

**Maastricht University Press • New Business Models Conference  
Proceedings 2023**

# **Scaling social impact**

**Leendert de Bell<sup>1</sup> Linda Bakker<sup>1</sup> Claudia van Orden<sup>2</sup>**

<sup>1</sup>University of Applied Sciences Utrecht, <sup>2</sup>Windesheim University of Applied Sciences

**Maastricht University Press**

**Published on:** Jun 20, 2023

**URL:** <https://pubpub.maastrichtuniversitypress.nl/pub/0cv7rgqt>

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Leendert de Bell<sup>1,\*</sup>, Linda Bakker<sup>1</sup>, Claudia van Orden<sup>2</sup>

<sup>1</sup> University of Applied Sciences Utrecht; <sup>2</sup> Windesheim University of Applied Sciences

[\\*leendert.debell@hu.nl](mailto:*leendert.debell@hu.nl)

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## Abstract

This research aims to contribute to a better understanding of strategic collaborations between work-integration social enterprises (WISEs) and for-profit enterprises (FPEs) with the joint objective to improve labour market opportunities for vulnerable groups. We find that most collaborations strive towards *integration* or *transformation* in order to make more social impact.

## Keywords

Collaboration, Scaling, Social Impact, Work-Integration Social Enterprises (WISEs).

## Introduction

Despite unprecedented shortages on the Dutch labour market, in almost every sector and industry, an estimated 1.2 million people do not (yet) participate in the labour process and/or have been out of work for a long period of time (CBS, 2022). This includes people with a physical or mental disability, people with a refugee background, ex-convicts, elderly people or young people who did not obtain a school degree. Laws and regulations to incentivise employers to contract people with a so-called ‘distance to the labour market’ have not had the desired effect so far (Van Echtelt et al., 2019). With few exceptions, supposed tensions between economic rationality and employing people with a vulnerable labour market position are still predominant among many employers (Van Berkel et al., 2017). This is not only detrimental for the individuals involved, but also for the employers and society in general, as many capacities and talents remain unseen and untapped.

Numerous social enterprises in the Netherlands are nowadays trying to address this issue by engaging in profitable economic activities with the primary aim to create appropriate and meaningful jobs for these disadvantaged groups (Social Enterprise NL, 2022; Nyssens, 2014). The benefits of employment for these marginalised groups are multiple. As the focus is no longer on their limitations or shortcomings but on their capabilities, work not only provides financial independence, but also helps to provide (daily) structure, access to social networks, a sense of purpose and belonging, increased self-esteem and opportunities for personal development (Duffy et al., 2016). As the economic and social activities of these so-called work-integration enterprises (WISEs) are not necessarily aligned (Davister et al., 2004), achieving a balance between financial sustainability and social impact may be challenging, let alone scaling their societal impact.

The size and nature of this particular societal challenge calls for new, innovative approaches. The potential of strategic collaboration is increasingly recognized as a powerful means for tackling complex social problems in a way and scale that would not be feasible for individual organizations (Pedersen et al., 2021; Le Penneec & Raufflet, 2018). Broadening one's resources and value creation opportunities by building and consolidating partnerships appear to be at hand (Voltan & De Fuentes, 2016). In practice, however, there are considerable hurdles to be overcome in order to effectively create joint value, in particular when it concerns two (or more) organisations with substantively different goals and objectives (Austin & Seitanidi, 2012a/b), for instance between WISEs and for-profit enterprises (FPEs) that strive to become more inclusive employers.

This research aims to contribute to a better understanding of strategic collaborations, in particular between WISEs and FPEs, with the joint objective to increase and improve labour market opportunities for vulnerable groups. We have analysed the collaboration between 16 enterprises (8 WISEs/8 FPEs) in the context of the Netherlands over a timeframe of two years to be able to answer the following questions: How to effectively organise such collaboration? And what are the (expected) outcomes of such collaborations? In the next section we will provide a short review of the literature regarding the opportunities and challenges of different forms of strategic collaborations, followed by our conceptual framework. Subsequently we will discuss the methods used in this research, a brief results section and our main conclusions.

## Literature review

In recent decades, the number of strategic partnerships or collaborations between companies and/or with other types of organisations has increased significantly. These collaborative relationships are not based on market or hierarchical control mechanisms, and are not imposed by one of the parties. More and more companies are making use of strategic partnerships with other companies, for example to lower transaction costs, to develop new products or markets, to reduce uncertainty and share risks and investments or to access specific resources or knowledge (Boonstra, 2007). As such, strategic partnerships or collaborations are an important factor behind the innovative capacity of companies, as they enable new resource combinations.

