

Alternative investing as brokering: The embedding process of a Social Impact Bond model in a local context

Abstract

Social Impact Bonds (SIBs) are gaining traction as a research topic. Using a longitudinal case study of a Norwegian social venture - Nature Magic - funded through a SIB model, this article explores the embedding process of a SIB model into a local context – diverging from previous research focused on empirical cases from the UK and USA and refining the social aspects of SIBs. We show that the SIB model is embedded through three processes: 1) cultivating opportunity; 2) pulling together; and 3) fostering experimentation and ‘mutation’. We find that these embedding processes were fostered through developing and activating bonding and bridging social capital. This study also extends our understanding of alternative investing by theorizing it as brokering. We find that social investors engage in brokering processes in facilitating collaboration between typically disconnected spheres - such as social ventures and municipalities - through these embedding processes.

Keywords

Social Impact Bond; Collaboration; Embedding; Alternative investment; Brokering

1. Introduction

A growing number of social ventures are working collaboratively with other organizations within and across sectors (de Bruin et al., 2017; Kimmitt & Muñoz, 2018; Mair, 2020). Understanding the nature of such collaborative efforts is important if we are to build a social and solidarity economy that can accommodate the complex nature of social problems (Bacq & Lumpkin, 2021; Quélin et al., 2017). This includes collaborations with government organizations and others engaged in enabling public services to innovate and change as social ventures generate new innovative solutions (Günzel-Jensen et al., 2020; McNamara et al., 2018).

Simultaneously, we have seen a rise in diverse innovative collaborative forms for public service delivery, including social ventures (Fraser et al., 2018) and alternative models of investment targeting social ventures (Bruton et al., 2015; Mayer & Scheck, 2018). One collaboration model is Social Impact Bonds (SIBs), marked by their co-creative and collaborative processes for creating synergies between public entities, social ventures, and (social) investors (FitzGerald et al., 2020; Ormiston et al., 2020). By leveraging private social investment to meet the upfront costs of certain welfare services, SIBs provide a unique alternative investment model that allows governing bodies to reimburse investors for better social outcomes (Muñoz & Kimmitt, 2019).

Emerging research on SIBs can be divided into three streams of literature. One stream reflects on SIBs as a market form of service delivery aligned with a ‘pro-market discipline’ (Arena et al., 2016; Carter, 2021; Harvie & Ogman, 2019). A second stream takes a more cautious stance, problematizing SIBs as win-win-win solutions for governments, service providers and investors, and portraying investors as rentiers (McHugh et al., 2013; Neyland, 2018). A third stream offers a different perspective by theorizing the collaborative processes of SIBs (Smeets, 2017) and

suggesting that SIBs are collaborations embedded within networks of actors (Andersen et al., 2020; Mollinger-Sahba et al., 2021; Williams, 2020).

The literature emphasizes social capital as a crucial aspect of networks and embedding (Vannebo & Grande, 2018). Social entrepreneurs work to develop relationships for collaboration by building new ties and bridging diverse social groups, building social capital in the process (Estrin et al., 2013). Social capital – a relational artefact – creates a condition for the effective exchange of information and resources (Jack & Anderson, 2002; Anderson et al., 2007). Prior relationships are considered important because they provide an embedding mechanism (Pret & Carter, 2017) but also lead to the creation of social capital (Vestrum, 2014). The bridging and bonding forms of social capital offer different advantages. Bonding social capital is “inward looking and tends to reinforce exclusive identities and homogeneous groups” (Putnam, 2000, p. 22). At the same time, it also offers structure to the network through the creation and cementing of social relationships (Anderson & Jack, 2002). Bridging social capital, on the other hand, offers heterogeneity to the network and the opportunity to connect to people or groups that are different from each other and therefore provide a link to resources that lie in other social structures (Putnam, 2000; Agnitsch et al., 2006).

Although the literature has started exploring different mechanisms for integrating SIBs into local contexts (Andersen et al., 2020; Lowe et al., 2019), empirical studies of how and in what contexts such investments can support collaboration between social ventures and local governments are rare (FitzGerald et al., 2020; Muñoz & Kimmitt, 2019). Studies have examined SIBs in the UK and US contexts (Neyland, 2018; Tan et al., 2021), despite their proliferation in other contexts which are not perceived to be fertile for such models (Andersen et al., 2020; Broom, 2021). This has left a significant gap in understanding the collaborative aspects of SIBs in other settings. Through a

longitudinal case study of the social venture Nature Magic funded through the SIB model in Norway, we provide further insight into this nascent area of research by asking: *What are the embedding processes of a collaborative SIB model in a local context?*

In exploring this question, we contribute to the literature on SIBs by capturing three embedding processes that led the key actors to create a context-sensitive hybrid SIB model. Further, we find that these processes were fostered by developing and activating bonding and bridging social capital. We also provide a deeper understanding of the role that social investors play in helping social ventures to enact public collaboration. Hence, our study extends the current understanding of alternative investing by viewing it as brokering.

