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CSI ADVISORY SERVICES | PROJECT REPORT

Creating Impact in Southern Norway

A Social Return on Investment Report to the Competence Development Fund of Southern Norway

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SØRLANDETS KOMPETANSEFOND

Preface

SKF started its funding activities in 2001 and has, by 2011, granted over 330 million NOK to competence building projects in Vest-Agder county. According to the statutes, the foundation should grant money to "protect and create jobs and good living conditions in Vest-Agder."

It is a complex task to take an active part in regional economic development. There are many public bodies with similar aims and tasks, and it is therefore important to find a role in this picture. There is no obvious recipe for how the available resources should be distributed to create optimal effects on jobs and living conditions in a region. There are different and partly competing theories in the social sciences in this field, and it is therefore difficult to have a definite opinion about the effects of different measures.

SKF's board and management have, during the entire period, based their decision on some basic assumptions:

1. Development of high skills is one of the key factors for commercial and social development in a region.
2. The bulk of the funds will focus on a few areas where you have the best prerequisite for achieving long-term results.
3. A dynamic collaboration between academia, public sector and private businesses is an important driving force in regional development.

In 2005, SKF started the process of identifying an environment to evaluate its activities and establish measurement criteria on long-term social effects. In 2009, the Centre for Social Investment (CSI) at the University of Heidelberg, Germany was commissioned to do the research and evaluation. In addition to the CSI team a total of three trainees from the Italian programme "Master dei Talenti" from Turin have been working full time with the evaluation, as well as three trainees from the regional programme "Trainee Sør" on a 50 % basis.

Peter Klemsdal
SKF Managing Director

Bjorn Fjellstadt
SKF Senior Advisor

Kristiansand, June 6th, 2012

Overview

Can Foundations Make a Difference to Society in Southern Norway?

Background of the Impact Measurement Approach Project of Sorlandets Kompetansefond

1 The Competence Development Fund for Southern Norway (SKF) and Cultiva

Overview of the foundations

■ SKF and Cultiva were established in Kristiansand, Southern Norway, at the beginning of the millennium. The public electricity suppliers of the Vest-Agder region merged in 2000 to become "Agder Energi AS", and the shareholders, i.e. the municipalities of Vest-Agder including Kristiansand, decided to donate parts of their shares to a philanthropic structure.

■ SKF was established in 2000 by the 15 municipalities in Vest-Agder County. The aim of SKF is to secure jobs and improve living conditions by stimulating competence development in Vest-Agder county. Since then, SKF has granted over 330 million NOK to projects in Vest-Agder county.

■ Cultiva was established in 2002 by the municipality of Kristiansand. Cultiva's aim is to secure jobs and improve living conditions in Kristiansand by stimulating creative initiatives. During its operations, Cultiva has granted a total amount of approx. 200 million NOK, plus 325 million NOK for the construction of the Kilden Opera House.

Both foundations were intended to operate infinitely, and the Articles of Association give instructions for how to manage the capital base to secure the infinite purpose of the foundation.

Background of SKF & Cultiva

Kristiansand is the fifth largest city of Norway, the capital of Southern Norway (district Sørlandet, 180.000 inhabitants), and a municipality in the county of Vest-Agder. Founded as a market, Kristiansand had an advantageous port and soon developed the maritime industries. Today's success of Kristiansands' firms in offshore oil- and drilling engineering can be traced back to this tradition. A second line of Kristiansand economic history dates back to a decision of the city, in 1898,

View on Mandal

to invest into electric power supply. This started a formidable development of the city with considerable growth throughout the 20th century.

However, at the beginning of the 21st century, Kristiansand is facing the challenges of a globalising economy and increased national as well as international competition. Local enterprises increasingly need to internationalise and push their success on international markets. The future economic success of the city and the region is connected to the crucial question of how to successfully enter the age of globalisation.
The establishment of both SKF and Cultiva – with the specified goals of securing jobs and improving living conditions – is to be seen in this context. What is needed to realise these goals are long-term investments into the competitiveness of the region and key variables of living conditions.

Goals of the foundations

When the foundations were given the ultimate goals of securing and creating jobs and improving living conditions, those goals were set in a similar way for the two foundations:

- SKF Statutes § 4: "The objects of the foundation are to contribute to improved competence in the county of Vest-Agder in order to secure and create jobs and good living conditions, including assisting in the development of the University of Southern Norway."
- Cultiva Statutes Section 3: "The aim of the foundation is to secure jobs and good living conditions in Kristiansand by providing grants to projects which set up art, cultural, and educational institutions or organisations that contribute to innovation, development and competence-building within the creative milieu of Kristiansand."

In their respective strategies, both foundations have worked out an understanding of these general goals given to them by their founders, particularly as for the term "living conditions":

Exchange rate info: Norwegian Krone
For all financial information we refer to the exchange rate in In May 2012: 7,60 NOK for 1 Euro and 5,88 NOK for 1 US Dollar

Kristiansand Fish Market / Fiskebrygga

- SKF sketches the foundation's understanding of the term in a strategy paper published on their website (www.kompetansefond.com, p. 2): "Good living conditions are more difficult to define objectively and also have a certain correlation to economic development. (...) With this background, it is natural to use the Statistics Norway Development Index as a basis for gauging the developments in standards of living in the region. The following indicators are part of the Human Development Index (ref. www.ssb.no): mortality rates, levels of social benefits, disability retirement, transitional benefits, rehabilitation benefits, registered unemployment, violent crime, indictments and level of education.
- Cultiva, likewise, defines the term in their current strategy paper (p. 4): "In this context, the term 'living conditions' is used specifically to describe the social conditions prevailing in society. To illustrate the differences between municipalities we have used Norway's living conditions index which expresses the extent of social problems."

GOALS: SECURE JOBS & IMPROVE LIVING CONDITIONS

However, both foundations have been given, in their statues, slightly different specifications of how to approach their ultimate goals:

- SKF (Statutes, § 4): "Institutions that receive support must develop knowledge at university college/university level, for the benefit of the institution's own development and/or local industry and/or the local public administration. Institution here means public or private research/educational

SKF-funded University of Agder, Campus Grimsdal

institutions, local authorities, and public and private enterprises." In the strategy paper, SKF additionally states (p. 6): "the fund can provide support to more direct initiatives that will improve living standards, for example within sectors such as health, care, recreation school/education, culture etc.".

- Cultiva (Statutes, section 3): "Educational institutions that generate creativity and innovation can receive grants from the foundation. Institutions or organisations receiving funding must conduct activities at a high level of quality for the benefit of the local community."

Summarised, SKF works in Vest-Agder and focuses more generally on competence development, while Cultiva focuses on Kristiansand and has a thematic focus on developing the creative sector. Nonetheless, both foundations follow the basic strategy to make long-term oriented social investments – in order to secure and create jobs and improve living conditions in Kristiansand and Vest-Agder.

Conclusion: The basic challenge for SKF & Cultiva

In order to successfully create social impact in Vest-Agder in the sense of their ultimate goals, the foundations face a very basic challenge. Like elsewhere in the world of philanthropy and foundations, their

Cultiva-funded Concerthall Kilden

The scerries between Kristiansand and Lillesand

relative size compared to the goals their funders have given them, makes it obvious that they can not even get close to realising those goals on their own. In any field, the assets of one philanthropic structures, while sometimes being considerable in size, are small compared to the totality of players in this field, and in particular the state. Nonetheless, many foundations have been established with the goal to address rather big social issues. Consequently, they face the challenge of creating big impact while being small player.
The same holds true for SKF and Cultiva and their regional goals to secure jobs and improve living conditions in Agder. It is quite obvious that they are constrained to work in close collaboration with the existing players in the region in order to jointly push forward regional development in the sense of their ultimate goals. These are stated in a very broad and positive way, and the foundations obviously share them with a majority of regional institutions.

While the foundations have been donated considerable assets, SKF and Cultiva still needed to develop a specific role and profile: How to create social impact in Agder while being a marginal player in terms of economic potential for intervention? The foundations realized that it was mandatory for both of them to develop a regional reputation and build "social capital". This was a key necessity for them to be able to successfully start and moderate processes and debates on the 'right' ways to approach the future, both in Kristiansand and the region. Assuring public legitimacy for their goals and their work is an absolute prerequisite for both SKF and Cultiva in order to create social impact and implement real change in Kristiansand and the region.
This process seems somehow easier for the more clearly outlined goal "create and secure jobs" then it is for the goal "improve living conditions". But after all, both of those ultimate goals require public debate when it comes to breaking them down to concrete decisions (create jobs in which fields?, improve which aspects of living conditions?). The broad formulation of the goals helps the foundations to connect to existing players and initiatives in the region, and both foundations could start with a specification in their statues which gives them a focus: with SKF to work on competence development, and Cultiva to focus on initiatives in the creative sector (cf. fig. 1).

Joint overall goal	Secure jobs and improve living conditions
SKF specification	Stimulate competence development in Vest-Agder
Cultiva specification	Stimulating creative initiatives in Kristiansand

Fig. 1: Goals of SKF and Cultiva

2 The CSI Approach to Impact Measurement

In their attempt to establish a shared approach to impact measurement, SKF and Cultiva commissioned Heidelberg University's Centre for Social Investment (CSI) to develop an approach to impact measurement. In the following paragraph we sketch why today more and more foundations set out to develop an approach to measuring their impact – and how they can approach this issue.

Heidelberg University's Centre for Social Investment (CSI). The CSI works as a service centre for social investment issues in Europe, both in research, teaching and advisory services. A core issue at the CSI is impact measurement for social investment, both in research, executive education and consulting. The CSI has been further developing the SROI methodology jointly with its originator, Jed Emerson. Through its advisory service department, the CSI has been realising comprehensive SROI studies for nonprofit organisations, foundations and companies.

The current trend for social impact measurement

The debate on social impact measurement has been gaining momentum in recent years. The question of how to account for social impact creation not only is raised for foundations, but also for the non-profit or social investment sector at a more general level. This includes e.g. corporate responsibility activities, social enterprises and social entrepreneurship, or public private partnerships.

A number of factors boost this trend for social impact measurement. An increasing number of NGOs and non-profit organisations faces tightening competition for donations and funding, thus needs to account for impact for fundraising purposes. Companies increasingly grasp the importance of successful social impact creation (and accounting) for employer branding and recruiting high-potentials. The public and the media have

Social Return on Investment (SROI) is a method to measure social returns

The Centre for Social Investment (CSI) in Heidelberg, Germany

become more sensitive, reclaiming increased transparency and improved social impact accounting, in order to further grant legitimacy to social actors and initiatives.
Externally, foundation management is confronted with both donors/boards and the public asking for social impact accounting. Internally, the general development of accelerated organisational change, most prominent in business, forces foundation management to adapt and renew structures and programmes in faster cycles, and thus increases the need for internal knowledge on what works.

Difficult but key to success...

As a general rule, social impact measurement for foundations is not easy – but it is key for long-term effectiveness in philanthropy. If donors or foundation management want to make informed decisions on how to allocate their resources between applicants or to operative approaches they take themselves, they need to rely on knowledge about what works. There is a tendency to practice more and more **evidence-based philanthropy**, i.e. draw on rigorous impact evaluation through social scientists when making decisions. The methodological toolbox of the social sciences helps to gain robust knowledge on what works – and informs a Social Return on Investment perspective in philanthropy.

The CSI approach to impact measurement at SKF

There has been much activity in recent years in the development of impact measurement tools, metrics, and methodology. In a 2010 study, the CSI reviewed, analysed and clustered the available approaches.
We first drew on the debate on social impact and condensed relevant thinking into a framework for analysis with three dimensions: Legitimacy of the organisation/activity, organisational capacities, and social impact.

FEW APPROACHES ACTUALLY ADDRESS SOCIAL IMPACT

Our research for tools and approaches yielded a total of over 70 approaches claiming to measure or account for social impact. What we found when applying the framework was that the bulk of the approaches clearly focus on assessing organisational capacities. Only few approaches actually go beyond to measure social impact, and practically none care about assessing legitimacy. The strongest methodology for actually assessing social impact is Social Return on Investment (SROI) analysis, which we have chosen for realising the in-depth impact analyses of exemplary projects of SKF.

Fig. 2: Developing an Impact Measurement Approach for SKF

A first prerequisite for realising SROI analyses for a foundation is **Foundation Portfolio Analysis**, which helps to strategically choose those projects from the foundation's grantee portfolio for which SROI analysis is both reasonable and feasible.

A second precondition is sound **Theory of Change Analysis** of those projects which shall be analysed: clearly identifying the activities, intermediate goals and ultimate goals of those projects helps to identify the adequate empirical indicators for actually accounting for any social impact they created.

Having realised SROI analyses of strategic projects does not only yield interesting evidence on impact creation to be used in communication towards the public and the board. It furthermore yields important insights into relevant impact dimensions for the foundation. **Foundation Impact Dimension Analysis** aggregates those insights with results from the portfolio analysis and yields a framework useful for both strategically selecting grantees and tracking their impact. – In the next paragraph we give an overview of how we approached the challenge of applying these tools and methodologies to develop an impact measurement approach for SKF.

