

Institution: Newcastle University		
Unit of Assessment: 17 Business and Management Studies		
Title of case study: Enabling socio-economic policy change in Chile: introducing social impact bonds and developing social entrepreneurship		
Period when the underpinning research was undertaken: 2015–2020		
Details of staff conducting the underpinning research from the submitting unit:		
Name(s):	Role(s) (e.g. job title):	Period(s) employed by submitting HEI:
Jonathan Kimmitt	Senior Lecturer in Entrepreneurship	2014 to date
Rob Wilson	Professor in Information Systems Management	1995–2018
Mike Martin	Professor in Social Informatics	1994–2018
Toby Lowe	Senior Research Associate	2013–2018
Jane Gibbon	Senior Lecturer in Accounting	2008 to date
Period when the claimed impact occurred: 2016–2020		
Is this case study continued from a case study submitted in 2014? N		
<p>1. Summary of the impact</p> <p>This case study shows the power of high-quality research to effect change in an emerging economy (Chile). Through purposive engagement activity, Newcastle University researchers have influenced government socio-economic policy, direct allocation of resources, adoption of innovative methods of policy implementation, and the conduct and decisions of entrepreneurs and business incubators. Precise impacts have included (1) the initiation of the first Social Impact Bond programme in 2018 (USD50,000,000); (2) supporting implementation of Social Impact Bonds; (3) the redesign and implementation of the Chilean economic development agency's (CORFO) seed-funding programme; and (4) upskilling social entrepreneurs and incubators through impact assessment training.</p>		
<p>2. Underpinning research</p> <p>This case has been underpinned by two strands of research conducted at Newcastle University by an interdisciplinary team with expertise in public sector management, social accounting and entrepreneurship in developing countries. Firstly, research on the merits of funding social innovation and social enterprises through Social Impact Bonds; secondly, research on the funding of entrepreneurship in emerging-market contexts, with a particular focus on the wider social economy of Chile.</p> <p>Research on SIBs in the UK</p> <p>Since 2010, Social Impact Bonds (SIBs), a type of outcome-based investment mechanism for enterprises operating in the social economy, have emerged in the UK as a new policy tool. They are designed to link funding of particular social interventions with outcomes so that, in theory, only successful interventions receive such funding. Research undertaken by the Newcastle team has delivered new conceptual understandings of SIBs. Grant 1 funded much-needed granular empirical research to examine the complex set of multi-level interactions involved in establishing and operating a SIB. The fieldwork, conducted in 2015 and 2016, focused on a substantial SIB-funded programme located in a northern English city, which was targeted to reach 11,000 beneficiaries with long-term health problems over a seven-year period. Social economy enterprises delivering the interventions funded by the SIB programme were paid on the basis of referral numbers and improved well-being of beneficiaries. PUB1 identified multiple tensions at policy, management and service delivery levels during the establishment and operation of this SIB-funded programme. It found that, while establishing the SIB financial mechanism may make sense at a macro policy level, there may be deleterious consequences for social economy enterprises at a micro level. The research highlighted the importance of ongoing contractual flexibility and trust so that the tensions of (1) managing a social intervention and (2) meeting contractual requirements can be reconciled. The research emphasised that such tensions are inevitable in any SIB mechanism and that future SIB design should anticipate and pre-empt such</p>		

operational hurdles. The identification of these issues was crucial to the understanding of SIB operations and led this paper to win the Bleddyn Davies Early Career Prize in 2020 for scholarship of the very highest standard by an early career academic in that journal.

Research on Social Entrepreneurship in Chile

The SIBs research described above co-exists with a broader stream of research on the funding of entrepreneurship in emerging market contexts by Kimmitt (e.g. PUB3), and pioneering research on the social economy in Chile. The first significant study of the social entrepreneurship sector in Chile was funded by Grant 2. This large-scale study was conducted in conjunction with Pablo Muñoz (now Professor of Entrepreneurship at the University of Liverpool and Visiting Professor at the School of Economics and Business, Universidad del Desarrollo (UDD), Chile). It comprised a survey of 584 social entrepreneurs, with a further 70 interviews. The resulting report (PUB2) identified key challenges for the social enterprise sector regarding investment, growth, impact measurement and collaboration. In particular, the study identified that the underperformance and lack of growth in the sector were explained at the micro level by minimal social impact measurement tools and lack of collaborative cultures. Drawing from the study's unique data set, PUB5 identified that business development is dependent on a social entrepreneur's capacity to measure their social impact, which improves their ability to compete and attract necessary investment. The high quality of this scholarship was recognised with the Thomson Reuters Best Paper Award at the Global Innovation and Knowledge Academy conference in 2018. Also at a micro level, Kimmitt's research has explored the importance of community collaboration as a key feature of how entrepreneurs understand the true complexity of their environments (PUB4).