2. Material and Methods

2.1 Contextualizing a SIB under investigation

The Norwegian welfare state is characterized by a comprehensive social policy and universalist orientation, implying that public services are ‘at the heart of the state’. As a core welfare provider, municipalities are an integral part of the Norwegian welfare state, and thus their ‘municipalization’ plays a crucial role in providing services (Vike, 2018). Local governments, however, are facing an ever-growing number of complex social problems, as well as significant resource constraints, raising demands and expectations for innovation, experimentation, and a need for greater collaboration between fields of professional expertise and sectors (Kobro et al., 2018).

This study investigates a small social venture - Nature Magic - funded through a SIB model to deliver services to Rock municipality which faced increasing school dropouts. The venture focuses on the well-being of different groups of people struggling to cope with stress in their everyday lives. Rock municipality decided to strengthen its prevention services for young people through collaboration with Nature Magic; however such experimentation was costly to the municipality.

Nature Magic had a pre-existing relationship through their start-up with a social investor company Anders Capital, which invests in social entrepreneurs, and suggested they opt for collaboration. In view of the numerous years of experience of the investor company, Nature Magic was funded through a hybrid SIB model, with the agreement to partner for 3 years (see [Appendix A](#)).

2.2 Research design

In line with our focus on social practices and processes in a local context (see Chatterjee et al., 2021; Vanderhoven et al., 2020), we adopted a longitudinal single-case study design (Patton, 2002). The qualitative case study approach provided us with rich, contextualized, and longitudinal data. As such, we could gain a nuanced understanding of practices and processes of embedding the SIB into the local context. One member of the research team collected data between 2019 and 2020 through interviews, observations, and documents. [Table A1](#) provides a detailed summary of the data collected and its role in the research process. This mix of data enabled data triangulation, while the constant comparative method guided data collection and analysis (Alvesson & Sköldbberg, 2018; Glaser, 1978).

2.3 Data collection

2.3.1 Interview data

Purposive sampling (Denzin, 1989; Pratt, 2009) was used to recruit critical players involved in the collaboration process: two (co)founders of the social venture, the Managing Director of the social investor-company, and municipals, ensuring multiple perspectives were captured to achieve theoretical density (Anderson et al., 2010). We were able to collect real-time data and diminish retrospective bias by interviewing participants as the SIB unfolded. In total, the lead author conducted seven semi-structured interviews at different periods of time, each lasting between 45 minutes and two hours in two rounds of data collection with one of the (co)founders and the social

investor. The interviews allowed for open-ended discussions about the key actors' experiences and the meanings attached to these experiences (McCracken, 1988). The follow up interviews enabled us to revisit emergent themes for fuller explanations. The lead author facilitated conversation-like interviews following an interpretivist approach, giving respondents considerable space and freedom to co-create and extend the discussion. The interview guide was adjusted and questions adapted for the three organizations. All interviews were recorded with the permission of respondents and transcribed verbatim. Most interviews were at respondents' premises. Due to the travel restrictions caused by the Covid-19 pandemic, two interviews were arranged via video conference and video recorded. The researcher also engaged in informal conversations (for example, in a car, via email) with the founders of Nature Magic to generate a better understanding of what was going on as the collaboration unfolded.

2.3.2 Observation data and documents

The researcher was also granted access to attend and observe working group meetings in situ and accompany the social entrepreneurs on their trips to the Rock municipality. The researcher took detailed field notes on meetings, participant behaviors and informal conversations and made audio recordings when possible. Specifically, the field researcher 'zoomed in' on how micro-interactions between diverse participants played out in context and place, the surrounding conditions, and other contextual factors (Jack, 2005; Van Burg et al., 2020). Written consent was obtained from all participants, who were informed of the study's background and purpose. To further enrich the data, the researchers also collected and analyzed documentary sources, which are listed in [Table A1](#). Organizations, names and locations are anonymized throughout the article.