Overview of the project – phases I and II

The project has been realized in two phases. The first phase concentrated on an analysis of the grantee portfolio of both foundations from 10-years of funding. It yielded a thorough analysis of the strategic approach taken by the foundations and a suggestion for candidates for in-depth SROI analysis. The second phase carried out those analyses and finalised the elaboration of a framework of key impact dimensions relevant for tracing SKF's social impact creation in Vest-Agder.

While the first phase of the project had been commissioned by both SKF and Cultiva, the second phase was commissioned by SKF alone.
However, the overall results of the project, i.e. the developed approach to impact measurement, basically apply to both foundations and can inform their management and boards for future decision-making.

Strategy: The Value Creation Circle

How Foundation Portfolio Analysis Helped to Reveal the Integrated Strategic Approach of SKF

1 Portfolio Analysis: Clustering SKF/Cultiva Activities 2003 – 2009

In a first step, we analysed the foundations' 2001-2009 project portfolio according to a number of categories from philanthropy research. We found four distinct clustering dimensions that appeared useful for describing the foundations' grantee portfolio. In feedback loops with the foundations' management it clearly turned out that the 'types of support' dimensions was, strategically speaking, most relevant to the foundations. We will elaborate on this dimension in the next section.

Fig. 3: Four clustering dimensions for SKF/Cultiva activities

2 Integrated Strategy: The Value Creation Circle

The 'types of support' approach to project clustering best explicated the foundations strategic approach. We thus further elaborated this category, and developed a model which we proposed to call the "Value Creation Circle" (cf. fig. 4.)

THREE BASIC WAYS KNOWLEDGE DRIVES THE DEVELOPMENT OF SOCIETY

The Value Creation Circle (VCC) represents the three basic ways knowledge drives the development of society: 1. the creation of knowledge and education of people, 2. the distribution and exchange of knowledge across social milieus, branches or sectors, and 3. the use of knowledge in combination with the experiences of individual players and organisations in order to realise concrete activities.

In our analysis we found that, in order to realise their overall goals (secure jobs & improve living conditions), the foundations actually support all three of these basic drivers of development.

1. The foundations support the development of knowledge and education. They have invested in **Competence Development Centres (CDC)**, e.g. the University of Agder (UiA) or BI Norwegian School of Management.
2. The foundations support the exchange of knowledge and experience. They have invested in Resource Centres and Networks (RCN), e.g. NODE or RockCity.
3. The foundations support the development of ideas put into concrete actions. They have invested in **Entrepreneurial Activities (EA)**, e.g. Norgesfilm or Armusment.

If all three aspects are supported strategically on one value chain, they form **a self-reinforcing value creation circle** (cf. figure 4). As the most important connections from the point of view of past funding activities of the foundations, we take to be the following (bearing in mind that other connections between the three approaches can likewise be important):

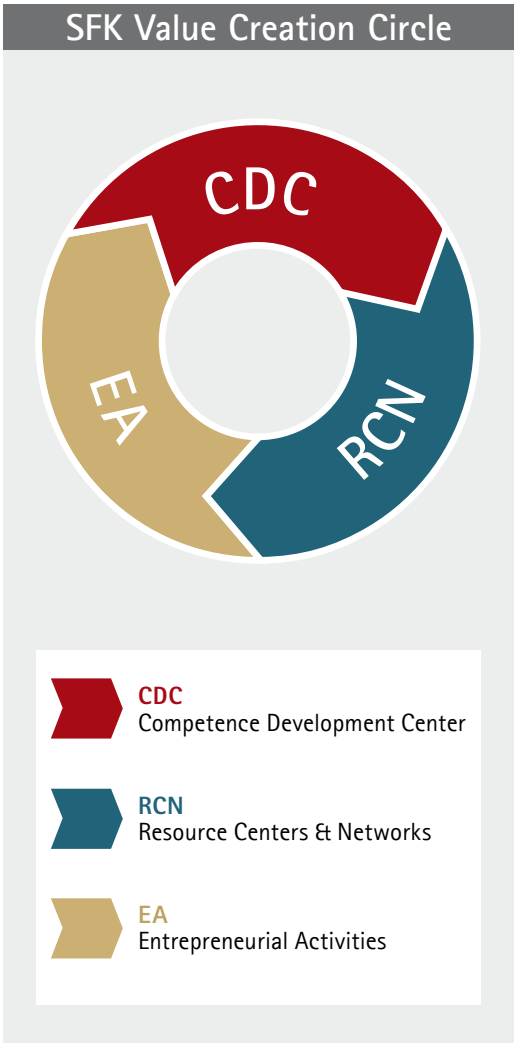


Fig. 4: The SKF Value Creation Circle

- CDC provide competence and Human Resources for RCN (and might also directly support EA).
- RCN provide practical life (EA) with the contacts, networks, and flow of information and knowledge necessary or at least helpful for starting or running activities.

Finally, the following consideration completes the circle:

- EA provide CDC with information on the questions and requirements of practical life (e.g. enterprises and their R&D activities).

Table 1 gives an overview of the three "types of support" and their interrelationship visualised in the value circle model. – In the following sections we provide a detailed Theory of Change (ToC) analysis of how SKF/Cultiva use the three types of support in order to create social value in Agder.

Competence Development Centres (CDCs)	Resource Centres and Networks (RCNs)	Entrepreneurial Activities (EA)
Def.: Institutions designed to develop knowledge and/or educate people	Def.: Institutions designed to realise, catalyse or enhance the transfer of knowledge and experiences among relevant actors in a given field, usually by a networking approach	Def.: New activities designed to make practical use of knowledge, experiences and ideas.
Basic function of competence development centres: - develop knowledge through research - develop HR through education.	Basic function of resource centres: - create an overview of available resources (knowledge, contacts, money, HR etc.) within a thematic area and make it available. - organise networks - communicate the needs of players in the field - build bridges between the business, public and academic sector in the field	Basic function of entrepreneurial activities: - translate knowledge/ideas into activities or organizational forms that create actual output or value. - To do so, entrepreneurial activities need to draw on existing knowledge and HR (cf. CDCs), and they need to have ways to access knowledge / ideas / contacts (cf. RCNs).
Such investments must first and foremost be considered as long-term oriented. The investments are meant to make knowledge and human resources available, so other segments of society can benefit from it.	Such investments must be considered as long-term oriented. They are not meant to produce a direct monetary surplus, but rather are to be considered as investments into the infrastructure necessary for creating value through EA. They are meant to be junction points or mediators in their fields.	Such investments can be considered to be rather short-term oriented: They aim at direct outputs / value creation. EA try to benefit from knowledge and HR produced by the CDCs and from networks, experiences and knowledge transfer possibilities created by the RCNs.

Tab. 1: Overview of the SKF Value Creation Circle: CDCs, RCNs, and EAs

Competence Development Centers

Input

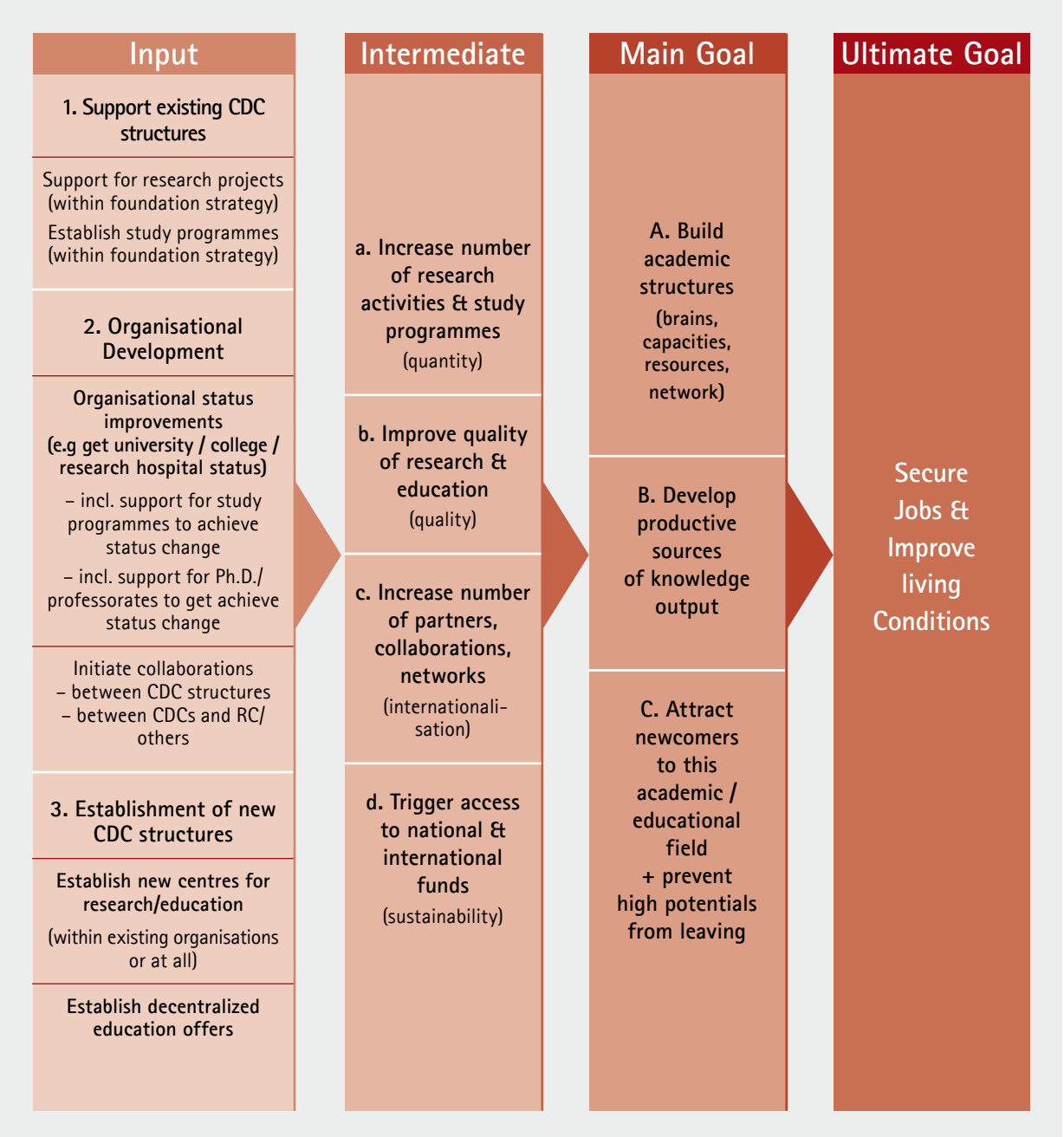
1. Support for existing CDC structures

The foundations have developed strategies that will guide the foundations work towards the vision of securing workplaces and good living conditions in the region. The CDCs play a vital role in realising this strategy through investments both in research and in study programmes in the targeted fields.

Support for research projects:

The analysis of the project portfolio shows that it is primarily SKF having invested in research. SKF

Fig. 5: Theory-of-Change Map of Competence Development Centres funding



states in its strategy that it will put extra emphasis on projects in which "the region's knowledge milieu can contribute with their competence" to the public sector (SKF strategy paper).
In the action based research project "Praxis South" the foundations have invested in bringing skilled researchers in contact with the practitioners and thereby created a dynamic arena where researchers transfer their knowledge to the practitioners and the practitioners transfers their experience to the researchers. Another example in the public domain, with the aim of developing living conditions in the region, is SKF's long-term investment in the regional hospital's research department.
Our analysis also shows that SKF investments in research have focused on research activities where regional CDCs have the potential to take a national leading position within the foundations target fields. An example of this approach is the investment of the foundation in the Agderforsknings research programme "Culture & Business".

Establish study programmes
The logic of support for study programmes within the foundations' strategy is similar to the logic of the support for research projects. The intention is to motivate regional CDCs to bring new and innovative solutions to the region. While the research approach is based on developing new knowledge regionally, the study programme approach, by attracting students and young researchers, tries to get the knowledge from elsewhere to the region. Thus it also contributes to the development of HR in the region.

A characteristic of several of the study programmes that have been supported by SKF and Cultiva is their "one of a kind" nature. Cultiva's investment in the UiA bachelor programme "Experience-based tourism" is an example of how the foundations' target field feeds regional CDCs with incitements to develop new and innovative study programs. Another example is SKF's investment in the development of a Ph.D. programme in Mechatronics at UiA.

2. Organisational development

The analysis of the project portfolio indicates that the foundations had a clear strategy of developing existing CDCs to reach a higher official status. SKF in particular has invested heavily in helping already established institutions to reach a higher status within the state regulations for quality in education and research.
The most prominent example of this approach are the investments made in the former Høgskolen I Agder (HiA) which in 2007 was officially accredited the status of a University by NOKUT. In order to speed up the process of acquiring university status, SKF supported the improvements of physical infrastructure, study programmes and Ph.D programmes as well as professorships (e.g. in Nordic languages).
Cultiva has also to some extent chosen this path and has, together with SKF, in recent years invested in the NOROFF institute in order to help them reach the official status of a University College.
Besides initiatives geared towards reaching a higher official status, there are a number of further activities that can help to support the organisational

development of CDC structures. This includes the initiation of collaborations (with other CDCs, with Resource Centres, at an international level etc.).

3. Establishment of new CDC structures

The project portfolio shows that both foundations have invested in developing new CDC structures that can serve as tools to reach the foundations goals. This concerns primarily two kinds of structures: research/education centres and decentralised/satellite university offers.