Academic literature on partnerships and collaborations between companies is ample, in particular in disciplines such as business administration, organizational studies and public administration. Next to the motives for forming strategic partnerships or collaborations, much attention goes out to the way in which these partnerships are formed and managed, which sometimes proves to be quite challenging in practice. The complexity increases even further when it involves partnerships between different types of organisations — with different perspectives and identities and where profit-making is not the primary interest — for instance between private, public, and/or civil society partners (Siemieniako et al., 2021).

Several important conditions for these so-called cross-sector collaborations to work include the intention for long-term collaboration, shared or compatible goals, shared responsibility, joint investment, and shared risks and benefits (Roehrich et al., 2014). These type of collaborations often flourish with relational coordination,

which cannot always be captured in formal contracts; trust is key (Caldwell et al., 2017). Consequently, the outcomes of such cross-sector collaborations are often much more difficult to predict (Schrujfer & Vansina, 2007), and are not without risks (Rybnicek et al., 2020).

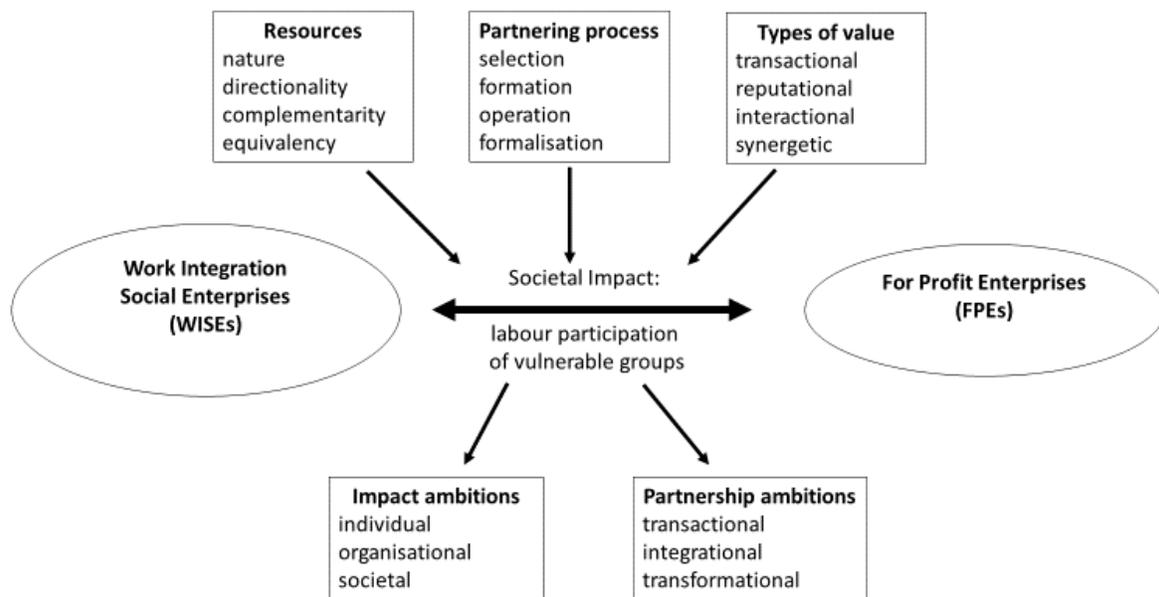
Technically, collaboration between social enterprises and for-profit enterprises involve two (or more) private sector partners, but as ‘hybrid organisations’, social enterprises operate at the intersection of two institutional domains: the market and society (Battilana & Lee, 2014). Collaboration between social enterprises and regular enterprises is therefore regarded to be of a different order because it involves different governance mechanisms and accountability structures (Ebrahim et al., 2014). While the number of empirical studies into this particular type of collaboration is still relatively limited, applying the lens of cross-sector collaborations seems most appropriate in order to obtain more and better understanding into how strategic collaborations between social enterprises and for profit enterprises can best be shaped and organised to increase their (joint) social impact (Clark & Crane, 2018).