Table A 1. A detailed summary of the data collected

Data type	Source	Amount	Further details	Use in analysis
Interviews	Social entrepreneurs (2 (co)founders)	3	An interview with the founder <i>before the evaluation of short-term results</i> (from pupils and teachers), June 2020 A follow up interview with the (co)founder and interview with the second founder <i>after the evaluation of short-term results</i> , November 2020	Provided insight into key actors' everyday lived experiences with collaboration; the detailed account of activities involved in embedding the SIB model and the ways they navigated the challenges
	Managing Director of the social investor company	2	Interview with the key actor from the social investor company, June 2020 A follow up interview, August 2020	
	Municipal employees	2	Interview with a chief executive officer for childcare, July 2020 Interview with a school advisor, November 2020	
			Around 9 hours 40 minutes in total	
Observations	Conference	1	November 2019 Presentation of the SIB model at the Annual Social Entrepreneurship Conference 4 month after the contract was signed 5 hours	Provided insight into key actors' experiences with collaboration before the evaluation of short-term results (2-3 month after Nature Magic started the delivery of services)
	Working group meetings	2	Observations took place an the Rock municipality's premises after the evaluation of short-term results, November 2020 5 hours	Provided access to participants and allowed in situ observation of interaction dynamics naturally occurring in meetings; provided insight into challenges faced by key actors, in the moment, as the embedding process unfolded; allowed for contextualizing the study
	Informal activities	2	The lead author took part in informal activities, such as coffee breaks and observed two (co)founders preparing for the meeting with the Rock municipality and discussing the results of the meeting, and engaged in informal conversations with them in a car	Provided insight into social entrepreneurs' experiences with collaborations and challenges, deepening understanding of process in context
Documents	SIB contract	1	A signed SIB contract	Allowed for contextualizing the study, provided insight into details about the risk-reward profile, evaluation approach, etc. and helped to avoid retrospective bias
	Letter of intent	1	A letter of intent to sign a SIB contract	
	PowerPoint Presentations	3	Presentations of the SIB model before the contract was signed and after	
	Annual report	1	Access to the annual report produced by the social investor company	
	Press reports	8	Press coverage of the SIB model	
	Policy document	1	The rejection letter about the potential implementation of SIBs from one of the Norwegian municipalities	

2.4 Data analysis

Data were imported into the MAXQDA software program, enabling efficient organizing and coding of data. We used an inductive qualitative approach to analyze the data, iterating between our data and the literature as analysis progressed (Denzin & Lincoln, 2000; Gioia et al., 2012). During the first phase, transcribed interviews along with collated field notes, observation guides and archival data were synthesized and then organized around themes that fitted our interests. Then, we identified initial concepts in the data and grouped them into categories. In this first-order stage of analysis, we identified 14 categories. During the second phase, we engaged in axial coding and searched for connections which allowed us to group the categories into 7 higher-order themes. In the final phase, we ordered similar themes into four overarching ‘aggregate dimensions’ that represented conceptually coherent constructs and included representative quotations from the raw data (Table A2). Following the constant comparative approach (Alvesson & Sköldbberg, 2018; Glaser, 1978), the analytic process was iterative as we moved between data and theory. Our choice of analytic method was largely informed by studies using the constant comparative approach to relate contexts and entrepreneurial actions (McKeever et al., 2015). Fig. 1 provides details on the progression from first-order coding to second-order themes (Gioia et al., 2012), which then generate aggregate understandings of the embedding process of the SIB into the local context.

Table A 2. Representative evidence

1 st order concepts	2 nd order themes and examples	Aggregate dimensions
Gaining support from investor	<p>Expressing openness to new solutions and collaboration</p> <p>Managing Director, Anders Capital: “I believe it was the guys from Nature Magic who saw the possibility for dragging into this collaboration with Rock municipality [...] so they have attacked us asking if we want to join in to realize this collaboration in Rock municipality. So it was easy to say okey ‘that this is a concept that, we believe, has a right intake for the municipality’”</p> <p>Managing Director, Anders Capital: “And for us it was like, okay, if this is the thing that they can measure concretely and are really into, we have to go with it”</p> <p>Observation: Answering the question posed from the audience why Rock municipality decided to test the services instead of implementing them as they had been successfully tested in another X municipality, the chief executive officer for childcare from Rock municipality replied: “When Nature Magic knocked on our door and said they had successfully tested their services in X</p>	Cultivating opportunity

