- sell services and/or products
- reinvest any surplus in the enterprise and its purpose
- are organisationally independent of the public sector
- possess a Central Business Register number (i.e. are formally registered as an enterprise).

This means that Denmark essentially distinguishes between social enterprises, social projects and voluntary organisations that rely entirely on membership contributions and public funding (European Commission, 2014). Enacted in 2013, the Danish Act on Registration of a Social Enterprise reflected this narrow definition and established a voluntary registration system for social enterprises. Yet many social enterprises fear that registering would hinder their ability to attract funding, as many investors, and public and private sector actors, believe social entrepreneurs do not have a strong business sense. In fact, surveys show that most organisations that fit the definition of a social enterprise register under other legal forms, e.g. associations, voluntary organisations, private limited companies, self-governing institutions, funds and foundations.5

Attempts have been made to estimate the size and potential of the Danish social enterprise sector, which fluctuates widely depending on the definition used. The most recent estimate suggests that Denmark numbers around 300 social enterprises, with some
3 500 full-time employees (European Commission, 2014). This figure represents only a small share of enterprises and employment in Denmark; it does not reflect the wider social enterprise sector and the total number of volunteering arrangements in the country.

Initially, the social economy had strong national political support, as evidenced by the establishment of both the Centre for Social Entrepreneurship and Centre for Social Economy in the mid-2000s. The new government in place since 2015 has been less eager to provide support, however, owing to the lack of uptake in registering social enterprises and the perceived marginal economic value expected from the social economy. Nevertheless, the government is investigating ways of supporting social innovation (Beck-Nilsson, n.d.), by focusing on a wider definition of social enterprises and their transformative potential – particularly in the context of welfare reform – to enhance social cohesiveness and resource efficiency.

The social enterprise market depends not only on national policy, but also on the willingness of Danish municipalities to procure services through social enterprises. At the municipal level, the stakeholders interviewed for this report felt that multiple silos needed to be overcome to effectively support and develop social enterprises. They pointed to weak collaboration between local/national policies and social enterprise initiatives, hindering their ability to scale. They also noted that municipalities seek to differentiate themselves, rather than collaborate and align, further weakening the impact of social innovation at the regional and national levels.

**Activities**

In co-operation with the City of Copenhagen, KPH provides affordable workspace and an open interdisciplinary network offering professional training and networking events. New and established businesses, as well as entrepreneurs and public sector actors meet and discuss ideas, often leading to collaborations that produce better solutions for society, as well as new business opportunities for social and cultural entrepreneurs.

The underlying business model of the KPH incubator rests on a robust multi-partner mentoring scheme and strong partnerships. The following key activities in particular support these collaborative partnerships:

- **Integrated support by the city and key relevant partners**: representatives from the private sector and the non-profit community often speak at KPH events and offer guidance to its members. In return, experienced permanent staff from KPH and its incubated social enterprises often help Copenhagen develop approaches to topics such as the sharing economy and green social-business models. Furthermore, the KPH board – which includes members of other relevant incubators, foundations and social finance institutions – offers advice and access to knowledge and information.

- **Business-development services**: the key objective of the KPH programme is to help cultural and social enterprises become sustainable businesses and projects. KPH offers both early-stage and scaling support for more mature enterprises (typically two years old) for a period of four to five years on average.

- **Coaching and mentoring**: Every member of KPH is obligated to mentor peers for three hours per month. Members of the KPH extended network, including experts from both the public and private sectors, also provide mentoring on a case-by-case basis.
KPH offers its services in different buildings and floors, and brands its key activities accordingly:

- **The 3rd Floor** is an incubator and accelerator where young social and cultural entrepreneurs (15-30 years old) meet their peers and get help realising their ideas. Each new entrepreneur is assigned a mentor from the 4th Floor who fosters collaboration among the 3rd Floor residents; introduces them to other KPH entrepreneurs, companies and organisations; and ensures they engage in activities and events provided by the KPH network.