In most business administration literature, the motivation for strategic collaborations often appears to be functional, aimed at complementarity and efficiency. In collaboration with social enterprises, for-profit enterprises generally bring in market legitimacy (Huybrechts & Nicholls, 2013). In particular smaller social enterprises may benefit from this because they gain economies of scale and efficiency that they would not have enjoyed without the collaboration (Elkington et al., 2010). The added value of social enterprises to for-profit enterprises is mainly rooted in their specific (local) knowledge (Seelos et al., 2011), for instance in working with disadvantaged groups, in combination with their social legitimacy (Sakarya et al., 2012). Next to these direct mutual benefits, indirect exchange of value between social enterprises and for-profit enterprises, in which social costs and benefits are ‘traded’, is also not uncommon (Di Domenico et al., 2009).

## Conceptual framework

For this research, we adapted the conceptual framework as developed by Austin and Seitanidi (2012a/b). Although not specifically designed to analyse the collaboration between social enterprises and for-profit enterprises, their Collaborative Value Creation (CVC) framework is most suitable since it provides a comprehensive framework to analyze the way in which collaboration between non-profits and businesses can most effectively co-create economic, social, and environmental value for society, organisations, and individuals. We have made some minor modifications to the original framework, e.g. omitting *philanthropic* collaboration stages, since both WISEs and FPEs depend on revenue from the market.

*Figure 1: (Adapted) Collaborative Value Creation framework*



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*Based on Austin & Seitanidi, 2012a/b*

Figure 1 illustrates the key components of this framework and how they interact with our main research objective: to understand the (different) ways in which collaboration between WISEs and FPEs can create more joint value, in particular more labour participation of vulnerable groups. The top part addresses important aspects with regard to the exchange of resources, the partnering process and the types of values that are exchanged between two partners. The bottom part addresses the ambitions with regard to what sort of impact both partners want to create, and to what extent they want to shape their partnership ambitions.

## Methodology

In order to obtain a better understanding concerning the mechanisms behind the collaborative value creation process between WISEs and FPEs — ideally resulting in more and better job opportunities for people with a distance to the labour market — we used a qualitative research design.

We selected a total of 16 Dutch small- and medium-sized enterprises (SMEs) to participate in our research during a timeframe of two years (2021-2023). For the participating WISEs (8), the most important selection criteria were: having a proven and consolidated business-to-business (B2B) revenue model and having an active ambition to scale their impact. The most important selection criterium for the participating FPEs (8) was that they strive to become (more) inclusive employers. The participating WISEs and FPEs operate in diverse sectors and industries, including: IT services, production, logistics, facility services, catering services and construction.

In the first stage of the research, a group of five researchers conducted two rounds of semi-structured interviews with representatives of each company in order to get a clear understanding of their respective business models (using the business model canvas (BMC), and the opportunities, challenges and ambitions with respect to the exchange of resources, the partnering process and the types of values that are exchanged between selected partners (using the ‘top’-part of the CVC framework; figure 1). All interviews were recorded and transcribed, and consequently coded (deductive) and analysed with the help of Atlas.ti.

This analysis served as input for the second stage of the research, where we brought all participating companies and selected partners together during four joint sessions (around three hours each) in which we applied design thinking principles to *empathize* with the needs of the other companies, and *define* the ambitions for collaboration. During the *ideation* session, the participating enterprises visualised how they could either deepen existing collaborations or broaden their collaboration with new partners in order to create more value for the main target group (the ‘bottom’-part of the CVC framework; figure 1). The *prototype* and *test* stages have not been fully completed and analysed yet at the time of writing.

## Results

Based on the analysis of the first two rounds of interviews we conducted, we first briefly present our main results regarding the current strategic collaborations of the participating WISEs and FPEs. Second, we present the most important results from the design thinking cycle that focused on developing the impact and partnership ambitions of the participating WISEs and FPEs with regard to creating more and better employment opportunities for vulnerable groups.

### Current collaborations

Our analysis shows that only some of the current collaborations in our sample are predominantly *transactional*. In those cases WISEs share knowledge and expertise with FPEs on how to become a more inclusive organisation. Most of these FPEs indicate that they are willing to hire vulnerable groups, but do not know *how* to appropriately include these people in their organisations. They generally do not know where to ‘find’ them and have lots of questions about what is needed to facilitate and coach them properly. “*They [WISE partner] tell us more about it [i.e. inclusive organisation] and prepare us and the organisation to work with people with a distance to the labour market, e.g. by training.*” (director FPE)