Introducing new actors and impulses for innovation from outside	<p>municipality, we were extremely interested but we did not have money for that, so we needed much time to find a financial solution and the <i>social investor</i> played a critical role in making this collaboration a reality" (Conference)</p> <p>Archival data (PowerPoint presentation): 1,5 mln is a gift from the social investor company Anders Capital</p> <p>Municipal employee, Rock municipality: "It was Nature Magic who took contact with us and presented their profile and what they are doing [...] we had much contact for a long time before we signed a contract. It is very important to have a close contact"</p> <p>Administrative employee, Nature Magic: "They really needed and wanted our services but they could not afford them. So that's where it started"</p> <p>Municipal employee, Rock municipality: "We must also get impulses from outside. It is not the case that we are sitting with the best solutions"</p> <p>Observation: "The public sector cannot solve everything [...] We need to do it with other actors, so we need to enact collaborations [...] and collaborations are about having the same values" (Conference)</p>	
Monitoring SIB development and waiting in the wings to pull in a SIB in a local context	<p>Creating a space for experimentation with a SIB model</p> <p>Managing Director, Anders Capital: "We have known about that concept for a long time [...] we have been following it as it evolved in Europe and discussing what kind position it should have in Norway, and whether there are any possibilities with these kind of contracts here. And I've been very reluctant for a lot of years in taking this to Norway mainly because of the municipalities"</p> <p>Observation: The representatives of Anders Capital travelled twice to Scotland to learn their experience in implementing SIBs</p> <p>Managing Director, Anders Capital: "But then the last few years we have seen a movement amongst municipalities [...] the economy in the municipalities is tightening up, it is demanded more of them and they do not get that much money so the <i>mindset is slowly changing</i>"</p> <p>Administrative employee, Nature Magic: "The social investor said 'okay, we could take the risk under a special kind of contract'. It is something they wanted to try out in Norway at this point. So we are very late in using this model [...] it was something completely new [...] and we asked the investor what they want from us to implement this and they said 'we want you to measure the impact' and we knew that we would manage this"</p> <p>Observation: During the conversations the key stakeholders often emphasized that it is a win-win-win collaboration model</p>	
Carving out a space and possibilities for new collaboration models	<p>Bonding of social capital</p> <p>Administrative employee, Nature Magic: "I think the most important value in this project is trust and it was established before Anders Capital came in"</p> <p>Municipal employee, Rock municipality: "Such collaboration is too dependent on individuals and relations between them. When we met guys from Nature Magic, we developed trust and established relationships [...] it is of great importance that we can rely on each other"</p> <p>Managing Director, Anders Capital: "I think it is really difficult to do a contract like this if you do not match with the partners around the table but we did. On the personal level we built trust and we trusted them really well after a while in the working group"</p> <p>Municipal employee, Rock municipality: "We do a background check. We wanted to know why they (investor) are concerned with this, to understand their motivation to join collaboration. If their intention was to make money, then we would not be able to take as much out of it. We spent very much time on getting to know each other"</p> <p>Observation: Hugging while greeting each other. During the meetings, social entrepreneurs constantly emphasized the importance of building trust and be in a close dialogue with those Rock employees who will become mentors and develop solutions further.</p> <p>Observation: The participants stressed that a key success factor in the collaboration has been mutual trust and shared value-based goals for what they want to achieve together in the SIB (conference)</p>	Pulling together
Gaining from pre-existing relationships	<p>Managing Director, Anders Capital: "So when they came to us, we were definitely positive and curious because we knew the social entrepreneur very well from the start-up"</p> <p>Managing Director, Anders Capital: "They established a dialogue themselves and they knew that they like each other and that they wanted to collaborate [...] and it has saved a lot of time for us in a sense that they came not with a complete package but at least they have done that first important step"</p>	
Being driven by the same social goals	<p>Building on common interest</p> <p>Managing Director, Anders Capital: "And the things we have presented to them as our interests matched really well with what they were trying to achieve"</p> <p>Municipal employee, Rock municipality: "It was important for us that they have had such an extensive experience and their mission is to contribute back to society"</p> <p>Managing Director, Anders Capital: "When we met with the municipality, I think they were probably the most nervous part around the table because to them we as an investor were a private company so I think they were quite surprised to find that we have such clear social goals [...] and</p>	

Enjoying shared values, motivation and togetherness	<p>for us that was of course important because what we feared the most is that people think that we are there with a <i>double agenda</i>”</p> <p>Observation: Open communication and dialogue</p> <p>Municipal employee, Rock municipality: “When developing a SIB contract, we had shared collaborative values and motivation. It was not an order-performer model, it was a <i>collaboration model</i> developed together. It is important that we’ve developed it <i>together</i> and are developing it all the way”</p> <p>Managing Director, Anders Capital: “I think they quite quickly could feel that okey these guys are actually in it, they are as intrigued as we are in being able to do this”</p> <p>Observation: During the meetings, the key players were highlighting that they are together ‘on the same journey’. A friendly atmosphere during the meetings. Joking.</p>	
Integrating new services and ways of working	<p>Reconfiguring a traditional SIB model</p> <p>Managing Director, Anders Capital: “This is a concept that has a right intake for the municipality, which means it is a low risk because the idea was to implement this inside the municipality which means that we do not have a situation where the municipality has to buy, buy and buy [...] that is what municipalities are reluctant to do because they get dependent, right’ (laughing)?”</p> <p>Municipal employee, Rock municipality: “The idea that we are not obliged to buy services in the future and will acquire new competences served as a very important starting point. It is crucial that we do not have to buy services all the time. We have our employees who can do it further”</p> <p>Archival data (PowerPoint presentation): The collaborative SIB model is <i>just</i> a tool to achieve a goal but, in our case, landing on a hybrid SIB model was <i>critical</i> in achieving that goal.</p> <p>Archival data (PowerPoint presentation): If the results are achieved, Rock municipality is obliged to sustain the services internally.</p>	Fostering experimentation and ‘mutation’
Pushing municipality to revisit their goals	<p>Managing Director, Anders Capital: “I think during the discussions the municipality was surprised to feel that we were pushing them to think about what they as a municipality want to achieve [...] they thought they would strengthen the target group and it fitted nicely as being active and innovative but what concrete actions would come out of it in terms what we change was not there”</p> <p>Municipal employee, Rock municipality: “We discussed together what we want to achieve together concretely and how we are going to measure the effect. [...] it was a very challenging part for us before signing the contract”</p>	
Creating space for innovation and experimentation	<p>Reshaping practices</p> <p>Municipal employee, Rock municipality: “Nature Magic’s solution and services are very unique so we want our employees to learn how to provide them”</p> <p>Municipal employee, Rock municipality: “It is a completely new way of doing work and we are doing really smart things”</p> <p>Observation: During internal meetings conversations were often focused on how innovative the work is, how challenging it is and that they are on ‘the same innovation journey’</p> <p>Archival data (letter of intent): Rock municipality is intending to sign a hybrid SIB contract with Nature Magic and Anders Capital. The model is a mix of Social Impact Bond and Social Bridging Finance [...] where the public sector takes over the funding if the pre-defined results are achieved.</p> <p>Observation: “The contract says that it is possible to make changes and adjustments along the way, because it is very important to be able to be <i>flexible</i> in those contracts” (Conference)</p> <p>Observation: The project was constantly updated and changed based on member suggestions (e.g. related to impact measurement, communication)</p> <p>Observation: Nature Magic has developed its own evaluation procedure besides impact measurement metrics used as they found questionnaires to be challenging for pupils to answer</p>	
Gaining from prior work experience in the government	<p>Orchestrating cultural and social capital</p> <p>Managing Director, Anders Capital: “I used to be politician so I know politics and how things are done out there. It is a very good background to have because you have to understand the mindset on the governmental or the municipality side. If not, you would probably not get that trust around the table, at least, not that quickly”</p> <p>Managing Director, Anders Capital: “I think they (the Rock municipality) were really surprised to see our great insights into how municipalities work [...] when we arrived and told them about our extensive years of experience in doing SE and that I worked in the Government for many years and I was a politician on the side [...] so I kind of know the environment, I know the constraints and strengths they have, and the mindset in a way”</p>	Leveraging a brokerage role
Using professional knowledge about the public sector realities	<p>Managing Director, Anders Capital: “It is not always the best thing to start in the Parliament [...] I have learnt a lot about that when it comes to social innovations. If you get to the top and they say and instruct people to do social innovations, ‘aaaa’ (laughing), this does not work” (Managing Director, Anders Capital)</p> <p>Managing Director, Anders Capital: “It is so interesting what is happening in the governmental sector when it comes to social innovation [...] how they grasp new ideas when they see them out there and they try to make it public but it is not that easy. Do you know about the attempts in the government to set up the SIB? Because it has been going on for years (laughing) [...] They do not</p>	