Research/education centres

Both foundations have invested in research/education centres. The research/education centres have the general function of producing and servicing internal and external stakeholders with training programmes, courses, networks and research within their specialised fields. The centres have the capability to draw extra attention to a thematic area. To benefit from the centre structure Cultiva and SKF have, among other investments, invested in the establishment of a Centre for Creative Economy at BI and a Centre for Entrepreneurship at UiA.

Decentralised/satellite university offers

The target geography of SKF is the county of Vest-Agder. There are limited opportunities for higher education in the provinces of Vest-Agder, and there has been a need to develop alternative ways to provide the provinces with educated HR to cover the needs of institutions and businesses. SKF have invested in these efforts through projects like Decentralised Nursery Education in cooperation with Indre Vest-Agder Regions Råd (IVAR) and different decentralised university education programs in cooperation with Lister Kompetanse.

Intermediate goals

We have identified a number of intermediate goals which connect input activities described above to the main goals of the CDC approach:

a. Increase number of research activities & study programmes (quantity)

b. Improve quality of existing research & education programmes (quality)

c. Increase number of partners, collaborations, networks (internationalisation)

d. Trigger access to national & international funds (sustainability)

Main goals

We take the CDC approach to reach out, through the different input activities and intermediate goals described above, for three main goals.

A. Build academic structures

CDCs are meant to attract, develop and concentrate brains, capacities and networks and thus serve as the fundamental tool when the foundations seek to professionalise their target fields. CDCs produce HR which institutions and businesses in the region can benefit from in order to strengthen their capacities, reflecting a connection to the ultimate goals of the foundations (secure jobs, improve living conditions).

B. Develop productive sources of knowledge output

CDCs are meant to become creative producers of knowledge that can push the region into the future before the rest of the world sees the opportunities. A vibrant research community is the place where the future is created and new ideas are hatched. Successful CDCs produce knowledge that institutions and businesses can make use of, and thereby develop new and creative services and products.

C. Attract newcomers to the field and prevent high potentials from leaving

There are many factors influencing how people are drawn to a place, but there is no doubt that people are drawn to superior environments. The stronger and more recognised the CDCs manage to be in their domain, the easier it becomes for them to attract the best brains, and make the best brains stay.

Conclusion

With the CDC approach, the foundations try to develop hubs of knowledge and HR in a targeted field and thereby catch the attention of the outside world. This will over time make it easier to attract capital, HR and new businesses that can develop the region. By succeeding with this approach, the foundations try to realise one of their most important missions i.e. increase the concentration of highly qualified HR in the region and strengthen the professional and innovative milieu.

Resource Centers & Networks

RCN funding is about supporting institutions or initiatives designed to realise, catalyse or enhance the transfer of knowledge and experiences among relevant players in a given field, usually by a networking approach. An overview is given in the Theory-of-Change map of this type of funding in fig. 6 and the comments below.

Input

1. Develop/support a base

Resource Centres and Networks cannot be built in a 'vacuum'. There are a number of preconditions that are serviceable or even necessary. Our portfolio analysis revealed that Cultiva, in particular, has invested in "preparatory work" and "establishment of meeting points" within its target field.

Preparatory work: involve / win stakeholders

Depending on the maturity of a field, concerning both organisational infrastructure and existing knowledge, it may be necessary to invest in 'preparatory work' in order to be able to realise the RCN approach. Also, preparatory work in the political sense of organising coalitions in favour of the initiative (involve / win stakeholders) may be both necessary and crucial to establish a successful Resource Centre. The most striking example of this approach in the portfolio is the initiative related to the development of the rhythmic music scene in Kristiansand, where Cultiva invested 700.000 NOK in a preparatory study. The study involved several grass root businesses in the music industry, public institutions and the college/university (HiA/UiA). It yielded a series of recommendations, among others a description of the functions needed for successfully initiating RockCity.

Establish a service office/ meeting point

For several RCNs the foundations took care to establish a central office structure or meeting point for the target field / its actors (e.g. RockCity). In other RCN cases, the foundations were able to give support to an existing office, or just tap into its services (e.g. Festivalpartner, Destinasjon Sørlandet).

Direct consequences include:

a. Infrastructure for the RCNs' work: First of all, from the perspective of the social investor taking the RCNs approach, a central office structure might be needed in order to realise other input (e.g. coordinating functions, capacity building). If the RCNs are to operate effectively, it is especially important in the early phase of establishment to make the centre known among stakeholders, build trust, and advocate the opportunities it brings to the field.

b. Infrastructure for the target field: Of course, a central office can also perform support functions for the target field of the RNC – besides marketing or operational functions for the RCNs themselves. It can help to create efficiencies, synergies, foster innovation etc. in the field.

2. Coordinating functions

In the analysis of the portfolio we have identified three different approaches that the foundations have supported in order to strengthen coordination of a targeted field, i.e. promote networking activities, set up informational infrastructure and transfer knowledge/information.

Promote networking activities / make contacts (within the field/ across sectors)

A central activity within the RCN approach is to promote networking activities, which can positively affect the field in different ways e.g. create efficiencies, synergies, foster innovation etc. This concerns a) the actors of the target field themselves, and b) the contacts across sector boundaries, i.e. between actors in the "triple helix model".

Besides NODE and RockCity, an example for the promotion of networking can be found in the foresight project for the Nordic Centre for the Experience Economy. In this project small and medium-sized businesses from the regions' tourist industry were brought together with the aim of developing a cluster that could benefit through cooperation.

Set up informational infrastructure (Websites, Boards, Newsletters...)

The RCN approach may require investment in core informational infrastructure like e.g. websites, newsletters, bill-boards, roundtables or other ways of exchanging information. The Mathematics in Agder (MiA) project is an example of this approach. In the MiA project mathematic teachers from kindergarten to upper secondary school are linked to a website constructed as a platform for sharing projects, experiences, needs and networks. Improved informational infrastructure may

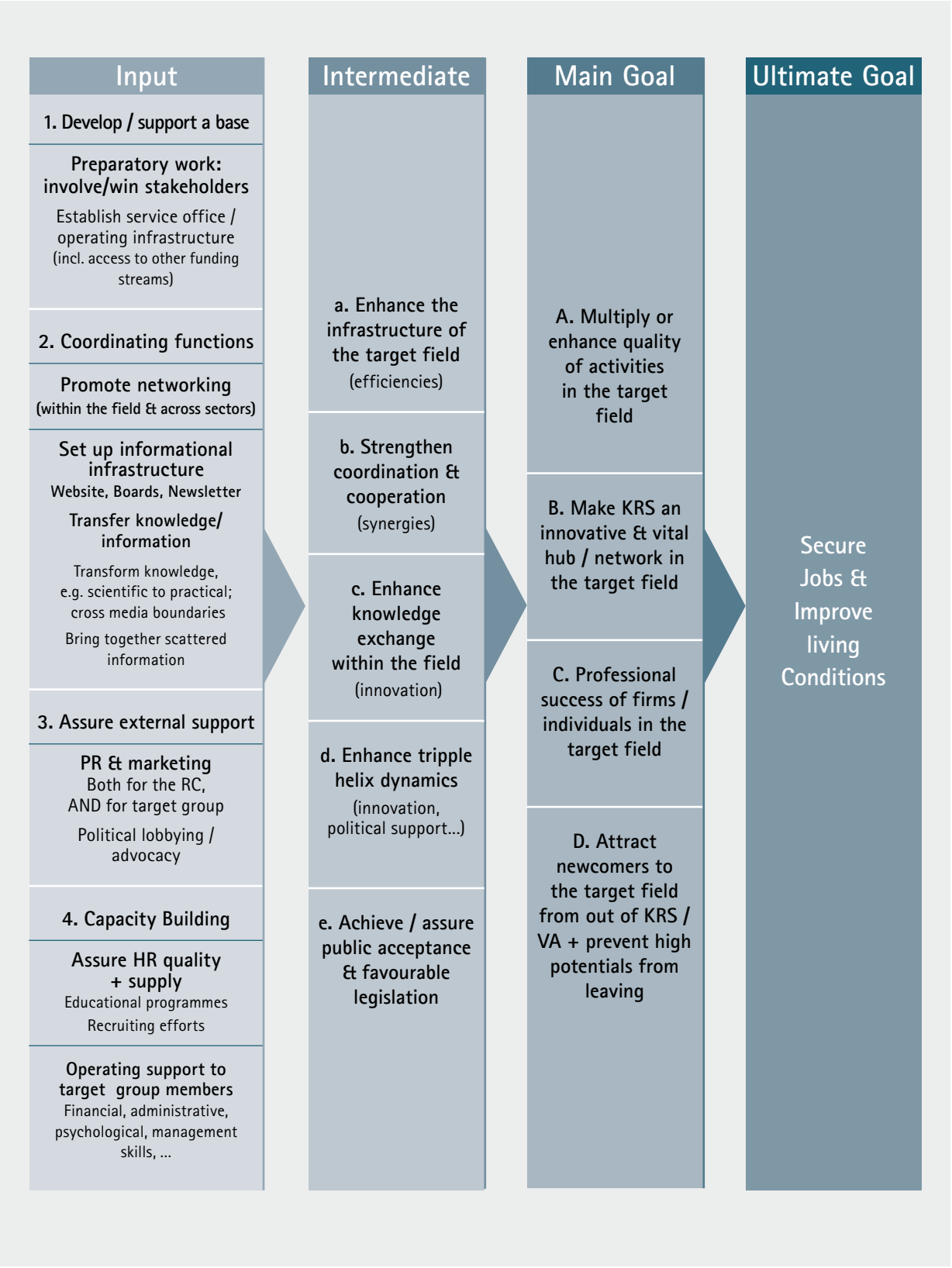


Fig. 6: Theory-of-Change Map of Ressource Centres & Networks funding

help to realise efficiencies and create synergies in the field, since available information can be easier accessed and spread by the actors in the field.

Transfer relevant knowledge/information
It is central to the RCN approach to improve the information flow in the target field. Besides informational infrastructure, it may be required to elaborate existing information in order to make it usable ('digestible') in the field. We distinguish two ways:

a) Transform knowledge: relevant knowledge might exist in the 'wrong form' and therefore be inaccessible to actors in the target field. It may thus be necessary to 'translate' the information to make it accessible:
- bridge the science-business gap: produce "practitioners versions" of academic output (e.g. SKF-funded "Learn Better Mathematics" project: make research on maths didactics useful for VA teachers)
- transform information across media-boundaries (e.g. Health Film project)
- translate from other languages

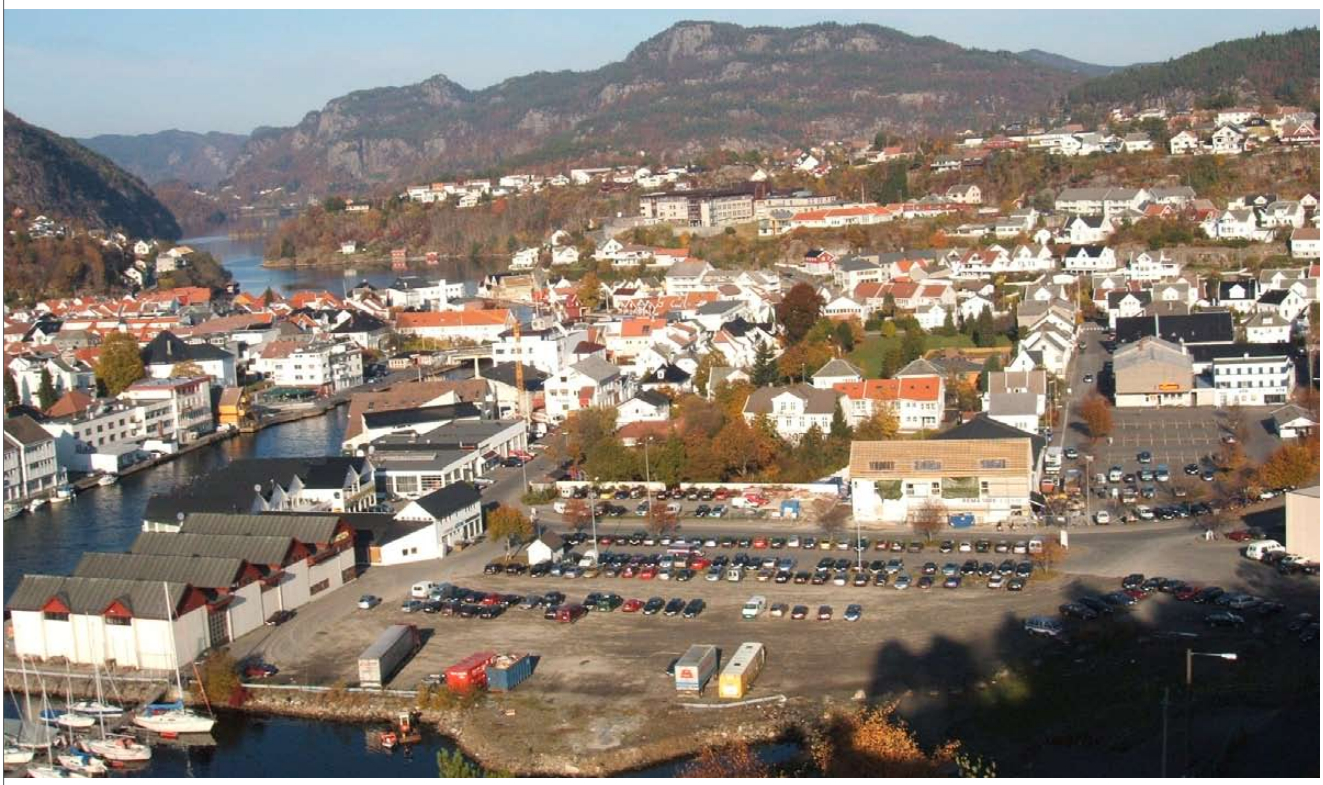
b) Centralised access to information: Relevant knowledge might exist, but the costs for accessing it might be too high for actors in the field. Do the musicians of a band have the time to research a comprehensive list of financial support opportunities and deadlines and keep it up to date? Providing centralised access to such knowledge may help the field. This includes the (easily underestimated) task of keeping it up to date.