At a macro level, Kimmitt's research (PUB3) has established the importance of an enabling political context to allow entrepreneurs to invest and encourage financiers to allocate funding. PUB6, linked to a major policy report for relevant Chilean stakeholders authored by Kimmitt and Muñoz, identified key challenges for the growth and financing of social enterprises, including the value of social impact assessment for these entrepreneurs (Grant 3). PUB6 developed a framework with and for policymakers to assess and prioritize social issues and target groups in the design of a SIB, guiding policy decisions regarding investment allocation to social economy organizations. In sum, the two strands of research comprise a substantial body of work which forms the evidential and conceptual basis for impact on policy and social entrepreneurs in Chile.

3. References to the research

The underpinning research in this case takes the form of high-quality, peer-reviewed research across public policy, business administration and entrepreneurship outlets. Selected publications are referenced below including the award-winning papers detailed in Section 2.

1. **Lowe, T., Kimmitt, J., Wilson, R., Martin, M., and Gibbon, J.** (2019). 'The institutional work of creating and implementing Social Impact Bonds'. *Policy and Politics* 47(2), 353–370. <https://doi.org/10.1332/030557318X15333032765154>
2. Muñoz, P., **Kimmitt, J.**, Serey, T., and Velazquez, L. (2016). 'The structure and dynamics of social entrepreneurship in Chile [Estructura y dinámica del emprendimiento social en Chile]'. Santiago de Chile: Universidad del Desarrollo, Instituto de Innovación Social (available on request)
3. **Kimmitt, J.**, and Muñoz, P. (2017). 'Entrepreneurship and financial inclusion through the lens of instrumental freedoms'. *International Small Business Journal: Researching Entrepreneurship* 35(7), 803–828. <https://doi.org/10.1177/0266242617700699>
4. **Kimmitt, J.**, and Muñoz, P. (2018). 'Sensemaking the "social" in social entrepreneurship'. *International Small Business Journal* 36(8), 859–886. <https://doi.org/10.1177/0266242618789230>
5. Muñoz, P., and **Kimmitt, J.** (2019). 'Social mission as competitive advantage: A configurational analysis of the strategic conditions of social entrepreneurship'. *Journal of Business Research*, 101, 854–861. <https://doi.org/10.1016/j.jbusres.2018.11.044>
6. Muñoz, P., and **Kimmitt, J.** (2019). 'A diagnostic framework for social impact bonds in emerging economies'. *Journal of Business Venturing Insights*, 12. <https://doi.org/10.1016/j.jbvi.2019.e00141>

Grants and Other Funding				
	Funder	Title of Grant	Amount (GBP)	Dates
1	Cabinet Office	Evaluation of the Ways to Wellness social impact bond	99,813	April 2015 – September 2017
2	CORFO (Chile)	The structure and dynamics of social entrepreneurship in Chile	60,000	October 2015 – July 2016
3	ESRC Impact Acceleration Account	Social Impact Bonds in Chile	8,520	March 2018 – March 2019

4. Details of the impact

The significant impact that Newcastle research has had on the Chilean social economy has been enabled by extensive engagement with Chilean policymakers, social entrepreneurs and incubators. The Chilean social economy is relatively underdeveloped, and the potential and challenges for the sector were largely unknown prior to Kimmitt and Muñoz's research (PUB2) in 2016. Targeted dissemination activities of this research and Newcastle's SIB research were the initial trigger for significant and far-reaching impact, both in high-level Chilean government policy adoption and implementation relating to SIBs and Social Entrepreneurship, and 'on the ground' amongst entrepreneurs and incubator managers.

1a. Initiating SIB Policy Change

In 2016, a series of public seminars, workshops and media appearances were organised by Kimmitt in conjunction with colleagues from Universidad del Desarrollo and CORFO, to stimulate policy debate and initiate policy-level discussions amongst social entrepreneurs, investors and policymakers regarding investment in Chile's social economy and its key challenges. A senior advisor to presidential candidate Sebastián Piñera and former Vice President of the Chilean Enterprise Development Agency (CORFO) saw Kimmitt present the findings of the UK SIB research (PUB1); this led to the adoption and implementation of a new policy initiative in Chile. The key recommendation that Kimmitt presented was the potential facilitating role of SIBs in developing the investment market in Chile's social economy. As a direct result, the incoming Chilean government committed, in their 2017 election manifesto, to spending USD50,000,000 (October 2017) on SIBs [IMP1]. This represented the most significant public policy commitment to SIBs from any emerging-economy government globally. A letter from the senior advisor states, *'The government program of the current President of Chile, Mr Sebastian Piñera included SIBs in its manifesto as a new instrument for social policy to be implemented during his term ... Certainly Dr Kimmitt's aforementioned research contributed in trying this innovative tool'* [IMP2].