Facilitating
collaboration

understand what SIB is about, they do not understand the private role in SIB [...] and do not leave any room for a social investor”

Managing Director, Anders Capital: “It is really hard for municipalities to gather data from their own silos and not the least try to find the numbers to paint a full picture..it is almost impossible”

Connecting

Managing Director, Anders Capital: “It is another part of our goal - we are not going to earn money on doing SIBs but we hope to be able to use them to start collaborations between social entrepreneurs and municipalities because they find it really hard”

Managing Director, Anders Capital: “What we have been trying to teach the municipalities about is that they need a contract with a social entrepreneur which is as accurate and as good as with the private company, because they are actually a company”

Managing Director, Anders Capital: “To us that is really a test, it is not whether we will manage to measure that the things are going better. It is for the guys (social entrepreneurs) to be able to teach the municipality the way to do this. And actually if they manage this, it will be crucial for all parties. That is what we want out of it”

Managing Director, Anders Capital: “We had to involve a third party, a consultancy company working with social innovation in Norway. And it was very critical, because they could put in the hours to sit and work on the contract, the wording and all those pieces. And that is actually an expensive part [...] and we have not included that in the contract, we did for free [...] And so far the municipalities are quite reluctant to pay for that kind of stuff: all hours and efforts”

Managing Director, Anders Capital: ‘Hopefully some of such SIB contracts and ways of working with us can help the municipality also to start thinking in another way when it comes to their own projects, collaborations with social ventures and how they work. I’ve seen many great innovative projects in Norway and after three years they end. And it is kind of terrible to see all those projects just ending...everybody agreeing ‘this is a much better way of working.. bye bye’. That is totally crazy. At least it is where my heart”

Managing Director, Anders Capital: “For us as a social investor at least it is important to be able to shed some light on that situation that by going in with 1 or 2 millions, we can make a difference in the municipality [...] which is crazy, crazy bananas when you see all the millions they have but cannot move one million from that budget to this budget”

Observation: The social investor company was pushing Rock municipality to think thoroughly about what they want to achieve in this collaboration

Observation: The social investor company have created ‘the steering group’ and ‘the working group’, both facilitated the embedding process of the SIB model (Conference, meetings)

Observation: The participants emphasized that the project would never be successful without ‘the working group’

Observation: The social investor company urged the municipality and the social venture to think thoroughly how to track the experiences of future mentors (teachers) who are supposed to deliver the services in Rock municipality after the pilot trial. The actors discussed different formats how to check that with both pupils and teachers.

Archival data (social venture company’s website): We will continue to organize regional meetings across Norway to facilitate collaboration between municipalities and social entrepreneurs.