- **The 4th Floor** is a co-location space for more established social enterprises, presenting a good diversity in terms of company size, business areas and competencies. Its uniqueness compared to other traditional business centres is that its members are required to spend at least three hours every month mentoring new 3rd Floor entrepreneurs. This fosters consistency in the KPH ecosystem, and the sharing of skills and resources.

- **KPH Volume** is a multi-functional event space opened in 2011 that can hold up to 800 participants. KPH members and other external parties can rent the space to organise events aiming to raise awareness and garner support for their projects and enterprises. The space has hosted over 200 events, with 20 000 people participating every year.

**Challenges encountered and impact**

**Challenges**

KPH’s greatest challenge is to decrease its dependency from the City of Copenhagen, while maintaining strong relations with the public sector. It aims to reach a more balanced and collaborative relationship with the city. The agreement between KPH and the city includes a number of measures and targets for KPH, which are monitored and must be reached every year. KPH would like to introduce mutual targets, which would also concern the municipality, and could include the amount of successful partnerships brokered for social enterprises, services procured by social enterprises, events co-designed with KPH, or mentoring hours provided. KPH also faces increasing competition among co-working spaces. Its core challenges are the necessity to diversify its financial sources, as well as consistently determine the value it brings to society.

**Impact**

KPH now houses over 300 social entrepreneurs, more than 60 companies and organisations, and around 20 permanent cultural events at KPH Volume. In 2015, 3 740 people (360 permanent social enterprise and KPH employees, 70 interns and over 3 300 volunteers) worked on KPH-incubated projects. Over the last 5 years, more than 2 400 entrepreneurs, working in more than 400 registered creative and social enterprises, have been involved in KPH.

Table 5.1. gives an overview of the number of KPH-supported projects and people employed in these projects, measured in full-time employed (FTE)-equivalent.

KPH activities have had positive impact on network members and the community at large, as described below.

**Sparring partners**: the extensive KPH network of private partners has helped meet entrepreneurs’ small practical needs (e.g. for professional audio and lighting equipment, a van, sponsorship, DJs and even volunteers). The network has also brokered substantial
partnerships, yielding opportunities to test ideas in co-operation with experienced entrepreneurs, organisations and businesses, as well as producing new business prospects and investors.

Table 5.1. **Number of projects supported by KPH and people employed in these projects**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of KPH-supported projects (including social enterprises)</th>
<th>Number of people employed in these projects (FTE)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009</td>
<td>33</td>
<td>117</td>
</tr>
<tr>
<td>2010</td>
<td>32</td>
<td>127</td>
</tr>
<tr>
<td>2011</td>
<td>36</td>
<td>280</td>
</tr>
<tr>
<td>2012</td>
<td>87</td>
<td>510</td>
</tr>
<tr>
<td>2013</td>
<td>80</td>
<td>500</td>
</tr>
<tr>
<td>2014</td>
<td>52</td>
<td>450</td>
</tr>
<tr>
<td>2015</td>
<td>90</td>
<td>500</td>
</tr>
</tbody>
</table>

Source: KPH (2016).

**Local co-operation:** thanks to its physical location in southwest Copenhagen, KPH has established many collaborations with local actors, such as the neighbouring skate park and the street-sport youth organisation GAME. KPH also plans to collaborate with two districts of Copenhagen, the Meatpacking district – renowned for its commercial and cultural life – and Carlsberg City, which is currently developing to attract young creative people. In addition, KPH is considering a partnership with the newly opened Carlsberg Campus of University College UCC.8

**Networking:** KPH social and cultural entrepreneurs have organised more than 400 local, national and international events at KPH and KPH Volume, and over 3 300 events and activities around Copenhagen. KPH has helped create networks, as well as develop new concepts and skills. For example, the Social Business Company has held meetings and mini-conferences at KPH, where networks of corporate social responsibility managers and socially responsible companies develop solutions that create social and business value.