3. Assure external support

RCNs are open network or 'hub' structures that live from their acceptance and usage within their target field, as well as its surrounding social environment. Assuring external support is crucial. The analysis of projects in the portfolio indicates that the foundations have supported two basic approaches to assure external support, i.e. PR & marketing and political lobbying/advocacy.

PR & marketing
Public relations and marketing efforts are an important aspect of the RCN approach. We distinguish:
a) PR & marketing for the RCN itself, necessary to reach the target group and make the RCN and its services known (and accepted).
b) PR & marketing to the benefit of the target group: support the players in the target field in what they do; promote the field as a whole, i.e. assure/improve public acceptance of the field.

Flekkefjord



Political lobbying/advocacy
Given the main goal of the RCN approach of 'boosting a field', it appears far sighted to also take care to achieve or assure public and political acceptance for the field and its development – i.e. invest into political lobbying/advocacy.
Lobbying efforts for the oil and drilling industry is for example an important part of the NODE secretariat function. Lobbying has been vital for the progress from the beginning, not being part of any centrally funded programme on the way to being part of the ARENA, and later on also of the NCE programme. Lobbying helped to secure resources and favourable conditions for the development of the industry. Also, Sørlandets TV og Filmforening (STOFF) have had success lobbying and helped to secure Kristiansand a regional film centre.

4. Capacity Building

For the RCN approach to be successful, capacity building activities can be necessary – both in order to assure adequate HR supply for a growing field, as well as for the organisations themselves. The analysis shows that the foundations have supported Resource Centres and Networks in the pursuit of strengthening the capacity of the players in the targeted field through a) HR supply for target field; b) operational support for target group members.

HR supply for target field
An implication of the main goal 'boosting a field' is that care should be taken to assure adequate HR supply for a developing field.
The long-term approach often taken by the foundations is investing in Competence Development Centres and the development of educational programmes (e.g. in connection to the RCN RockCity, study programme in mechatronics). Generally speaking, HR efforts have different time horizons:

- Short-term: Recruitment activities (local, national, international), e.g. Trainee Sør
- Middle-term: Workshops & trainings, e.g. scholarship for music management, publishing and branding at BI (Rock City)
- Long-term: Universitiy programmes, e.g. Ph.D programme in Mechatronics at UiA (NODE)

Operational support to target group members
Depending on the target field, it may be promising or necessary to give direct operational support to the players in the field, i.e. help them to be successful in financial, administrative, psychological, management skills etc. This will be the case in a field like the creative industries (e.g. CultivaExpress) rather than in the traditional industries (e.g NODE).
But beware: operational support might create distortion of competition! This can be counterproductive to the main goals of the Resource Centre, since it risks creating resistance from other players in the target field!

„IDEA COMPETITION" – A CLEVER WAY TO GIVE OPERATIONAL SUPPORT

A clever way to avoid this was the "Idea competition" in RockCity where direct operational support was justified because it was given to the winners of a competition.

Intermediate goals

We have identified a number of intermediate goals which connect the input activities described above to the main goals of the RCN approach:

a. Enhance the infrastructure of the target field (efficiencies)
b. Strengthen coordination & cooperation (synergies)
c. Enhance knowledge exchange within the field (innovation)
d. Enhance triple helix dynamics (efficiencies, innovation, political support etc.)
e. Achieve/assure public acceptance & favourable legislation (political support etc.)

Main goals

We take the RCN approach to reach out, through the different input activities and intermediate goals described above, for four main goals.

A. Multiply or enhance the quality of activities in the target field:
RCNs aim to achieve a quantitatively and/or qualitatively improved output from within the target

At the cinema box office in Kristiansand

field (e.g. RockCity: more and better music related activities in Kristiansand).

B. Make Kristiansand a vital hub/network in the target field
RCNs aim to create a "vital hub", i.e. an active, vibrant network of people interacting, exchanging ideas, working together, mutually inspiring themselves, making the region an attractive place for the target field.
This 'vital hub' is supposed to entail innovative processes which at the least help the field to maintain its position and at best help it to become a trendsetter or – 'ahead of its time' – the place to live, discuss, and realise the most recent developments in the field.
It is also supposed to entail a general increase in professionalism in the target field.

C. Professional success of firms/individuals in the target field
The one aim of the RCNs' type of support which is most obviously related to the foundations' ultimate goal of 'securing jobs' is the professional success of firms/individuals in the target field.

D. Attract newcomers to the target field from out of Krs/VA + prevent high potentials from leaving:
In addition to the other main goals, the RCNs approach tries to contribute to the goal of making the region a place that attracts people than rather than having them leave. Of course, the primary logic of the RCN approach is to realize this for its target field. However, since the foundations run the RCN approach in different fields, the assumption is that there is a mutual reinforcement and that the initiatives thus also help to attract resourceful people from other fields.

Conclusion

With the RCN approach – i.e. creating an infrastructure that links, coordinates and communicates the needs of the field – the foundations try to initiate self-sustaining processes of networking and information exchange in this field.
When the RCN approach is successful it creates efficiencies and synergies through partnerships. It further fosters innovations and political support through establishing arenas where ideas, experiences and knowledge can be exchanged.

The RCNs can thus prepare the ground for the development of the field. Their most important function is to create a dynamic field where stakeholders lead the development, while the RCNs facilitates the process by sharing networks and the knowledge of other players in the field.

Entrepreneurial Activities

EA funding is about supporting new activities designed to make practical use of knowledge, experiences and ideas, usually start-ups. An overview is given in the Theory-of-Change map of this type of funding in fig. 7 and the commentary text below.

Input

1. Make capital available for business establishments

An important element of business establishments is access to start-up financing. Access to risk capital can be considered an important part of the innovation system.

The CSI-team's analysis identified two approaches that the foundations have used to strengthen the regional innovation system, i.e. establish/invest in investment funds, and invest in stocks/give loans on favourable conditions.

Establish/invest in investment funds

Cultiva and SKF have committed a total of 103.350.000 NOK in regional investment funds aimed at providing entrepreneurs with start-up capital to realise innovative business ideas. The investment funds that the foundations have invested in are focused on supporting business development in the foundations' targeted fields. The foundations have invested in a series of investment funds focusing on different stages and areas of business development from seed funds (Såkorninvest Sør) through venture capital funds (Skagerak Venture Capital) to specialised funds (Gallion).

The logic of investing in investment funds is twofold. From an administrative point of view it lim-

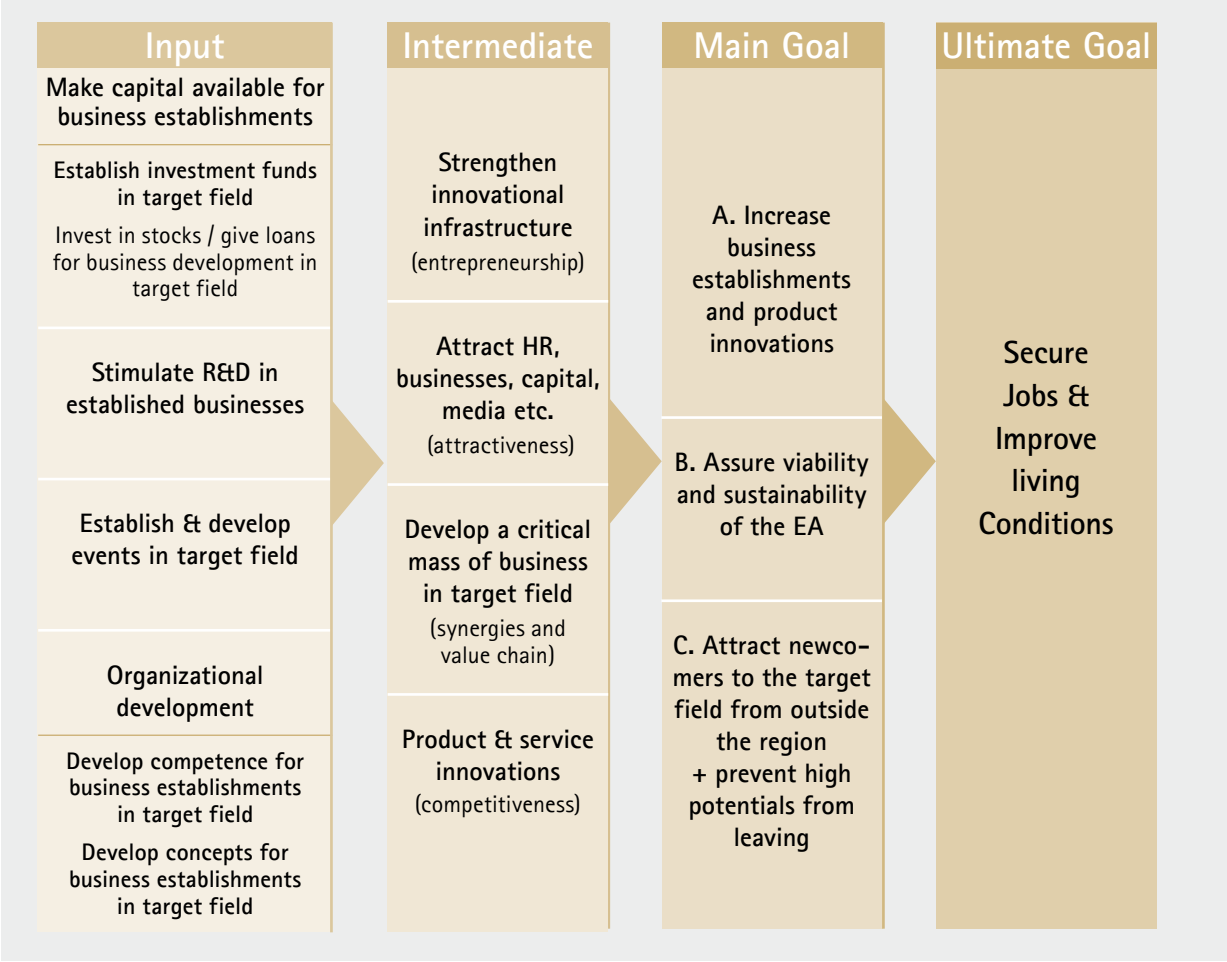


Fig. 7: Theory-of-Change Map of Entrepremeurial Acitvities funding

its the expenses by using external professionals to evaluate the business idea. On the other hand, from the entrepreneurial point of view, it increases the access to capital and increases the regional attractiveness for business establishments.

Invest in stocks/give loans for business development in target field

Before the foundations had started investments in regional investments funds, Cultiva – in special cases and to some extent – acted as an investor in businesses within its target field. An example of these kinds of investment is Kristiansand Grafiske Verksted (KGV) where the intention was to establish an art publishing house. Cultiva invested in stocks to secure start-up capital for the business, and later on also gave a favourable loan in order secure the development of KGV. Another example on this approach is the investments made in Artpages, where the intention was to establish a firm based on the digital distribution of music.

2. Stimulate R&D activity in established businesses

The analysis of the portfolio shows that SKF have invested considerable resources in R&D activity in regionally established businesses, especially in the traditional industry sector (maritime & process industry). R&D activity is meant to lead to the development of new products and services, and is thus a vital ingredient for strengthening the competitiveness of regional businesses.

SKF also uses its investments in R&D activity to encourage businesses to develop their partnership with UiA, for example in the project "Field operation centre" by Sense Technology. It was a goal of this project to develop links to UiA through, among other initiatives, student projects.

SKF have also managed to play a role in attracting businesses to the region. The most prominent example of this is when SKF committed 25 million NOK in R&D activity at Elkem Solar, on the condition that the company was established in Kristiansand. It is important to note that SKF was only one of many factors that finally convinced the leaders of Elkem that Kristiansand was the best suited place to further develop the company.

3. Establish and develop events in target field

The analysis of the foundations' portfolios shows that Cultiva in particular has invested in a wide range of festival establishment and development projects. Characteristic of the support to the festivals is that Cultiva's investments are limited to three years. This pattern also goes for projects related to further develop already established festivals. Festivals attract attention to the target fields that Cultiva seeks to develop, serve as a place for joyful experiences, and provide local talents with an arena where they can perform. Furthermore they can develop the organizer competence in the region and creates platform where producers, managers and PR agents can develop their network.

