

WORKING PAPER #2

RESONATE project 2nd training session, 28 March - 1 April 2022



Focus on Impact Assessment



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Introduction

The RESONATE Working Paper #2 is the second part of the series of the RESONATE Working Papers aiming to present the main reflections and conclusions, tools, methods, practices, ideas that was shared and discussed by the strategic partnership that included Social Business Club/Hub Styria, Fondazione Giacomo Brodolini srl SB, Milan, Italy and FACTO Assessors, Barcelona, Spain.

This second part focuses on the regional social entrepreneurship ecosystem of Milan and its surroundings, the legal and financial aspects and the impact assessment of social entrepreneurs and the social business incubators itself and the effects of these to the training opportunities provided.

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Regional social entrepreneurship ecosystem of Milan

According to the Municipality of Milan, the city is the second largest in Italy (1,3 million population in the city and 3,2 million the metropolitan area) with a strong economic and financial activity. More than 306.000 companies operate in the metropolitan area and the city nurture the creation of innovative start-ups (more than 2100). The economic profile is concentrated around 5 fields: Life Science, Manufacture, Cultural & Creativity, Finance, Fashion & Design. The innovation ecosystem has a multi-actor characteristic, it includes:

- Venture capitalists
- Chambers of commerce
- Multinational companies
- Universities and research centres
- Financial institutions
- Incubators, accelerators and coworking places
- Start-ups and scale-ups

The Municipality of Milan provides several innovation programmes by the city and different funding opportunities that is in addition to indirect supports as well available as a grant for entrepreneurs, including social entrepreneurs. They have also an important role in network creation and support (social) entrepreneurs in their internationalization process. Besides many past achievements, future measures as part of the city's strategy for handling the crisis caused by the COVID pandemic are already planned. the map of the social innovators and entrepreneurs of the city.

One of the institutions promoted by the Municipality of Milan is the Milano LUISS Hub for Makers and Students, which is a multidisciplinary space of the knowledge economy dedicated to professional training, business development and creative activities. The Hub is operated by three partners in a consortium: LUISS university, ItaliaCamp and Fondazione Giacomo Brodolini srl SB. The Hub provides place for operation to Enlabs, which is a start-up accelerator that supports companies, such as Reasoned ART (<https://www.reasonedart.com/>) using emerging technologies and helps them to improve their business processes.



CONNECT

SHARE

COLLEAGUES

EXCHANGE

GOOD PRACTICES

LEARN

NEW INSIGHTS

SKILLS

COMPETENCES

*STRONGER
RELATION*

Conclusions and reflections

- The added value of the innovation network in Milan is working in a strong **synergy and in collaboration with all the element of the quadruple helix model**: companies/start-ups, business support organizations, universities, and municipality. Close interactions between actors and stakeholders to support social entrepreneurs are crucial and to create a strong innovative environment every actor must be connected to the others, obtaining important insight.

- With passion and good ideas (and enough funding), the **lives of many people can be changes**.

- **Social innovation cannot be done by social entrepreneurs only**, a real collaboration between administration, entrepreneurs, community, and university to build innovative solutions to community problems is needed for that.

- **Crowdfunding project**, where the city supplements funding of crowd sourced funds (thus collecting feedback of the public regarding the relevance of the proposed projects) is a good practice.

- **To plan learning opportunities for social enterprises it is very important to know what challenges they face** and how those are overcome. This relates mostly to creating business model and funding mechanism of the start-ups and how they can be part of the ecosystem, participate in the social innovation programmes of the municipality or connect with the different players having diverse perspectives (public, private and non-profit sector). Most importantly, in case of a social entrepreneur, challenges are focusing on impact they would like to achieve.

- The **interaction of a classical investor** does not turn out to be an optimal solution for impact driven ventures.

- There are good examples how a social business can **create valuable impact on different levels**, such as green and social impact at the same time.

- Milan's **social innovation ecosystem is blooming with interesting projects and spaces** and somehow influenced by diverse players showing a rather **high level of interaction between intermediaries and between public-private and local stakeholders**. This is essential for a deeply and durable development, but also collaboration with universities is important too. This latter reflects in high impact projects that are powered on initial stages by training programs.