**Public-private partnerships:** KPH co-operates with a number of public institutions and authorities. It serves as a catalyst for public-private partnerships: its secretariat is both the entrance to the public sector for KPH members, and the broker between public bodies and social entrepreneurs. For example, the “Sharing Copenhagen” project, which provides a framework for green partnerships between the city and its many environmental stakeholders, has engaged in a public-private partnership with KPH. Since 2014, KPH has also built a network of enterprises with a social mission in the Greater Copenhagen area.9 In 2015, it facilitated various small pre-accelerator programmes for promising social enterprises employing disabled people in Copenhagen.

**Mentorship programme:** KPH is the manager and facilitator of a mentor programme for seven registered social enterprises, which are matched with ten mentors from the public, private and educational sectors. The goal is to assist social enterprises at a time when they have proved the success of their concepts and are on the way to becoming mature businesses.

Table 5.2. shows an analysis of the strengths, weaknesses, opportunities and threats (SWOTs) facing KPH.
Table 5.2. **SWOT analysis of KPH**

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Opportunities</th>
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<tbody>
<tr>
<td>Independent organisational set-up (not set up as part of the municipality)</td>
<td>Shift towards self-sustainable business model</td>
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<tr>
<td>Co-working space</td>
<td>Growth through creating more space for social enterprises</td>
</tr>
<tr>
<td>Knowledge sharing</td>
<td>Future approach may include a franchise concept for other municipalities</td>
</tr>
<tr>
<td>Application of a “fast acceleration methodology” through its mentoring schemes</td>
<td>Denmark or internationally</td>
</tr>
<tr>
<td>Clear contract with members</td>
<td>Creation of an innovation fund</td>
</tr>
<tr>
<td>Diverse business models supported by KPH</td>
<td>Better promotion through strategic use of social media</td>
</tr>
<tr>
<td>Clear outcome goals</td>
<td>Higher impact by fostering more collaboration between KPH and private sectors</td>
</tr>
<tr>
<td>Creation of social value</td>
<td>Focus on students across different educational tracks (including vocational training)</td>
</tr>
<tr>
<td>Open innovation culture</td>
<td>Focus on unemployed youth</td>
</tr>
<tr>
<td>Direct partnership with the municipality</td>
<td>Alignment with other policy priorities in Copenhagen, such as the creative industries, the sharing economy, the circular economy and educational start-ups; emphasis on resource efficiency and green lifestyle</td>
</tr>
<tr>
<td></td>
<td>International collaboration</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Weaknesses</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td>Too little emphasis on branding, public relations and communication</td>
<td>Possible cuts in city funding</td>
</tr>
<tr>
<td>Partnership agreement gives the municipality too many rights,</td>
<td>High competition for municipal funds</td>
</tr>
<tr>
<td>hindering other potential partners or investors</td>
<td>Other emerging co-working spaces</td>
</tr>
<tr>
<td>KPH is located in an area that was part of the city’s development plan</td>
<td>No long-term agreement with the city regarding the building and facilities</td>
</tr>
<tr>
<td>priorities before 2016</td>
<td>Lack of a national policy focus on social enterprises</td>
</tr>
<tr>
<td>KPH Volume is not insulated, can only be properly used in the</td>
<td>Politicians could decide to bring in-house KPH satellite services funded by the municipality</td>
</tr>
<tr>
<td>warm months and has a single toilet, meaning it cannot be used</td>
<td></td>
</tr>
<tr>
<td>for commercial purposes</td>
<td></td>
</tr>
<tr>
<td>KPH name is too city-focused and is therefore a barrier to</td>
<td></td>
</tr>
<tr>
<td>franchising the approach</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Lack of expertise in fundraising</td>
</tr>
</tbody>
</table>

Source: interview with founder and director Anne Katrin Heje Larsen on 22 March 2016.

**Lessons learnt and conditions for potential replicability**

KPH is a story of continuous innovation and learning. KPH was created thanks to a strong partnership with the Department for Youth, Work and Culture of the City of Copenhagen. In the early stages, KPH missions had to correspond to this department’s working programme. In the future, KPH hopes to work with various departments at both the city and national levels, depending on the best policy fits.

**Lessons learnt**

In the process of establishing an independent incubator for social enterprises, KPH has derived the following key lessons:

- **Independent organisational set-up**: to protect itself from changing political priorities that may lead to a restructuring of the city administration, KPH plans to become 100% financially independent by 2021.