The largest investment in festivals by far is the Quart festival (app. 17 million NOK)., The Punkt festival (app. 2,5 mill NOK) has also received considerable grants to a variety of projects.
SKF have also had minor investments in events, among others a joint venture with Cultiva and local businesses where the ambition is to create a Nordic "hot-spot-conference" for the creative industry (Motion).

4. Organizational development

The foundations have to avoid interference with market competition, but the analysis shows that the foundations have the opportunity to invest in the development of specialised competencies and concepts when there are no other businesses operating.

Competence development in businesses: A business establishment often starts with someone having a great idea but not having the competencies needed to realise the idea. Here, competence development can help to get entrepreneurial activities started. There are a few examples of this approach in the portfolio to the foundations.
The most successful example is probably the investment in Norgesfilm. In this project, entrepreneurs wanted to establish a business based on the digital distribution of film and applied for money to develop systems that could handle intellectual property rights, among other things.

GO BEYOND CAPITAL PROVISION FOR BUSINESS ESTABLISHMENT

Concept development for business establishments: Another blocker for business establishments is when there is too much uncertainty related to the profitability of the idea, and there is thus a need for investments able to analyse if it is possible to develop a sustainable concept. An example is the Valero AS intention of establishing an interactive experience based learning centre, where both foundations have invested in feasibility studies to develop the concept.

Intermediate goals

We have identified a number of intermediate goals which connect the input activities described above to the main goals of the RCN approach:
a. Strengthen innovation-fostering infrastructure (entrepreneurship)
b. Attract HR, businesses, capital, media etc. (attractiveness)
c. Develop a critical mass of businesses in the target field (synergies and value chains)
d. Product & service innovations (competitiveness)

Main goals

We take the EA approach to reach out, through the different input activities and intermediate goals described above, for three main goals.

A. Increase business establishments and product innovations:
The EA seeks to promote entrepreneurship in the region. The investments are made in both established businesses and new businesses. The EA

approach tries to provide the extra little push necessary to realise certain creative ideas, especially in their critical initial phase of development.

B. Assure viability and sustainability of EA:
The EA investments aim at creating new jobs and competitive businesses in the region. The support for EA activities is limited to 3 year programmes. Nevertheless, the EA approach aims to create sustainable enterprises, and it is therefore essential that credible business plans are developed in order to make the initiatives successful after investment from the foundations ceases.

C. Attract newcomers to the target field from outside the region and prevent high potentials from leaving:
The EA investments aim at creating success stories that will draw national and international attention to the region. They can attract national and international media attention. The more initiatives that succeed, the more attractive it will be for non-locals to realise their innovations in the region. Furthermore, if people in the region experience that it is possible to realise their potential where they are, it is more likely that they will stay.

Conclusion

With the EA approach the foundations seek to translate knowledge/ideas into activities or organisational forms that create actual output or value. By providing the extra little push neces-sary to realise certain creative ideas or activities, especially in their critical initial phase of development, EA investments aim to create success stories.
All initiatives in the EA arena have the potential to draw attention to the region if they succeed, but the support for successful events is probably the one approach that can attract the eye of national and international media. Promoting the region through events can be an effective way of putting the region on the map and create an image of being "the place to be". Over time, and if other opportunities like jobs and well functioning social services succeed, the success stories could attract resourceful people with good ideas seeking a place to realise their potential.

An important aspect in EA is commercial R&D activity: The county of Vest-Agder is at the bottom end of the table rating investments in R&D activity (ssb.no). The opportunities related to the existence of regional investment funds might be an incentive for businesses to develop their R&D activity.

Looking back, the foundations most important function in the EA type of support has been to act as a provider of capital, and thereby strengthen the regional innovation system. While the foundations have had a more proactive role in CDC and RCN investments, the CSI team's analysis indicates that the foundations have been more reactive in the EA type of support, at least during the last years of their operations. This can be interpreted as consequence of three facts:
1. The foundations faced challenges related to distortion of competition.
2. They made significant investments in investment funds.
3. Their focus has been on getting the 'basics' in place (CDC, RCN), before starting more proactive work in the EA arena.
It is important to note, though, that in the support for establishing and developing events Cultiva took a more proactive role (e.g. grants for a hiring a controller; market report in 2005).

Rigorous Reporting: Impact Analyses of Selected Projects

Using Social Return on Investment Analysis to Illustrate the Impact of SKF-funded Activities to Different Stakeholders

1 Social Return on Investment Analyses of Exemplary SKF Projects

The 'Social Return on Investment' method (SROI) helps to determine the 'social value' generated by a social investor – like a foundation, a public institution or a company engaging in Corporate Social Responsibility (CSR) measures. It views the activities of such institutions as 'social investments' and portrays their positive effects in terms of a 'social return'. SROI was developed in 1996 by the Roberts Enterprise Development Fund, a US-based foundation. The British New Economics Foundation introduced an enhanced version in 2003. CSI has been applying SROI since 2006 and is working to further develop the methodology.
By translating certain aspects of social value into financial values, the SROI method can portray the relation between a 'social investment' and its social benefit, yielding an SROI coefficient. Doing so, SROI takes into account three important insights into social investments:

1 Some aspects of social value can be rather easily translated into financial values. This holds true, for example, for so-called 'socio-economic value'. If a public benefit project has a direct effect on the payment of governmental social transfers, then this effect is calculated in monetary terms – and, as in a classical investment analysis, can easily be set in relation to the organisation's cost for the activity.

2 Other aspects of social value just cannot be monetised. SROI accounts for that by completing the SROI coefficient with additional information on social effects. This is done using both quantitative and qualitative methods from social science.

3 Social investments create value for different stakeholder groups. The investor might be among them, but is not usually the main beneficiary. Thus, the SROI method not only looks for returns generated for the investor, but also focuses on what social value has been created for other stakeholder groups, including society as a whole.

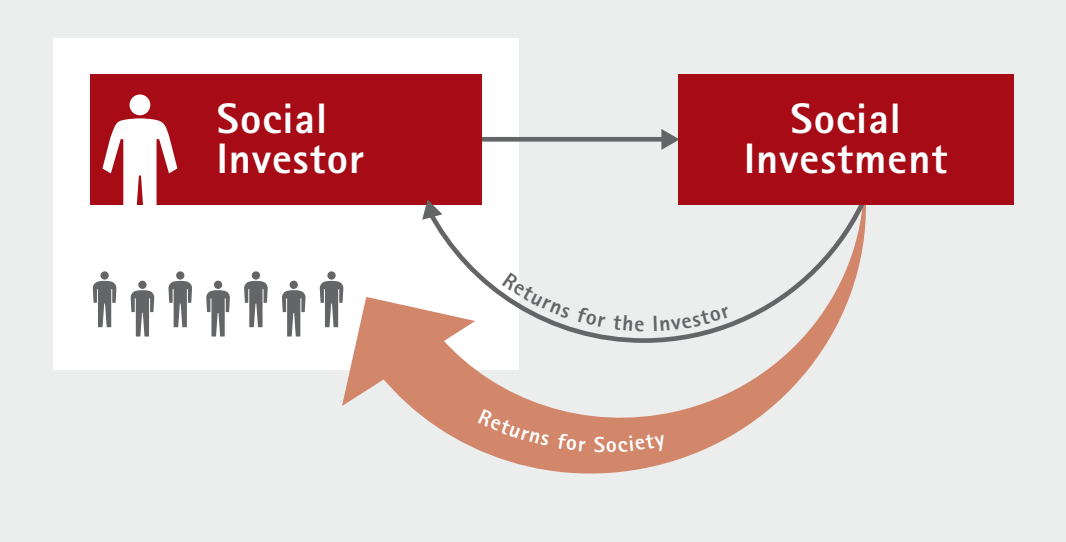
An SROI analysis should not be seen as a 'one-off' exercise. Rather, it is part of an effort towards continuous improvement. For example, impact dimensions or objective indicators developed using SROI analysis might be used for project tracking on a regular basis.

Example for socio-economic benefits

A public benefit organisation supports young job seekers by training them as mechanics and, to start with, employs them in its own auto repair shop. Through the training programme, the organisation incurs costs and at the same time generates income through the repair shop, which in turn offset the costs incurred.

But once the young people find jobs in the mainstream job market, the state – and thus society – saves the services that would have to be provided to the job seekers. Furthermore, the state generates revenue from the tax payments of the newly employed auto mechanics.

The key point of the SROI method is to include such macro-economic effects when they affect the organisation's 'social' return.



SROI takes social returns into account: the value-added for society (CSI Figure)

Choice of projects

In the previous section of this report we have presented the results from our foundation strategy analysis. We found that during its funding history SKF has been supporting three basic drivers of development: Competence Development Centres (CDC), Resource Centres and Networks (RCN), and Entrepreneurial Activities (EA), thus realising a self-reinforcing value creation circle (cf. section 2).
In order to both run in-depth impact analyses for rigorous reporting and use these analyses to well inform the development of a framework of key impact dimensions, we decided to select one SROI candidate for each of the three approaches.

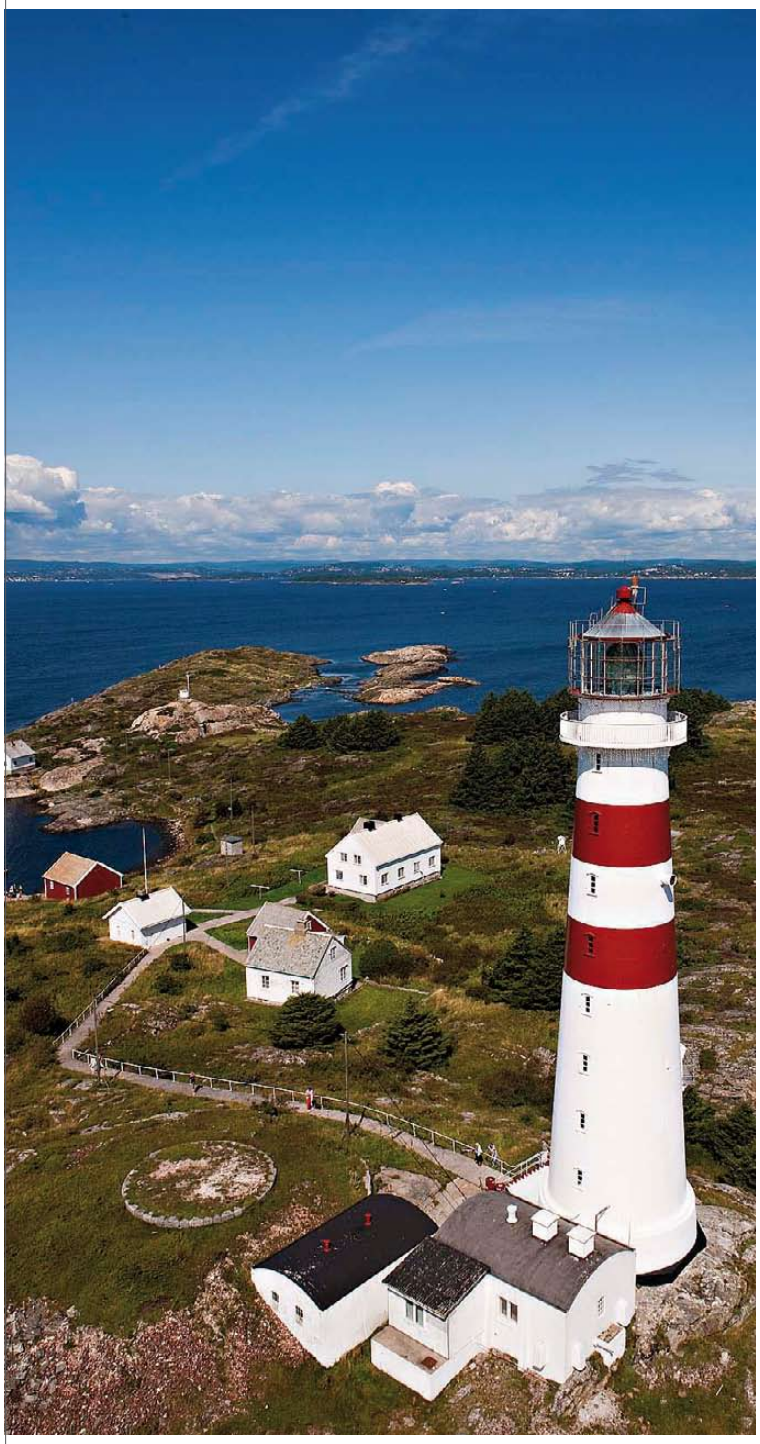
The Mechatronics programme at the University of Agder

As a representative SKF-grantee from within the foundations support for Competence Development Centres (CDC) we chose the Mechatronics programme at the University of Agder (UiA) which includes a bachelor, master and PhD programme as well as substantial research and close cooperation with the local engineering companies. The programme has over the years benefitted from many substantial SKF grants.
The Mechatronics programme delivers solid, quality engineering education which is immediately useful for a wide variety of industrial fields. Moreover, it provides access to academic research through an evolving PhD programme. While graduates enjoy obvious career benefits, a local industrial sector starving for skilled employees benefits from a rare additional source of competence. High productivity jobs bring additional revenues, both at a personal and firm level – and the local government sharing in tax revenues.
Moreover, the Mechatronics programme has the benefit of being very closely linked to the NODE project, thus providing a very good example of how synergy inside the value creation circle develops and what benefits this can create.