1b. Supporting SIB Policy Implementation

Once the Piñera government came to power in 2018, the focus shifted to the development and implementation of SIBs within Chile's social enterprise economy. CORFO, Chile's principal economic development agency, was tasked to implement the programme. As a result of the research conducted by the Newcastle team in the UK (PUB1) and the Chilean social economy research (PUB2), CORFO commissioned Kimmitt and Muñoz to produce a report to support the implementation of the SIB policy. This was because, as the Director of Early Investment at CORFO writes in the foreword, *'despite the relevance that SIBs have gained during the last few years, they are still perceived as a "black box" ... this report comes during an inflexion point in Chile where it is critical to design better tools that lead us to a better future and a better society. How to achieve it? Through a set of policies and innovations that steer us to be more entrepreneurial and experimental in the way social challenges are solved. Thus, in order to unlock the "SIB effect", more evidence is needed'* [IMP3a].

Kimmitt and Muñoz, working alongside government officials, produced a 'diagnostic tool' (subsequently documented in PUB6) for SIBs in emerging economies. This tool, based on lessons from the UK SIB research, allows public-sector organisations that commission SIBs to decide when a SIB model may be an appropriate investment vehicle and when it may cause more harm than good. This research has had a positive impact on the implementation of SIBs in

Chile, as the following quotes from senior policy officials illustrate. One senior policymaker at the Ministry of Economy stated, *'The [diagnostic] tool was useful. We used it as [a] baseline to learn how to evaluate social impact contracts, to see which ones are feasible and which ones aren't'* [IMP4]. In the Ministry of Social Development, the Head of Public-Private Cooperation stated that the tool helped them to diagnose the potential for SIBs, and that they used its dimensions for further evaluations of such projects. He stated, *'It [the diagnostic framework] is a model, a structure for others, it's useful to visualize and see the concept, the idea of a social impact contract and to check whether [a] certain idea can be converted into a SIB or not. That was excellent ... It [the diagnostic tool] gives you some dimensions and based on that one, we built our own that we use ... in every stage of development. You need to do that in order to move on to the next stage because we've realized that it's a lot of work, right. Every stage, coordination and work between the ministries, legal aspects, etc.'* [IMP4].

2a. Improving Social Entrepreneurship Policy

The 2016 report (PUB2) proposed that social entrepreneurs in Chile should focus on improving their social impact measurement techniques and approaches to investment through collaboration. These recommendations had been disseminated by Kimmitt and Muñoz through public seminars and workshops in 2016, and a series of public seminars and media appearances in 2017 and 2018, to engender further policy debate around the findings. CORFO's Director of Early Investment explains how the research came to influence social entrepreneurship policy in Chile: *'Because social entrepreneurship has gained such traction in Chile in recent years, evidence of industry trends, needs and challenges was needed to improve our decision making in this area. The findings from the report emphasise two interrelated issues: (1) the measurement of impact and understanding of social issues and (2) investment needs and readiness of entrepreneurs. Dr Kimmitt's published research has provided the empirical basis for understanding these issues'* [IMP3b].

This improved understanding prompted a significant decision by CORFO to redesign their social innovation seed funding ('SSAF-Social') programme (SSAF). SSAF was launched in 2015; by November 2020, it had supported 178 social entrepreneurship projects administered through incubator programmes, investing approximately GBP3,000,000. SSAF was modified and relaunched in October 2018 to focus on impact measurement, as recommended by Kimmitt and Muñoz's research. CORFO's Director of Early Investment states that *'Dr Kimmitt's research has helped to foreground debates around social entrepreneurship in Chile. Consequently, the findings from this research have been instrumental in the redesign of our funding programme for social entrepreneurs: the Seed Subsidy for Social Innovation Enterprises (SSAF-Social). Based on this research, we decided to change the basis of our legal documents that applicants must satisfy to be eligible to apply and progress through. This was strategic'* [IMP3b]. Based on Kimmitt's research, SSAF now has specific focuses on social impact measurement tools and collaborative approaches. Firstly, incubators train social entrepreneurs to develop impact assessment methodologies to an international standard, due to Kimmitt's research emphasising the importance of this for being able to compete and attract necessary investment (PUB 5). Secondly, entrepreneurs are required to work with a 'co-executor' to help develop their ventures, as the research suggests that this allows them to understand the complexity of their operating environment (PUB4). The changes to the legal documents detailed above by CORFO's Director of Early Investment are evidence of the impact of the research. He also reports that *'We have seen that the entrepreneurs, the business incubators and managers are very happy with these changes. They feel there is institutional support and we have encouraged the whole ecosystem to follow this'* [IMP3b].