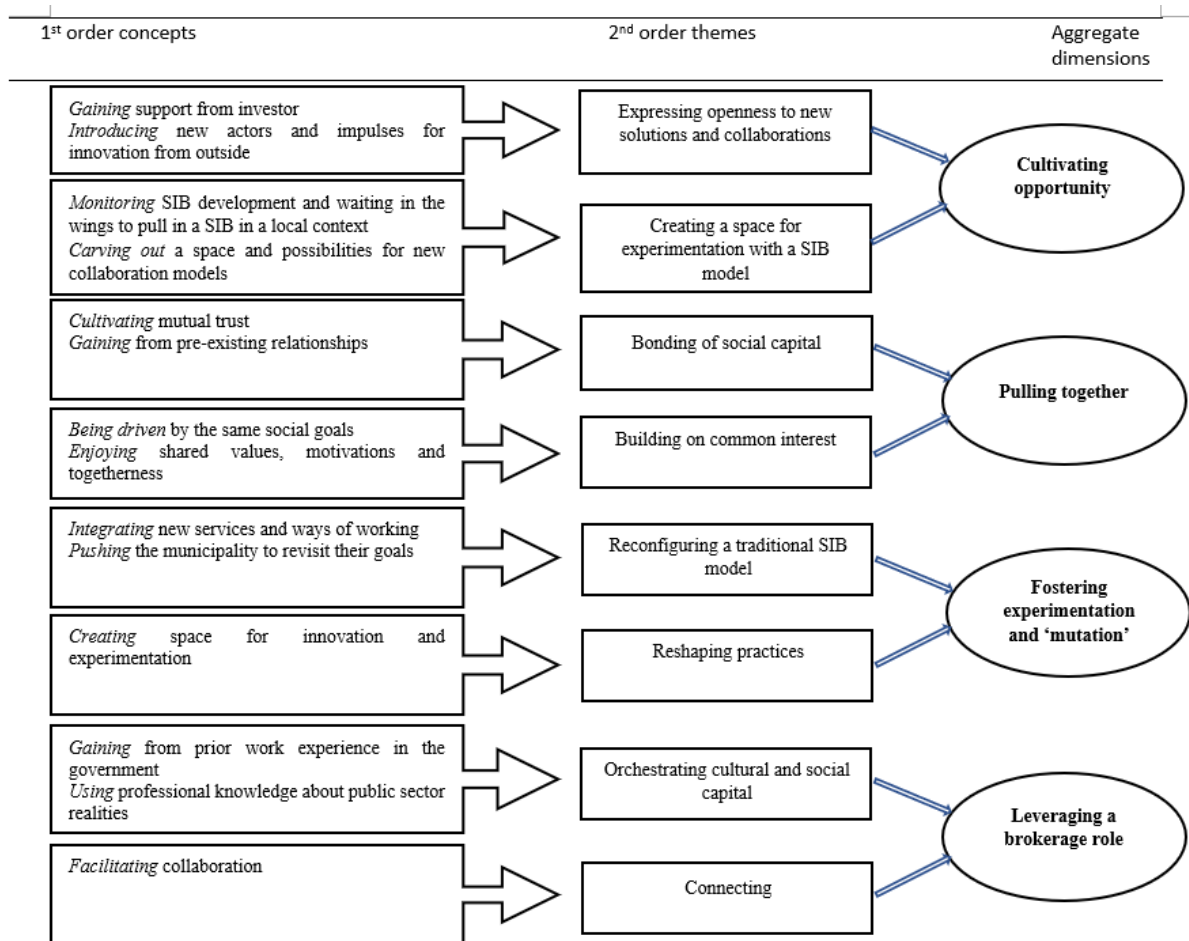


Figure A 1. Data structure

3. Results

Our data reveal three major insights. First, three processes were enacted to embed a context-sensitive hybrid SIB model into a local context which we label as *cultivating opportunity*, *pulling together* and *fostering experimentation and 'mutation'*. Second, these embedding processes were fostered by *developing and activating bonding social capital*. Third, through these embedding processes, the social investor leveraged a *bridging role* to bring together and connect the social venture and municipality by engaging in *brokering processes*. We present our key findings in the following sub-sections.

3.1 Cultivating opportunity

The findings show that the social investor exerted an important role in facilitating the spread of the SIB model to Norway. Despite the rapid proliferation of SIBs in the UK and US and their mobility to other geographical contexts (Andersen et al., 2020), the investor expressed reluctance about taking this model to Norway for many years mainly because of contextual intricacies marked by bureaucratic administration in municipalities and resistance to private actors in the welfare provision. Over the last 10 years, the investor's position was "let's wait and see how the things develop" (Social investor).

However, local government budget tightening, spending cuts, increasing demands, and high expectations meant a movement among municipalities was being witnessed, "their mindset is slowly changing and we thought that it is the right time to do the SIB" (Social investor). The embedding process of the SIB must therefore be placed within the context of these ongoing changes which fueled interest in social innovations and were instrumental to the investor's decision to seize the opportunity to see how this model works in a local setting, thus *creating a space for experimentation with a SIB model* that fostered the introduction of new practices within all key organizations involved in the SIB development.