The NODE cluster secretariat

We chose the NODE secretariat as an SKF-grantee from within the foundations support for Resource Centres & Networks (RCN), NODE is a very typical example for this type of funding, and NODE is, at an international level, reported to be successful. The NODE organization serves and represents the aggregated interests of the regional oil-and-gas sector. At the same time, NODE serves as a credible interlocutor, mediator and partner for the other social players, on a regional, national and global scale.
The existence of a formalized cluster facilitates the exchange of resources between members, while also channelling funds, services, and attention

from external sources. Acting as a link between Entrepreneurial Activities and Competence Development Centres in both directions, NODE fulfils its role in the SKF Value Creation Circle admirably. The dual nature of "Centre/Network" refers to the benefits brought both by the simple existence of such an organization and by its explicit activities and projects. Examples of the former would be the creation of trust and the fostering of interesting business partnerships, while the latter can easily be symbolized by the many activities (conferences, forums, lectures etc) that NODE organizes, not to speak of the continuous and successful lobbying activity both in Norway and abroad.



Aside from being a very good example of the RCN concept, NODE was chosen for in-depth analysis because of its complexity. It thus presented a case to develop appropriate adaptations of the standard SROI methodology for the challenges of impact measurement which SKF was facing. Studying the overall impact of an organisation like the NODE secretariat that provides so many different benefits possessing different value for the different stakeholders – and for a continuous and potentially unlimited period of time – with a standard SROI methodology is, quite simply, not possible. Meeting this challenge required the development of new theories and methods both interesting and useful for SKF whenever similar projects will be started or evaluated.

Gallion Social Seed Fund

A 'Social Seed Fund' like Gallion ideally feeds the Value Creation Circle in terms of supporting the use of knowledge to create business, i.e. Gallion is a good representative for SKF's approach of funding 'Entrepreneurial Activities' (EA) in Agder. Gallion aims at putting innovative ideas into practice.

We took the social seed-funding concept that SKF realized with Gallion to be a particularly interesting example of how SKF uses innovative philanthropic approaches to support Entrepreneurial Activities in Agder. Social seed-funding, indeed, is something very different from giving grants. Besides the actual start-ups, other stakeholders benefit from social seed-funding. The Agder region gains in attractiveness as a location for new innovative businesses. Entrepreneurs might be triggered to move to Agder thereby attracting additional capital and knowledge to the region. This, in turn, increases the number of jobs and thus tax revenues for the region. Finally, knowledge and experience sharing might support regional development agencies (RDA).

2 Mechatronics at UiA, the NODE Cluster Secretariat and Gallion Social Seed Fund

UNIVERSITETET I AGDER

The Mechatronics programme at the University of Agder

The Mechatronics programme at UiA is the only study programme in Norway educating students in mechatronics, i.e. a combination of mechanics and electronic engineering. Mechatronics is a multidisciplinary field, and at UiA it has three main academic focuses: engineering sciences, hydraulic / electric actuators and electronic control systems / automation. In addition, the UiA programme has two professional focuses: product design and materials technology.

The programme is cooperating with the NODE cluster to develop new study programmes/courses and to organise an exchange of HR (professors, researchers, lecturers at UiA from NODE companies). PhDs are doing research in collaboration with NODE firms, and the NODE firms offer training opportunities for students (e.g. thesis, internships).
The firms provide funds and donations in kind to UiA (e.g. lab equipment donations from National Oilwell Varco, ABB, Norwegian Veritas worth 3.5 million NOK); UiA and firms share facilities such as labs to reduce costs and gain efficiency.

The study: SFK has been funding the Mechatronics programme since 2007, when the foundation decided to fund academic studies and activities at UiA directly connected to the local industry (rather than in the humanities). Our analysis focused on investigating different kinds of impact of the Mechatronics programme on different stakeholder groups, in order to assess whether SKF invested in a structure that actually created social impact to the region.

- We identified four main beneficiaries: the region, the students, the university and the companies.
- Through theoretical analysis and interviews with representatives from the University of Agder we identified and refined relevant impact dimensions for these stakeholder groups.
- We developed a feasible quantification approach for any of those effects that we deemed to be measurable.
- Necessary data was collected via desk research and an online questionnaire among all current Mechatronics students and all graduates. The response rate was 63 for a total of 90 current students and 53 for a total of 748 graduates. In total more than 50 graduates and more than 60 students took part in the study.
- Applying the data to our model we could reveal the existence of an effect and its size. We could thus monetise this effect and compare it to the costs yielding a Social Return on Investment (SROI) coefficient.

Effects for the region

We found obvious evidence for a positive impact of the Mechatronics programme on the region of Agder. The main reason for this effect is that the Mechatronics programme is clearly attracting students to Vest-Agder. This has positive impact on the region since it results in:
a. an increase in local consumption and an accompanying increase in profits and tax revenues;
b. an increase in demand for culture and recreation which may result in an expanded offer of cultural activities in the region.

In our survey among the Mechatronics students and graduates, **60% of the students state that they live in Agder because of the Mechatronics programme**. This gave us a basis for calculating an estimation of the aforementioned effects a. and b.

- Since its inauguration, the Mechatronics programme has attracted a total of 449 additional students to Agder for the 3-years bachelor degree programme.
- Taking into account the money lent to students by the Norwegian State Educational Loan Fund, these students have a total spending power of 121 million NOK.

a. It follows as for local consumption: **Student consumption resulted in additional local profits of 19 million NOK** taking into account the consumption of the students.

b. It follows as for demand for culture/recreation: The **students' additional demand for culture and recreation amounts to nearly 11 million NOK**.

Given these calculations, we used a multiplier model based on subsequent consumption of the students in order to estimate a **total effect of the Mechatronics programme to the region of 390 million NOK**.

Effects for students

From the student's perspective, the Mechatronics programme increases their options and improves their education. The Bachelor programme, which was extended to a Master and Ph.D. programme expands the students' opportunities and, especially via its extensive interaction with NODE and the NODE firms, offers a superior education.

However, a monetary evaluation of these effects seems hardly feasible. In our analysis, we therefore focussed on the labour market effects for the students: Given a superior engineering education, we should expect a potential wage spread and a reduction of the time necessary for job-seeking. We take these two effects to incorporate all other effects for the students, since obtaining a good salary and reducing job hunting can count as the ultimate goal for students (if one excludes any academic career objectives).
Data on time-to-work and wage level was collected via the cited questionnaire survey among all current Mechatronics students and all graduates.

We used this information to compare it to wage levels and time for job-seeking of non-Mechatronics students. But actually, we did not find any observable effect of the programme on the students regarding these variables. This may be explained

by the fact, that fellow engineering students also enjoy high wages and likewise need little time to find employment (high absorption capacity of the local industries for engineering graduates).

Summing up, from the student's perspective there remains almost no room for improvement and the Mechatronics programme seems to operate in a situation which is extremely favourable for engineering graduates in general.

Effects for the University of Agder

For the University of Agder, the programme widens the academic profile, increases the number of students and, last not least, the academic output in terms of publications as well as the connected bonus payments for increased academic output.
In order to check for these impact dimensions, we compiled data for several key statistical indicators which we could then use to compare UiA to the Norwegian average.

- Our analysis concentrates on the number of students, as this number measures the attractiveness for students and is closely related to the university teaching capacities.
- Besides, academic productivity is reported as the key figure for academic impact. Academic productivity is affected by several variables, e.g. it relates to attractiveness for researchers, number of publications, third-party funds and general amount of research realized at the department.

As for those two variables we found:

- UiA scores well regarding the productivity of their academic staff: A large and above average increase in publications can be observed between 2006 and 2010, which is accompanied by an average increase in employees.
- UiA is characterized by a slightly above average increase in students, but we also noted a below average increase in foreign students between 2006 and 2011.

Note: The exact evaluation of the effects of the Mechatronics programme on the University of Adger is difficult, because UiA is the only university in Norway where you can study mechatronics. Thus no comparison is possible. The counterfactual situation, i.e. the University of Adger without a Mechatronics programme, is not deducible.

Effects for regional companies

For the engineering companies in Agder, the Mechatronics programme represents an increased recruiting potential.
However, it was a challenge to evaluate this effect since on the one hand, access to relevant data is controlled by the companies and not available on a comprehensive basis – if available at all. On the other hand, comparison data is even less available, since this would require access to companies in other regions. Consequently, we conducted three case studies with companies representing different types: one big, one medium and one small enterprise.

Results from the case studies

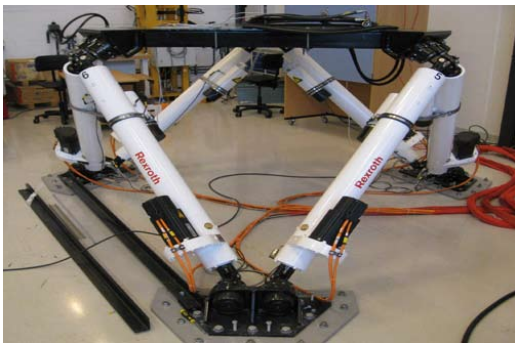
- The companies report a positive effect on recruiting opportunities.
- The effect of on-the-job training (less time needed) seems to be rather limited, as Mechatronics students were reported to require a similar amount of training as other engineering students. However, any time-to-productivity effect might be limited due to a high degree of specialization in the oil and gas industry: Academia can hardly prepare students to be productive right from the start.
- The reported recruiting effect is supported by the observation – concerning the short time for job-seeking – all graduates of the Mechatronics programme are absorbed directly by the local industry. The graduates seem to satisfy a demand for additional workers. The exact quantification and financial evaluation of this additional workforce, however, was not deducible.

Social Return on Investment of the Mechatronics programme

With the results from the above mentioned analyses we were able to calculate the Social Return on Investment of the Mechatronics programme – in order to answer the question: Was it reasonable for a regional social investor like SKF to invest in the Mechatronics programme?
We derived an SROI coefficient by relating the effects of the Mechatronics programme to its costs. Doing so, we consequently adopted a regional perspective, i.e. we compared the costs to the regional effects.

Results from the SROI calculation

- Yearly average costs per graduate amount to 134.000 NOK according to the Mechatronics programme's budget.
- The average effect of a Bachelor graduate on the region is based on his/ her consumption during his/her three years stay in the region for studying Mechatronics and may be divided into three parts: direct profits, tax revenues and subsequent effects.



The Stewart-Plattform for the Mechatronics programme at the University of Agder

- Taking into account the yearly loan paid to Norwegian students by the State Educational Loan Fund, the consumption rate and an indicator on the profit-per-turnover supplied by Statistics Norway, the amount of direct profit generated by a single student surpasses 42.000 NOK.
- The corresponding tax effect based on value-added tax amounts to 54.000 NOK.
- A multiplier model based on the average national saving rate of 27% estimates the total consumption effect per student in the 3-years period to >869.000 NOK.

Obtaining the financially evaluated effect and the corresponding cost facilitates the calculation of the SROI coefficient:

- The coefficient divides the evaluated effects of the Mechatronics programme by the costs and the resulting ratio indicates the social return for the invested money.
- Applying a conservative and a more confident calculation yields an SROI coefficient range of between 0.43 and 3.9.

The conservative estimate relates only the stated profit and tax revenues to the costs. This yields an SROI coefficient of 0.43

The more confident estimate relies on a so-called multiplier approach and conesquently strives to include subsequent effects of student consumption on the regional economy. It yields an SROI coefficient of 3.9.

Both stated SROI coefficients may be understood as lower bound, since the effects are not captured in their entity and the costs are overstated:

- Due to the reasons given above, both approaches only rely on benefits for the region and do not include any further effects on either the Mechatronics students, the University of Agder or the local companies employing Mechatronics students.
- Furthermore, the costs we refer to already include the Master and Ph.D. programmes, which have only been started recently, whereas due to the low number of Master graduates so far, the effects only account for Bachelor graduates.

Based on this information, we can safely assume that the Mechatronics programme generates an SROI coefficient clearly bigger than one. Thus the pro-gramme generates additional value, taking into account the costs. However, the exact size of this effect cannot be determined, taking into account the variation in the financially evaluated effects and the general complexity of evaluating an academic programme in a regional context.

Concluding remarks

Our impact analysis of the Mechatronics programme shows that SKF has obviously invested in a structure which is very successfully generating social value to the region.

We have to add to the study results presented above that SKF's funding for Mechatronics should be seen in the context of the foundation's larger initative to support the former College of Agder to reach the status of a 'full university' – an initiative which obviously has been successful. The funding for Ph.D. positions in the Mechatronics programme can be seen as continuing this kind of funding to the local university.

It is interesting from the perspective of the foundation that the main effect that we could empirically trace is the positive effect on the region through the increased number of students (and, later on, of regional employees). This effect does not seem to be necessarily connected to the subject of Mechatronics.

It rather seems that the effect can be produced by funding extensions of capacities at the engineering faculty of the University of Agder more generally speaking – provided that other subjects could be established, and if so, were performing equally as well as Mechatronics obviously does. The key question rather is that of the absorption capacity of the local industry, which is not only critical for the employment effect, but – indirectly – for the effect of attracting additional students (or encouraging young people to study where they were born): Students tend to go where they can better connect to job opportunities.