- **Transnational exchange of experience** with organisations tackling similar challenges are very useful.
- **Getting an overview of very diverse social start-ups** is helpful to refine the definition and concept of social innovation and better align training programmes based on that.
- For social enterprises, one of the challenges they face, and they would need support in it is how they can **adapt their strategies to compete with big companies of the sector**.
- To build a training programme for adult learners, it is important to know, what kind of **basic knowledge and support students receive at a university**, who also tries to finance talented start-ups.



“Social entrepreneurship ecosystem in Milan seems to efficiently connect social impact initiatives with training programs and financial tools, especially with private investors coming from Universities and private sector”
 – Susanna Ramos, FACTO

There are **learning opportunities from similar organisations, but with different model** in which they work in synergy with a university.

- There is great importance to open space for **dialogue between administration and entrepreneurs**.

- One of the major learnings is the **connection between monetary funds within a program and the quantity (and quality) of the applications (and admissions)** in the public programme in Milan.

- There are **different alternatives of social entrepreneurship**, and it is interesting to compare it with the ones that other countries have, especially related with cycle logistics.

„Social innovation needs to be guided by social policies and bottom-up approach”
 – Francesca Buonnano, FGB srl SB

- It is big step to ensure the **viability of social enterprises**, not only by linking them to economical sources but to knowledge via training and enterprise networks via support organisations.
- For social entrepreneurs, tackling to meet the **indicators of policymakers** is a big challenge.
- The learning of the mechanisms is very important to **promote social entrepreneurship** within the ecosystem and support the entrepreneurs to accelerate their social projects.
- Interesting initiative of a **pre-incubation + incubation program** with incubator taking shares for 30.000 € investment.
- An interesting **selection policy for incubation programmes** is “Made in Italy”, which supports local/regional business, social/green projects, and of course digital projects.
- For social entrepreneurs, **less privileged people** (e.g.: women, migrants) as employee has specific challenges of the job market and working conditions.



- **Getting deeper into specific topics** (such as food delivery) from the social perspective bring new learnings. Especially the presentation of two social ventures was especially a useful experience. The on-site visit of the Bocconi University start-up accelerator was kind of interesting in terms of how to run a regular programme in Italy. There was obviously no connection to social business, but the perspective of a mainstream player in the field of innovative entrepreneurship.

Investment support organizations and program and legal environment on financial market

Establish a business model and ensure financial viability is one of the competencies that a social entrepreneur needs to learn. There are many impact investment opportunities in Italy. It is important to get to know the classification of criteria that investors use. Social impact is a screening criterion and then they evaluate the project business model. There are more and more investors (supply side) and from the demand side, social entrepreneurs. The access to the financial resources is varied: non-repayable funding, income generating income, repayable resources, tax reduction or benefits. The ecosystem on the supply side are public institutions, traditional financial intermediaries (e.g.: banks), national or local networks of social enterprises, emerging private funds. Lack of knowledge on both sides, especially on existing finance and skills need to be developed. Innovare in rete is a national programme to finance and promote social and green projects. They also provide tailored training in addition to mentoring.

Option	Key Features
Crowdfunding	
Minibond	
Euronext	

Financial market choice

Financial mechanisms developed within the DelFin project, in which 4 rural regions were involved to develop financial mechanisms to promote social entrepreneurship in Piedmont Region. Training sessions were also involved on funding opportunities, readiness for investment. It was emphasized that a clearer segmentation of the social investment is needed especially of the knowledge and needs of the target group.

In Italy, the legal framework of the social entrepreneurship ecosystem has an effect of two important non-financial EU directives. One is the sustainability reporting obligation. Big corporations have to report their balance sheet on social and green impact. In Italy, it exists a regulation of crowdfunding platforms and access to the capital market is an important element. Funds are usually not for micro-enterprises, such as usually the case for social enterprises. Equity funds for long-term investments are defined by a regulation. The alternative funds are still to be developed and cannot be solely financial investments, but the social aspect should be also important. Access to these funds by SMEs is available through smaller funds. Crowdfunding platforms are different. In Spain, a successful campaign raises 3000 EUR, but in Italy, 1-2 million EUR. Lot of family offices invest in these instruments.