Rock municipality's limited budget for experimentation with 'innovative and unique' services created an opportunity for the social venture to gain support from the investor-company by securing funding: "They (Rock municipality) really needed and wanted our services but they could not afford them [...], then the investor came along". The idea for introducing a SIB model in this context was conceived by the investor as Rock municipality, through its strong commitment to providing good quality services for local residents, sought to introduce new impulses for innovation

to their services and invite new actors such as social ventures by *expressing openness to new solutions and collaboration*.

When carving out a space and possibilities for the SIB, data also shows that the investor viewed the ‘right match’ of the social venture and their capacity as a service provider to measure the results as a low risk to develop this kind of model (Muñoz & Kimmitt, 2019). As the social entrepreneur noted: “We asked the investor what they require from us to implement this model and they said they want us to measure the impact [...] that was okay because we’ve done it for years, we would manage this”. While the investor envisaged developing the first SIB model, further processes were required to embed the model into the local context.

3.2 Pulling together

In our findings, we noted the importance of pre-existing relationships between Rock municipality and the social venture. In the early stages especially, this brought a foundation of trust in each other’s intentions and goals and gave the partners credibility with each other. During the initiation of the project, the pre-existing ties were especially important for the investor-company and saved time during the negotiation process: “They established a dialogue themselves and knew that they liked and trusted each other [...], at least they have done the first step [...], without that it would have taken much more time” (Social investor). We also saw in our case that the activation of pre-existing ties between the investor and the social venture formed during the venture’s startup were a catalyst enabling the investor to perceive the social entrepreneurs as trustworthy and reliable.

While the investor acknowledged how the pre-existing ties contributed to the speed of the project development, further activities were required such as getting to know the municipality and cultivating mutual trust and reinforcing collaboration through the *bonding of social capital*. During

the very first meetings with Rock municipality, the investor witnessed that municipal employees were the most nervous around the table, Anders Capital is a private company: “What we feared the most is that people think that we are there with a double agenda” (Social investor). However, to address these liabilities, the investor-company representatives fostered activities to achieve the feeling of belonging and worked to cultivate mutual trust. This happened primarily through the introduction of the investor’s extensive work experience with social entrepreneurship and signaling their clear social goals. A “contributing back to society” (Municipal employee) investor mission was particularly valued by the municipal administrative employees as it suggested the importance of *building on common interest* and “matched really well with what they were trying to achieve” (Social investor).

This building on common interest, combined with the proactive bonding of social capital, allowed all three parties to interact more openly with each other, and reinforced the program development: “It was not an order-performer model, it was a *collaboration model* [...] it is very important that we’ve developed it together and are developing it all the way” (Municipal employee).

3.3 Fostering experimentation and ‘mutation’

Having developed mutual trust and created a shared vision, the parties engaged in the process of fostering experimentation and ‘mutation’ (Broom, 2021) by *reconfiguring a traditional SIB model* and, thereby, *reshaping practices*. Following Broom (2021), we describe ‘mutation’ as the alterations and twists made to the typical SIB model.

Rock municipality sought to *sustain* services provided by the social venture through acquiring new competencies and staff training which “served as a very important starting point for collaboration” (Municipal employee). This idea was consistent with the aims of an alternative model called Social

Bridging Finance (SBF) - trialed in Scotland – to sustain services in case of a successful trial phase (Social Bridging Finance, 2020). As both the municipality and investor-company were averse to the potential municipality’s dependence on the service provider after the SIB trial, the investor made a pledge to the project and fostered reconfiguring a traditional SIB model: “This is a concept that has a right intake for the municipality [...] we do not have a situation where the municipality has to buy, buy and buy [...] that is what municipalities are reluctant to do because they get dependent” (Social investor). We identify this as a particular issue in Norway, where our empirical material was collected and where there is a tendency towards minimizing long-term public sector dependence on private service providers. The investor also encouraged the municipality and Nature Magic to increase the number of teachers to be trained as municipalities often underestimate how many employees change jobs. Thus, by proactively refining the contours of the SIB model, such ‘mutation’ caused the ideals of SBF to be incorporated into the SIB model, resulting in a hybrid model.

We further observed that the constant monitoring of measurable outcomes and the introduction of financial metrics, as well as services provided by the social venture induced changes in practices within Rock municipality by reshaping their organizational practices (Schildt et al., 2021). This was notably visible during internal meetings when conversations were often focused on how innovative and challenging the work is, and that they are on ‘the same innovation journey’. This demonstrates that such experimentation with the collaboration model introduced an innovative addition and ‘entrepreneurial approach’ to the municipality.