The Norwegian Offshore & Drilling Engineering cluster (NODE)

The Norwegian Offshore & Drilling Engineering network (NODE) is a network of companies in the oil and gas industry in the district of Agder. The network is institutionalized via a secretariat with full-time staff and membership fees by the participating companies. Further funding is provided by the regional and central government, and social investors.

SKF takes credit in assisting the establishment of the NODE secretariate and starting the Foresight project which got key local company leaders at a table to discuss about a joint strategy framework for their industry in Vest-Agder. The NODE network structure then matured and became able to successfully apply for significant funding from both the ARENA and later on the NCE programme of the Norwegian government. Additionally, SKF has funded specific NODE projects in subsequent years.

The successful development of the NODE secretariat is illustrated by the fact that recently the NODE secretariat was awarded the prestigious Cluster Management Excellence Label GOLD at the European Cluster Conference 2012 in Vienna.

The study: SKF's goal in funding NODE was to help build a sustainable Resource Centre/Network infrastructure for the regional firms. NODE is a particularly interesting example of how SKF has been supporting the development of RCN-structures in Agder.

Our analysis focussed on assessing direct measurable effects of the NODE secretariat on different stakeholder groups, since it was the secretariat structure that has received SKF support. This is what we refer to with "NODE" or "the network" in this report.

A JOINT FORSIGHT PROCESS GOT THE CLUSTER STARTED

It should be noted that our analysis thus did NOT look at the effects of all NODE companies on the region of Agder – but rather on the effects of the facilitating NODE secretariat. Of course, the effect of the entire cluster and all member firms on the region of Agder is a very different thing – far beyond the effect of the NODE secretariat. From the perspective of SKF it remains an interesting question to investigate what impact the NODE secretariat had and has on the cluster.

Our analysis focused on the effects of the NODE-RCN structure as a whole. We have investigated how NODE works and creates social value for the

Skandi Aker from Aker Solutions

region, and we also provide an estimated monetization of this value. We did so running a comprehensive online survey with all NODE firms (34 of 51 firms had their NODE representative answering our questionnaire), a comparison of the performance of the NODE firms with the industry average, and direct interviews with representatives from selected firms representing different types of NODE members.

How do the member firms benefit from NODE?

Since NODE provides a wide range of services and benefits to its members, we wanted to know how the member firms benefit from being a NODE member. We thus asked them to rate NODE benefits on five key impact dimensions: Employer Branding, Public standing and Visibility, Reputation, Network Cooperation and Economic Benefits.

Results

■ We first analysed the data from the point of view of the entire cluster and subsequently broke it down to the individual firms according to size and profile (global players, small suppliers and auxiliary services providers). While some results were consistent for all sub-groups, marked differences in perception were noted between different types of firms. It seems that, while beneficial for all its members, NODE has a different meaning and a different value for different types of members. Activities considered key by the big players can be perceived as unimportant or even annoying by smaller firms which would prefer to see a much more pronounced effort in other fields. We found that the secretariat has indeed noticed this and is carefully balancing the differences (which has yielded a solid consensus to date).

■ The most important result consistent among almost all firms is that "Network Cooperation" stands out as the most important impact dimension. This impact dimension includes personal relationships, sharing of sensible information, trust and joint activities between member firms. The firms are clearly aware of the importance of both social and relational capital and the role of the secretariat in fostering its development.

■ Another striking result is that direct "Economic Benefits" are rated extremely low by the firms. This is also coherent with the secretariat's presentation of its own activities in our interviews. While it might be that NODE member firms actually do not perceive direct "Economic Benefits" from NODE or are unsure whether there are such effects, economic rationality presumes that expectation of economic benefits should be

an important reason for staying in NODE. We think that the reason for those low ratings is what we call the "paradox of monetising trust". The more transparency the firms give to how trust in NODE positively affects their business, the less trust creation and preservation actually works. Collaboration and partnerships among the firms arise from NODE's culture of trust without being meticulously planned. If trust was connected too directly to economic benefits, this would hinder the indirect positive effects of trust. This is why respondents – and the secretariat – quite naturally reject the idea of investigating direct economic benefits closely.

Likewise, and for the same reason, we assume that with a high probability many relationships of collaboration that develop mediated through NODE trust are not attributed to NODE by the firms. Accordingly, they perceive the resulting economic benefits as (100%) the results of their own activities instead of attributing them (partly) to NODE.

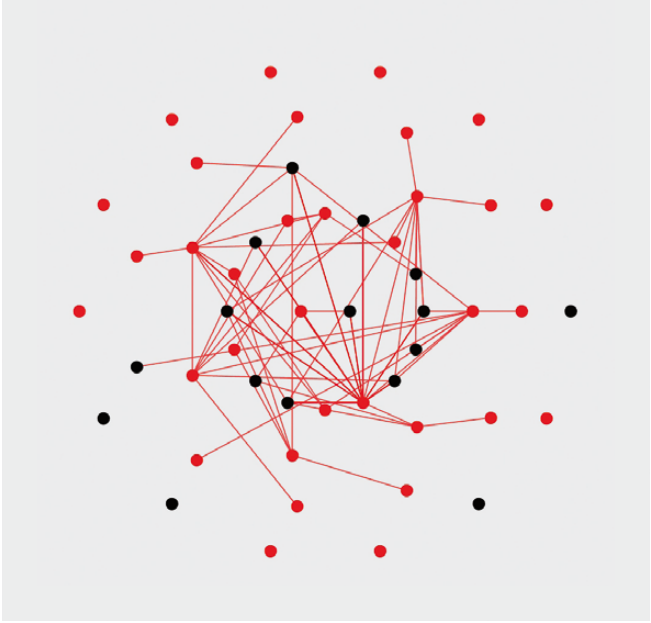
■ Each main impact dimension was comprised of five different sub-effects or 'indicators', to provide us with refined information on the exact nature of perceived benefits from NODE. The indicators ranked highest are the ones based on cooperation between NODE members: the ability to create partnerships, the intensified social relations between company representatives and the increase in mutual trust. This focus on social capital and trust between members supported our initial hypothesis of trust being a critical factor in cluster activities (cf. below).

Methodological notes

■ The five key impact dimensions and the corresponding sub-effects were derived theoretically and confirmed and further refined in interviews with NODE representatives.

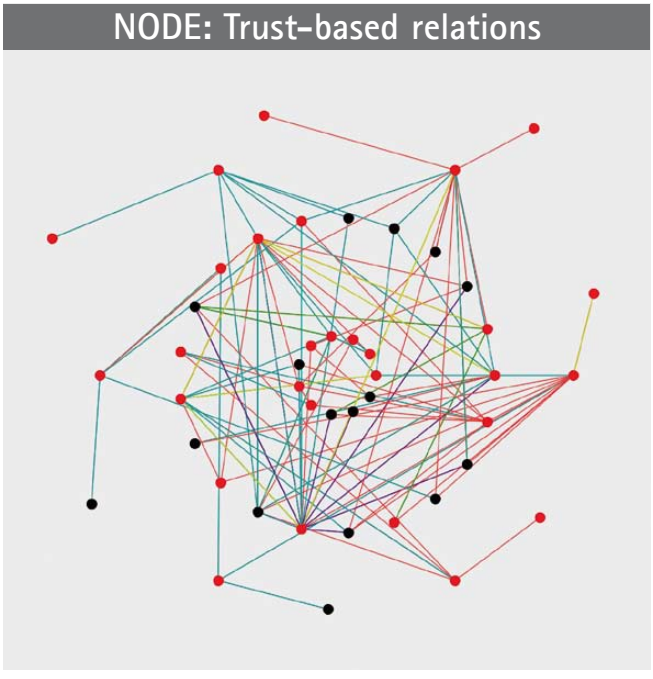
■ To analyse responses we used conjoint analysis, an instrument usually employed to assess the value of goods and services which lack a market price. The main outcome of this kind of analysis is a coherent and robust evaluation of a wide range of factors which is meant to be used to weight monetary value.

NODE: Just business



● *red dots represent companies that responded to our survey of all NODE members*

NODE: Trust-based relations



Cooperation with distributors/wholesale consumer
Exchange of business knowledge
Marketing collaboration
Outsourcing activities
R&D alliances

What's the monetised value of NODE for member firms?

While the previous analysis yielded insights into the relative importance of different impact dimensions to the member firms, we needed to take different steps to get a monetisation of these effects (cf. methodological notes).

Results

■ The involved NODE companies report a total present value of NODE to the firms of 8-12 million NOK.

Methodological notes

■ **Virtual Auction** (Willingness-To-Pay approach). A virtual auction was employed, with the objective of revealing the member's maximum Willingness-To-Pay for NODE membership.
Assuming the firms to be rational actors who aim to maximize their profits, maximum Willingness-To-Pay should match expected present-value benefits. The auction was structured in order to challenge the initial answer and reach the most accurate estimate.

■ **Tax Cut Study** (Willingness-To-Accept compensation approach). During the case study phase of the research we also used a complementary instrument, the Willingness-To-Accept compensation, for double checking our results.
The test was positive. While there is strong evidence of a conservative bias in the results due to the inherent limitation of the online survey instrument, the findings seems plausible and consistent. Data from the case study were always higher than the results, but not so significantly as to make the previous results questionable.

Do the NODE firms outperform industry average?

While analysis of the survey showed that the NODE members do not report direct economic benefits to be important, we nevertheless checked if NODE was having a direct positive effect on its member's business performance. We ran a comparison of key performance indicators of the NODE members and the Norwegian industry average.

Results

■ While the NODE companies did not perform significantly better than sector average on turnover, they actually achieved the same percentage increase in turnover without raising headcount as much as the rest of the sector. Thus we found NODE companies showing a very strong increase in productivity in the comparison period. This indicates that NODE firms tend to have higher profits, dividends or investments than comparable Norwegian firms in the sector.

Methodological notes

■ Variables we took into consideration: 'turnover', 'number of employees'.

■ Information was extracted from publicly accessible databases for all NODE firms; comparison data was extracted from Statistics Norway data tables. Data availability restricted the period of consideration to the years from 2006-2010. Unfortunately this period involves the international financial crisis so we need to bear in mind that results may be biased for that reason.

Why and how does NODE work? Trust relationships as a key driver

Confirming our hypothesis, the creation of trust was reported by the firms to be a major effect of NODE. We thus analysed trust and relationships development between NODE members.

Results

■ We found evidence that the secretariat indeed enjoys the trust of the member firms, and that, furthermore this trust is transferred into trust between NODE members, thus facilitating business arrangements which ultimately stimulate business activities.

Aker Spitsbergen at Stord

■ While this effect is not quantifiable, we observed through Social Network Analysis instruments that trust-requiring activities are indeed commonplace between members. Without trust, the overall network would be much weaker, with many isolated cliques and single firms.

■ However, we also found that while NODE has been very successful in creating trust, it seems that the network is still vulnerable to violations of trust (opportunistic behaviour): While many firms show a willingness to resolve conflict through negotiation and the involvement of the secretariat, it is still part of their behavioural repertoire for responding to violations of trust to actually quit relationships. It could be useful for all parties to intensify support for long-term trust preservation.

Methodological notes

■ Our trust research was part of the main survey of NODE companies. We had respondents rate trust levels both in the secretariat and between firms, and we asked them to report their preferred reactions to hypothetical scenarios of trust violation in relationships with other NODE members.

What's the Social Return on Investment of NODE?

With the results from the above mentioned analyses we were able to calculate the Social Return on Investment of NODE – in order to answer the question: Was it reasonable for a regional social investor like SKF to invest into NODE?
We derived a Social Return on Investment (SROI) coefficient by relating the present value of the effects presented above to the costs of NODE. Since there are significant differences between the objectives, costs and benefits of the different NODE stakeholders, we developed a stratified SROI with different coefficients for the different social actors.

Results

■ The beneficial effect for NODE members surpasses their costs (yearly fee), even under conservative assumptions and in the presence of a conservative bias in the auction model.
In detail, NODE members obtain a return between 1.86 NOK and 3.4 NOK for every 1 NOK they pay. The firms receive the largest gain per investment among all stakeholders; they are clearly the main beneficiaries, as they should be.

■ The district of Agder constitutes another important stakeholder, which strives to foster regional development by increasing economic activity in the region. Its interest lies in attracting additional financial resources from the central government, thus achieving additional regional growth. This has worked out quite well with NODE which has successfully connected to both the ARENA and NCE central funding programmes.
In detail, for every 1 NOK the local government invests in NODE, they manage to attract 1.67 NOK from central Norwegian government. NODE has thus been fulfilling its function to attract funds to the region very well.
Since this funding goes into projects that indirectly benefit the NODE member firms, they can also be seen as an indirect beneficiary here.

Concluding remarks

Our impact analysis of NODE shows that SKF obviously has invested in a structure which is very successfully generating social value to the region. Moreover, since SKF investments have had their most important share in the start-up phase of NODE and also personally invested much CEO staff-time into the trust-building "NODE Foresight Process" sessions, it seems plausible to claim some sort of catalysing effect of SKF's support to NODE.

SKF initial funding had the objective to help NODE reach a state of maturity necessary for applying for significant funding from the ARENA and NCE-programmes of the Norwegian government. This goal has been reached.