We found most evidence of WISEs and FPEs that were collaborating towards *integration*. In these collaborations, both partners exchange value and resources to make (more) joint social impact. For example, the FPE is willing to pay for the training and education of individual candidates with a distance to the labour market, which is provided by the WISE, in order to gain skilled and dedicated personnel in the long-term. In this way the efforts of the WISE in question —training people to become work fit— is valued in a way that allows both partners to make social impact together. Although the *reputational value* for both partners is often also considerable, it generally is not the main reason for collaboration. Both partners need to be intrinsically

motivated for this type of collaboration, share common goals and be willing to engage in long-term commitments. “*We request a [financial] contribution of the employer. We have a super motivated employee for them that they would not have found without us.*” (director WISE)

So far, we only found one single example of collaboration between a WISE and FPE that can be characterized as truly *synergetic*. In this long-term collaboration, the entire production process of the FPE is developed together with the WISE in question. As such, making social impact is at the heart of the development and production process, by design. Besides the quality of the product and efficiency of the process, the well-being and participation of employees with a vulnerability are central in the collaboration process. Both the WISE and the FPE regard this as a core value. “*How we organise our production lines, with our ‘special’ employees, is part of our value proposition. This is how we think we can organise our production lines, and offer one-stop service, with a different view on labour capacity.*” (director WISE)

## Impact ambitions

Based on our first session in the design thinking cycle, *empathize*, we briefly discuss the main impact ambitions of our cases. In accordance with our conceptual framework, we focused on the (joint) impact the WISEs and FPEs aimed to make for the individual (vulnerable groups), their own organisations, and society at large.

At the *individual* level we can roughly distinguish three ambitions: some (mostly WISEs) aim to train or educate people with a distance to the labour market to make them job fit for other companies or employers; others (both WISEs and FPEs) want to focus on matchmaking between the individuals and the labour market, including coaching on the job; and yet others (both WISEs and FPEs) aim to actively employ people with a distance to the labour market themselves. In some cases a combination of these impact ambitions are at hand.

At the *organisational* level we can distinguish a variety of impact ambitions. Some (mostly FPEs) struggle with the recruitment of (enough) candidates with a vulnerable labour market position in order to train or hire them; others (mostly WISEs) face the challenge that it is hard to find employers to help these candidates get a stable job once they are job fit; other ambitions (both WISEs and FPEs) include expanding its services to increase the number of employees with a vulnerable position on the labour market, or to better prepare their organisation for inclusive employment.

At the *societal* level we can distinguish two clear impact ambitions. All participating WISEs and FPEs again clearly expressed their ambition to expand their social impact by employing more people with a vulnerable labour market position. Additionally, some (both WISEs and FPEs) also aspired a *transformation* of current practices or ‘system change’, as they have become (often painfully) aware of failures on the current labour market, as well as in legislation. These frontrunners want to demonstrate that there are better alternatives that actually succeed in achieving more social impact.

## Partnership ambitions

Finally, we briefly discuss the main results of the second and third sessions in the design thinking cycle, where the WISEs and FPEs jointly *defined* and subsequently *ideated* how to fit their partnership ambitions to their impact ambitions. Three main partnership ambitions stood out in this respect: to broaden and deepen the exchange of knowledge between WISEs and FPEs; to strengthen the collaboration in the respective value chains of WISEs and FPEs; and to strengthen the ecosystem in which the WISEs and FPEs operate.

The exchange and sharing of *knowledge* is said to remain essential and crucially important to learn from each other and build upon each other's experiences with regard to employing people with a vulnerable labour position. Strengthening the *value chain* was considered to be of great value in particular to guarantee a smooth and appropriate transition of people with a distance to the labour market from unemployment, via activation and training towards an employer, and to the next (usually from WISEs to FPEs). This can also be achieved by expanding the focus towards other individuals or groups, or expanding the services within the value chain to allow more people with a vulnerable position to be employed.

Those WISEs and FPEs that had expressed the ambition to transform the system also looked beyond their own value chain, and formulated the partnership ambition to strengthen the *ecosystem*. This includes for instance improving the collaboration with the public sector, mostly at the municipal level, and with educational institutions to (jointly) offer more appropriate opportunities for people with a distance to the labour market, where ideally no one is left out.

## Conclusions

This study provides a better understanding of strategic collaborations between social enterprises and for-profit enterprises, in particular between WISEs and FPEs that share the joint objective to increase and improve labour market opportunities for vulnerable groups. We find that long-term, structural, intrinsic motivation and commitment is key in these types of collaboration, in particular when working with vulnerable groups. Based on our analysis we conclude that most of the strategic collaborations have the ambition to evolve towards *integration* or *transformation* in order to make more social impact. The way in which they (expect to) achieve this may differ: either through strengthening the collaboration in the *value chain* or in the *ecosystem*.

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