Conclusions and reflections

- There are some **important differences** between the three countries **due to the legislative system on social enterprises and the return on investment**. There is also a difference how each country adopts financial tools and implements. There are also some overlapping aspects that are common grounds on which new initiatives can be built.
- An **overview on the social financial market and environment** helps to build adequate financial training for social entrepreneurs.
- Sometimes it is missing a fruitful **dialogue between social entrepreneurs and the financial market operators**.
- **Some financial tools need to be adapted and oriented in a more social and local way**, since the nature of social enterprises is more local.
- In each country **financing tools available in development stages of social start-up** differs
- **Fair Finance Fund** in Austria on welfare or pension contributions is a good instrument to support social innovation and impact with social incomes.
- **“Self-financed” funds in Spain**, originating from the same communities and starting with a seed capital public grant, which is not always easy to get away from.
- The main differences are about **crowdfunding social entrepreneurship**. It seems in Italy, it is a real possibility of funding social entrepreneurship, while in Spain it is just a patch, a community building donator tool.
- The overview on the financial market shows impressively the incredible **distance between socially oriented entrepreneurship and the very different understanding of a financial market**, that is only oriented in how to find new opportunities to make money.
- The new directives of the EU on making impact reports as part of their balance sheet could be an option for incubators to **connect corporate with social enterprises**.



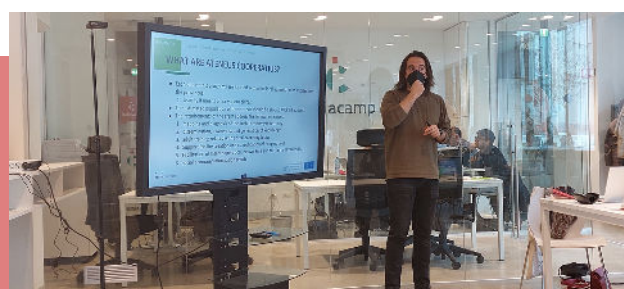
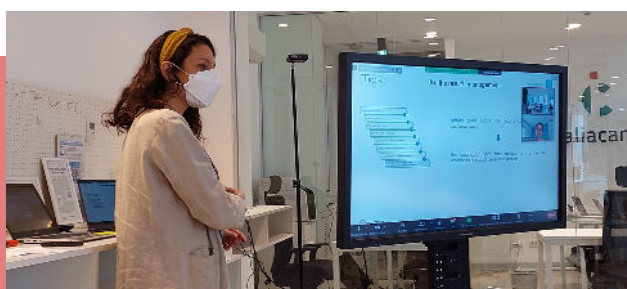
“Improving knowledge on demand side (social enterprises) and supply side (funding organizations) is a need.”

- Kirsten Tangemann, SBSCS

Supporting impact assessment and measurement of involved social entrepreneurs

Politecnico Milano in its impact assessment process has an important factor, the so-called impact washing, in which some companies only pretend to have a positive impact. Impacts have to be considered as long-term and different from outcomes. The impact varies depending on the aim from a statistical approach to a quantitative one. The target group of the impact report has a crucial part on defining impact indicators and formulating the report. Many methodologies exist, but not all of them are in use. One example is the logical framework that is flexible to use depending on time, available information.

In Germany a standard was created and became the social reporting standard (SRS). It has a similar process than the logical framework but was prepared by Ashoka Germany. This is a dynamic and flexible process and available in 6-8 languages with lots of examples. The impact reporting can be also done with nice infographics that helps to make it more attractive and readable. The collection of data varies. Depending on the time available, case studies and anecdotes, documentation are good resources.



In Catalonia social balance reporting results in a certification process. Social balance of an organization can be showcased with indicators, such as market revenue, number of employees, employees, gender balance, employee training, work quality, salary gap, social market reach. The Social Integrated Methodology is a tool, which combines quantitative and qualitative assessment and then formulated it to a language that a public administration can easily use covering different topics (employees, society, environment, financial, society).

Indicators of the ATHENEUS Cooperation programme in Spain that includes training programme, dissemination and knowledge are number participants and number of jobs created per year. At project level in Italy, the indicators for theory of change included the needs of project management, the skills of entrepreneurs, the changes expected in the start-ups, but also the community.