3.4 Leveraging a brokerage role

Our findings extend current understandings of the social investor’s role in the SIB. What we saw was the importance of the investor’s insights into the municipalities’ mindset and the way they are

organized for embedding a SIB model in a local context. Before joining Anders Capital, the Managing Director benefitted from extensive work experience in the Norwegian government as a politician. This ensured awareness of public sector norms and knowledge about ‘how things work’ in this particular research setting. By *orchestrating cultural and social capital*, the Managing Director legitimized the investor-company within the public sector and leveraged a brokerage and bridging role to get new things done (Burt, 2005; Halevy et al., 2019; Stovel & Shaw, 2012) through *connecting* the municipality and the social venture, thereby laying the groundwork for embedding the SIB and facilitating beneficial social processes. Our findings show that the social investor engaged in brokering processes using the SIB model to help social ventures establish collaborations with municipalities. Key brokering activities were coordinating the set-up process by working with the specialized company to draw up a detailed SIB contract and to form a ‘steering group’ and ‘working group’. During the collaboration, we observed that the social investor underlined the importance of recruiting more teachers from the municipality who were supposed to sustain services, as well as facilitate the discussions on how to design questionnaires so that young people could respond to them and how to check the experiences of teachers in training. Our observations also revealed that the social investor company was concerned that the municipality was not able to trace the different pupils, their childcare authorities, and families to gain a bigger picture because of the current legislation regarding access to personal information.

4. Discussion and Conclusion

We contribute to the emerging literature on SIBs by providing a longitudinal and contextually situated account of the embedding processes of the SIB model into a local context. The longitudinal nature of our study allowed us to capture the activities involved in SIB development over time and to generate an informed understanding of how these underpinned the collaboration process. While

our results support previous findings that SIBs can differ significantly across contexts (Andersen et al., 2020; Broom, 2021), what we saw in our case was that the SIB model was hybridized by incorporating an important element of SBF. Our findings show that the main goal and incentive was to ensure that the municipality internally *sustains* those services which successfully meet agreed outcomes by municipal employees who received training from the social venture. We contribute to previous research on alternative investment (Agrawal & Hockerts, 2021; Wilson et al., 2020) by highlighting the role of social capital in SIB development and, more broadly, in alternative investment (Colombo et al., 2015). We theorize the embedding processes as being fostered through developing and activating bonding social capital which is crucial for successful collaboration and the bridging element of social capital (Jack & Anderson, 2002). The study also highlights the value of cultural and social capital that is accumulated by social investors through their prior work experience within government and its importance for legitimizing the investor company within the public sector.

Further, our study extends understanding of alternative investing by viewing it as brokering, thereby providing a greater nuance to what social investors do in SIBs. Most of the current literature takes a critical position and asserts that SIBs allow private investors to profit from social problems and that investors are removed from social problems, thus portraying them negatively due to financialization of the social sector and profiteering (Neyland, 2018; Williams, 2020). In contrast, we found that the social investor played a brokerage role by fostering relationships and facilitating collaboration between social ventures and municipalities through embedding the SIB model. These findings show how the investor engaged in brokering processes to assist the parties in navigating challenges as the collaboration unfolded. Therefore, we build on prior literature on brokering (Burt, 2005; Halevy et al., 2019; Lingo & O'Mahony, 2010) and the bridging (Putnam, 2000; Agnitsch

et al., 2006) aspect of social capital and demonstrate that social investors serve as a unique link and catalyst for municipalities and social ventures to collaborate. In doing so, our study addresses calls for empirical studies that examine how alternative investments, such as SIBs, can help local governments and social ventures to collaborate (Andersen et al., 2020; FitzGerald et al., 2020). Finally, this article contributes empirically to the literature by extending our understanding of SIBs in new contexts (Anderson et al., 2020).

As we focused on a single case study, we cannot rule out the possibility that our research setting might have affected the embedding processes we observed. Therefore, we recommend caution when generalizing our findings to other settings. Despite these caveats, our study provides merits to further explore the role of different alternative investment instruments in facilitating collaboration between social ventures and public sector organizations across different contexts.

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Appendix A. Key aspects of the hybrid SIB model

Key aspects of the hybrid SIB model

The SIB is a 3-year (2019-2022) pilot program that has short-term and long-term goals: 1) to improve the well-being of pupils, their motivation, and reduce the level of stress; and 2) reduce school dropouts in the long run. The project is implemented by the social investor company Anders Capital, the social venture Nature Magic, and the Rock municipality, thus bringing three organizations together. Anders Capital provided upfront funding to Nature Magic to deliver the program and train teachers from the Rock municipality who are supposed to sustain the services which successfully meet agreed outcomes.

The pilot of the program started in September 2019, with Nature Magic delivering services and training teachers as internal mentors for two years (2019-2021). Rock municipality commits to sustaining the services internally starting from the fall of 2022, as well as repaying Anders Capital 50% of the investment if the short-term results are achieved (25% of the investment are paid back if the short-term goal is achieved and another 25% if the long-term goal is achieved). In case of poor performance, Rock municipality does not have any financial obligations to repay anything back. The evaluation process includes a questionnaire developed for pupils in order to determine whether the short-term outcomes have been achieved and an observation of actual school dropouts where there should be at least a 20% reduction in school dropouts in the group participating in the program.