- **Allow mix of funding streams**: KPH has evolved. It now has different funding streams from the city and other municipalities; it also derives income from rental of its office space and other commercial activities.

- **Access to wider funding options due to a hybrid business model**: as a non-profit actor, KPH can apply for foundation funding, private investment or EU financing instruments (e.g. structural funds or Horizon 2020). If KPH was part of the municipality umbrella of cultural institutions, it could not create a hybrid business model.
● **Work across departments within the city silos:** KPH has contributed to regenerating buildings and an entire district and as such, has managed to work across city departments. As a separate institution acting on behalf of its members, it is in a stronger position to mediate across different departments.

● **Build partnerships with businesses in multiple ways:** KPH has achieved impact by bringing individuals into the mentorship schemes and arranging sponsorships for individual courses or events.

● **Demand-driven strategic vision:** by staying true to its public service vision and mission, KPH ensures that it answers to both its membership base and funders. Its strategic vision is founded on the concrete social impact it can achieve in the City of Copenhagen.

**Conditions for potential replicability**

An incubator wishing to replicate the KPH model would do well to:

● **Determine how to measure social value:** as social enterprises are in a position to drive economic growth and job creation, incubators need to determine how to measure the value they bring to society. Very little systematic research currently exists in this area (Denmark, for instance, has not yet surveyed social enterprises), which merits particular attention.

● **Be part of the wider start-up ecosystem:** incubators should collaborate closely with other private start-up environments (e.g. co-working spaces).

● **Be experimental:** KPH is currently setting up a social economic fund and a “FabLab”, and is also considering strategic new projects with key national and international actors.

A municipality considering supporting an initiative such as KPH should:

● **Support an incubator with a sustainable business model targeting self-sustainability:** funding for incubation services can come from many sources, including public funds, foundations, social financing, or consultancy services run in parallel.

● **Work in a real partnership:** social enterprises should be able to access municipal budgets and national budgets as service providers or grant recipients. While funding is vital to such initiatives, municipalities should also remove administrative burdens (e.g. review certifications and registrations), provide in-kind funding for new social business ideas, and lend credibility to social enterprises by hiring and/or promoting them.

● **Drive change across city administrations:** social entrepreneurship is cross-cutting: it can involve new welfare issues, education, youth activation, immigrant issues, social cohesion, or social reinsertion of former convicts. Municipalities should consider creating a “single-portal” approach for social entrepreneurs/enterprises, where they co-ordinate the social-innovation agenda horizontally across municipalities and vertically within sectors through digital platforms or partnerships (such as KPH). They could also provide a contact person, who works with social enterprises to identify the right accelerators, incubator events and spaces.

● **Consider strengthening the ecosystem:** social entrepreneurs need a vibrant ecosystem offering financing options, networking, mentoring and support. Other actors can provide this in addition to incubators.
Notes
1. GAME, Bureau Detours, Supertanker, Republikken and Copenhagen Unfair.
2. Interview with Anne Katrine Heje Larsen on 16 August 2016.
3. The Danish Act on Registration of a Social Enterprise (L 148 Forslag til lov om registrerede socialøkonomiske virksomheder) was enacted in 2013. For more information, see: http://www.ft.dk/samling/20131/lovforslag/L148/index.htm.
4. Interview with the founder and director Anne Katrine Heje Larsen on 16 August 2016.
7. KPH deliberately allows students as young as 15 to apply for workspace. Their applications are generally for after-school hours and weekends; applicants also include school dropouts who want to set up a project or company.
8. The partnership with the Carlsberg Campus could use the KPH model for temporary incubators in vacant buildings in the neighbourhood.
9. This network includes social enterprises, foundations, private sector actors and municipal actors.
10. Fabrication Laboratory.

References
Nordic Council of Ministers (2015), Social entrepreneurship and social innovation in the Nordic countries: Initiatives to promote social entrepreneurship and social innovation, Nordic Council of Ministers Secretariat, Copenhagen, Denmark.