Conclusions and reflections

- Regardless of the differences between the three countries, the **measurement of the social impact (creation of indicators) is similar at international level**.
- The **common framework** represents a good starting point for international cooperation and open the opportunity to elaborate good examples tools and deepen methodologies that can be used.
- Lots of **qualitative and quantitative data** that we could have stronger results and can engage the entrepreneurs and companies as learners not only using economic indicators.
- **Similar framework to social impact assessment can handle to solve common problems** that social entrepreneurship support organisations face.
- It is a challenge how to **add value** to the qualitative data and how to escape from the unique economic prism of some of the funding corporations.
- It is very assuring to see common approaches and provides a good basis for further exchange on **practical aspects of evaluation**, useful indicators to be used
- A **self-evaluation tool for public administration** provides an interesting framework when interacting with stakeholders like public administration.
- As the three organisations had similar approach when measuring the impact, the **differences in small aspects became more important** that would help the participating organisations to better understand and align their own evaluation process.

Impact of social business incubators itself

Diversity and inclusion are key impact elements on which a social enterprise can make impact. Keywords around diversity are mindset, no discrimination, encourage individuality of people, new forms of flexibility, get out of usual concepts. Keywords for inclusion are to get the “outsiders” in, create an environment without barriers, recognise potential of everyone. Several readings are available that could help the social business incubators to integrate diversity and inclusion in their strategy and measure their impact with indicators related to that.

Practices that can be implemented within their organization to provide better opportunity for work life balance, for involving gender dimension in their work are important. The topic raises many issues, such as difficulties that the coronavirus posed to the organizations, the relevance of the indicators (e.g.: SHE Figures of the European Union), as well the importance of highlighting already existing good practices.

A new form of work is the global trend for change and the reason why businesses should invest in diversity and inclusion. The different notions of equality, equity and transformation are important to consider. The new ICT technologies made a huge change in the space of a worker and robotics just added an additional dimension on top of that. Working time has also changed and became more flexible, such as tasks. These changes provide many opportunities, but also gives places for discrimination and hinder inclusion.

In Sprint (<https://www.in-sprint.com/>) is an interactive exercise, in which participants do an affinity map and reflect on that. This is a training methodology to identify problems that can be also used in the beginning of the impact assessment process of an incubator, but also can be used to provide training to social entrepreneurs e.g., in an impact lab. The activity starts with the collection of positive, negative and opportunity elements of the new technologies that relate the work of the incubators. All participants present what they have written in the post-its. Then they were asked to group the different ideas. Based on that, each attendant had to write three insights about the topic they find the most important. These insights were shared in the group to enhance the learning process.

In the second part of the exercise, workshop participants are asked to choose one of their insights and write on a post-it what could be a desirable result within two years. Then they are asked to plan on how this could be implemented while going back to the present. In another part of the room, participants organize their notes in chronological order first in a matrix by participants and then along a long line mixing the different post-its. This creates a timeline of “to-dos” for the organizations.

In the next phase, the participants start a common planning process by writing down the ideas to be implemented, then the next participants wrote the weakness of the idea, after that the third participants improves the idea based on the feedback. Participants learns that with good facilitation everybody can find solutions to complex issues that follow the rule of divergent thinking when collecting ideas, then turning to convergent thinking to organize them.

Using blockchain technology can be also reach impact. Blockchain can lead to smart contracts. Social blockchain for worker information sheets is one of the examples. Blockchain can be also used for personalized service pact when looking for employment. When a person respects the contract, they could automatically receive the unemployment benefit. In case of a decentralized employment system, it checks if the job offers meet the legislative requirements.

Conclusions and reflections

- Talking about how **biases are ingrained in our culture** and understanding how to overcome them will be useful in not only assessing impact, but also in private and professional life in the future.
- Despite inclusion (not only gender inclusion) is still long with us, but there are **more signals both from the institutional part and in the cultural mindset** (European).
- **Open discussion is needed about the inclusion and diversity** to see concepts from different perspectives and learn the intersectionality of discrimination factors not only gender but migration, racialisation, or age.
- When using a training method, it is important to **bring together the correct group of people** (problem owner, technology experts).
- In general, **using technology as part of solving social problems** provides big opportunities for either specific solutions or to provide solutions for many people (increasing the impact).