2b. Directly impacting social entrepreneurs' ventures and incubators' practices

This change to SSAF has also had a significant positive impact on social entrepreneurs and incubator managers. Evidence from follow-up interviews conducted between May and July 2020 highlights that social entrepreneurs have learned about social impact measurement tools, which has improved organisational planning. As one social entrepreneur notes: *'Well, the project is at an early stage yet but I believe that the most important difference is that developing impact assessment tools has provided us with a roadmap. I believe that they are going to be useful in*

all of the aspects you mentioned and also when planning daily management of our organization' [Entrepreneur A, IMP5, p. 1–2].

Overwhelmingly, participants in the fund felt that a focus on impact assessment led them to consider aspects of the business that were critical, but to which they had not previously been able to devote much attention: *'After we participated in CORFO and COLAB [the incubator], and with all the workshops that have taken place, etc., we have incorporated new methodologies that have helped us to assess some things that we have never assessed before. It has helped us to conceptualize ideas and to assess other things'* [Entrepreneur B, IMP5, p. 8].

Another entrepreneur noted: *'to me it was like opening my eyes. I love using these tools, it gives you a wider perspective of the impact on the community, the context. For example ... We went to the workshop and they made us create a value chain, the different areas of your business and think about how we could measure social impact'* [Entrepreneur C, IMP5, p. 18].

Although the impact measurement workshops were important for developing the entrepreneurs' understanding of social impact measurement, they were also vital for allowing them to be more competitive in their market: *'To be honest... [we] did not carry out impact assessment [beforehand]. We were part of those organizations that hold workshops and used a satisfaction survey at the end. And that was all ... The impact assessment was null. Now, it is a factor that helps us to distinguish ourselves from others, that is, other organizations'* [Entrepreneur D, IMP5, p. 22–23].

The funding's focus on social impact assessment was also an interesting learning experience for the incubator organizations, which had not placed much emphasis on this area in prior work they had done for CORFO. Incubators felt that it helped them to understand the industry much more: *'We didn't take it [social impact measurement] into account [before] ... But thanks to CORFO and this initiative to strengthen this idea, for us, as Incubator, it was valuable. We began working on a new methodology and thanks to CORFO, the SSAF, the consultant, this coworking with the entrepreneurs, it was useful to understand and to explain the importance of this area in a social project'* [Incubator A, IMP5, p. 30]

In summary, research at Newcastle University has had a significant impact on socio-economic policy in Chile, by (1a) initiating SIB policy adoption and (1b) supporting implementation of SIB policy, whilst instigating efforts to improve (2a) social entrepreneurship policy and (2b) the impact assessment efforts of social entrepreneurs. This high-quality research has formed the basis for relevant and timely policy interventions that have led to far-reaching positive changes in the Chilean social economy.

5. Sources to corroborate the impact

IMP1 Sebastián Piñera: Build Better Times for Chile: Election Manifesto, p. 87, bullet point 8 (<https://www.sebastianpinera.cl/images/programa-SP.pdf>)

IMP2 Testimonial letter dated 12 March 2019 from the former CEO of CORFO, now Director of the Center for Research in Economy and Society, Universidad del Desarrollo (UDD) in Chile

IMP3 Evidence from Deputy Director and Director of Early Investment of the Entrepreneurship Division at the Chilean Economic Development Agency (CORFO):

(**IMP3a** Foreword to [The Potential for Social Impact Bonds in Chile? Exploring New Avenues for the Social Enterprise Sector](#); **IMP3b** Testimonial letter dated 2 November 2020)

IMP4 Quotes in Muñoz, P., and Kimmitt, J. (2019). 'A diagnostic framework for social impact bonds in emerging economies'. *Journal of Business Venturing Insights*, 12. (Quotes on p. 7)

IMP5 Interview transcripts with social entrepreneurs/incubator managers (May–July 2020)