Future SKF funding for NODE should consider project-based support: Our analysis of the relative importance of impact dimensions of NODE to the firms shows that NODE activities present a wide range of beneficial effects and overall impact to the different firms. Since national funding has been secured and continuous activity is guaranteed, future funding should focus on projects on those effects which the firms favour most.
Following our investigation on trust in NODE, a particularly strong recommendation could be made for projects which strive to achieve a stronger, more resilient collaboration among firms in a long-term perspective.

Discoverer Inspiration

Gallion: Social seed-funding as a strategy for regional development

Gallion is a 'Social Seed Fund' which set up in 2007 in order to invest in early stage businesses in Agder. The fund was restructured in 2010 and it is now known as 'Gallion II': while its methods have changed, the overall aims have not.

We chose Gallion to be included as a case in the SKF Impact Measurement project since all projects included were supposed to represent one of the three core strategic approaches of SKF, i.e. Competence Development Centres (CDC), Resource Centres & Networks (RCN) and Entrepreneurial Activities (EA). Gallion is a particularly interesting example of how SKF uses innovative philanthropic approaches to support Entrepreneurial Activities in Agder.

The study: Gallion II started operations in 2010. At present, there is still liquidity left and all the start-ups funded so far are still in a very early stage of development: It is therefore not possible to evaluate its results.

In our study, we thus focused on the elaboration of a solid evaluation method for social seed-funding which can be successfully applied when the investment portfolio has developed further. As a result, we can demonstrate how SKF can use social seed-funding to create impact in Agder.

Developing an evaluation method for a social seed fund

Gallion is not a traditional seed fund. While it acts like one, providing funding through equity financing to early stage start-ups, its motives are fundamentally different. A standard seed fund invests in promising firms with the stated intent of generating profits for its own investors when disinvesting occurs. But Gallion's explicit objective is the establishment of new, successful start-ups, as a direct method to create new, long-lasting, qualified jobs in the private sector.

Our evaluation method does not include negative effects. This is because the only scenario where they could occur would be one of over-investment, where insufficient deal-flow yields to investments in inappropriate candidates. Such conditions would be easily detected: at present, evidence points in the direction of a marked funding gap for early-stage companies in all of Norway.

- This is mostly due to a shift in venture funds toward later-stage investments, probably as an answer to the recent financial crisis and the ongoing international credit-crunch scenario.
- Even before the crisis, however, Norway lacked a strong business angel culture. While the situation is above average in a European context, mostly due to a strong public-investor presence, it pales in comparison to the American business environment.

We propose to evaluate a social seed fund like Gallion exclusively on the basis of the value generated for its stakeholders: the firms, the employees, and the regional governmental authorities.

- The firms benefit from profits and added demand
- The employees receive wages
- The regional government receive additional tax revenues

AGGREGATED BENEFITS FOR ALL THE SOCIAL ACTORS

While these impact dimensions seem sparse, there is in fact a quite well-known figure that sums up all these variables: the turnover. Revenues are used to remunerate employees, cover the bills for the necessary expenditures, pay taxes and, if something is left over, generate profits for owners and investors. While traditional ROI analysis considers only the benefits for the investors, we consider the aggregated benefits for all the social actors involved.

Additionally, some issues needed to be solved in order to present a method that leads to useful results:

- The first issue concerns the time dimension. Gallion II started investing in late 2010; successful start-ups will operate for many years, generating more and more revenues. Depreciation and opportunity costs must be taken into account. To do this we need to introduce a social discount rate, to properly discount future investments.
- Even if the funding share from Gallion is sometimes critical, it would be an exaggeration to take

into account the entire amount of the turnover generated by the start-up. In our model we attribute to Gallion a share of the overall revenues equal to the share of Gallion financing over the total amount of equity and liabilities needed by the firm to sustain its activities. Gallion's share of turnover varies over time according to the interaction with the firm.

- Combining the discount and attribution rate, we proceed to apply the coefficient to the turnover reported by the firm for every year of activity taken into account. The results, added up for all investments and divided by the total capital of Gallion, is the SROI of the social fund.

Results from testing the evaluation model

We have built a plausible evaluation scenario, using real-life data, to test the outcomes of the model. The purpose of our testing was to check whether the methodology we elaborated was practical to use and to test the robustness of the parameters used.

- We selected six Norwegian start-ups which received equity financing through various sources and have been operating for about 5 years in fields targeted by Gallion II. We applied the model and checked the results, fine-tuning the parameters according to empirical evidence.
- The six firms selected satisfied the requirements and presented very different dynamics and outcomes.
- The results were robust and able to correctly assess various situations – but also confirmed the need to wait before running a full evaluation of the project.

Scenarios for using the Social Seed Fund instrument in the future

Gallion is not perfect: it shares a number of flaws common in the regional innovation-support system.

- The first and foremost issue is size. Gallion is very small even when compared to early seed funds. It's not just a question of absolute value generated, but the small size has a negative effect over its performance as well. Even if the average size of investment is less in seed-funding operations compared with later-stages venture funding, overhead costs are not significantly reduced. Minimizing those expenses would have a negative effect on performance.

Scenario-1: Collaboration with Innoventus

- Innoventus is a business incubator operating in the Agder region.
- The incubator doesn't generate profit and does not invest directly in the firms: This policy underlines the neutrality of the organization and its total commitment to the positive growth of the start-ups under its care.
- In this scenario Gallion becomes a regular source of funding for Innoventus start-ups operating in the fields. The seed fund would provide funding to the firms which successfully managed to complete the Innoventus development process.
- This scenario would bring a critical cost reduction for Gallion: it would be Innoventus' task to select and develop worthy investment candidates, thus freeing resources that could be used for direct investments.

Scenario-2: With Skagerak Venture Capital

- Skagerak Venture Capital is the only private seed/venture fund operating in the Agder region. The fund invests in emerging technology-based ventures along the entire life cycle from seed to growth/expansion, primarily in ICT, oil/offshore, and renewable energy.
- SKF could invest directly in Skagerak Capital. 100% of the capital would be invested, with no administration costs whatsoever. Also, the investments would be guided by the professional expertise of Skagerak's team and would similarly benefit from their impressive deal-flow.
- As an alternative Gallion could maintain its role as a pre-seed fund, with an additional function of risk-absorbing for Skagerak, by funding promising start-ups that are not mature enough for private investment.

■ The only way to ease the problem would be to modify the structure of a potential future Gallion III. In the boxes on p.44, we propose some scenarios to show how these changes could be implemented. The scenarios have a strong focus on collaboration with existing actors in the region.

Concluding remarks

Gallion excellently represents SKF's Entrepreneurial Activities funding approach – the attempt to get people to use knowledge to create something, to start a business. With this kind of funding, SKF tries to assist firm establishment and growth directly, using funds to correct market failures, assist struggling fields and creates positive incentive structures for long-term growth choices. Job creation through private sector led growth is one of SKF's main objectives.
Our analysis, and in particular the proposed methodology, clearly show the potential for social impact creation through a social seed-funding initiative. However, it is obvious that it is not easy to achieve the intended results, especially since resources are limited. Our empirical work and interviewing of experts from the venture and seed capital field in Agder has shown that much could be gained for Gallion by entering a more intensive type of collaboration with others. In our two scenarios for cooperation with Innoventus and Skagerak Venture Capital, we have sketched how cooperation could help Gallion solve the two big issues about regional seed-funding: sufficient deal-flow and high competence for selecting funding candidates.

From a more general perspective, we would like to state that SKF's true capital is its network. Given that the foundation has built many skills in the past such as successfully helping to start Resource Centres and Networks, we think that the field of regional seed-funding might be a very promising candidate for exploring the potential of a comparable initative. In our field work we learned that the actors in the field see a potential for creating new synergies through collaboration – while anticipating the usual kinds of structural and incentive problems which hinder collaboration from developing. SKF has successfully managed to overcome such hindrances in other cases. It might be worthwhile to also consider this approach for the field of (social) seed funding.

Conclusion to the section

Foundations in Europe are usually in a tricky position: They are supposed to create social impact in socially relevant fields, but compared to the total funding available in those fields – in particularly provided by the welfare state – their disposable budgets usually account for much less then 1% even for the biggest foundations. So how could they possibly create social impact? There are basically three ways out of this dilemma.

1. Successful leveraging

At best, foundations can be the catalyser for social innovation and get strong and relevant projects or initiatives with multiple stakeholders successfully

started. They strategically invest in what actually gets the ball rolling. In this case, foundations leverage their own limited resources. They achieve social impact through mobilising, for the social issue they care about, a multiple of the resources they originally invested. Sometimes this is called the 'convening power' of foundations, since to be successful with this kind of social leveraging, they have to convene other key players, build trust, and get joint initiatives and collaborations going.

In the case of the **NODE secretariat**, SKF has obviously been successful at successful leveraging its resources. The foundation invested very early in this initiative, and these investments did not only cover financial support but much convening efforts and CEO staff-time for relationship building and getting the NODE Foresight process going. Over time, the share of SKF financial support to NODE clearly declined – and could decline, since the project was more and more successful at attracting additional funding streams, up to the Norwegian Centre of Expertise (NCE) funding

2. Investing well

CSI research on high impact strategies in philanthropy shows that it is far from easy for foundations to spot the right situations, build the necessary competencies and successfully convene the right stakeholder in order to realise leveraging effects. So if it is not possible to leverage in the sense sketched above, at least foundations should strive to invest in social initiatives that create a high social impact – even if the initiatives did come about without support from the foundation.

Our SROI analysis of the **Mechatronics programme** clearly shows that, from the perspective of SKF as well as of the region, this funding was really well invested. The Mechatronics programme works as a structure which is very successfully generating social value to the region, not only through its interconnections with the NODE companies, but more generally through its positive effect on the region through the increased number of students who live, consume, and later work in the region. (We have to add, that Mechatronics funding can also be seen in the context of the more general SKF strategy of supporting the former College of Agder to become a full university, thus being able to attract research funding from the Norwegian state. This again is a very successful example for how SKF, in its past funding, has realised a leveraging effect, cf. above.)

3. Taking the risk

Another way of stating that it is very difficult to successfully realise leveraging effects is that trying to do so is a very risky endeavour. Foundations are institutions that can take social risks. They can act in a social entrepreneurial way in order to test approaches which have the potential for creating high social impact. Taking the risk to support or realise a promising social idea does imply that the foundation cannot know for sure in advance whether its resources are well invested and will yield a high social return. Nonetheless, a regional foundation with the goal of creating/securing jobs like SKF which has to care for innovation and the future development of the region, has the role to take risks in promising cases.

We take the case of the **Social Seed Fund Gallion** to be a brilliant example for this kind of foundation role that SKF has been actively taking in the course of its history. We developed a methodology for showing how this idea to invest in social seed funding can create social value for the region. Since seed-funding is a business with considerable digestion periods for investments to yield returns, the SKF investments in Gallion need to be considered too young for impact analysis. But since there are good options for even improving the two critical factors for success in seed-funding, i.e. sufficient deal-flow and high competence for selecting candidates for funding (cf. above), SKF's social seed-funding initiative has much potential to create social impact for Agder in the future.

Impact Dimensions: Creating Value for Agder

Improving Infrastructure, Attractiveness and Dynamics in Agder

1 Theory of Change Thinking and Impact Dimension Analysis

Theory of Change (ToC) analysis is a way to identify key impact dimensions for a social activity or for a foundation as a whole. It is a basic requirement for a strategic approach to philanthropy, or foundation activities. At its core, ToC analysis aims at identifying both impact dimensions and a traceable way towards realizing such impact. To do so, a full ToC analysis includes the following steps:

- Identify concrete goals corresponding to the values of the foundation.
- Analyse the environment of the foundation: What are the social value chains the foundation wants to work on? What are potential partners: other institutions already working in the field that the foundation might partner with?
- Analyse what activities/funding ('inputs') can contribute to realising those goals and how.
- Specify intermediate goals on the way to realise ultimate goals (often called outomes).
- Define indicators / metrics for checking whether or to what extent both intermediate and ultimate goals are actually reached.

Impact dimensions are a core instrument in ToC analysis. Defining impact dimensions is a way to specify clearly (and in correspondence to the foundations goals) what kind of impact or social change a foundation wants to achieve.

It is thus a necessary prerequisite for developing a "theory" of which kind of activities best help to realise the goals – and then to develop indicators necessary for tracking performance.
The main use of ToC analysis is made both in strategic decision-making and impact tracking. On the one hand, ToC helps to improve project selection by helping to more closely tie projects to the ultimate goals of the foundation. On the other hand, it prepares for tracking progress, or even running in-depth impact analysis like we did in this project.

Music festivals in Kristiansand aim to make the region attractive for young talents

2 Improving Agder Infrastructure, Attractiveness, and Dynamics

We examined the past activities of SKF using Theory of Change analysis in order to develop a framework of key impact dimensions which reflects the foundation's activities. Based on our analyses of various projects and at different levels of detail we could identify the three key impact dimensions of SKF: improve regional infrastructure, increase regional attractiveness, and enhance regional dynamics.

A FRAMEWORK OF KEY IMPACT DIMENSIONS THAT REFLECTS THE FOUNDATIONS ACTIVITIES

This framework has been developed inductively through a portfolio analysis of SKF/Cultiva past activities, the SROI impact analyses of the Mechatronics programme at the University of Agder, the NODE cluster, and the Gallion Social Seed Fund, and additionally six mini-case studies of SKF projects (Lister / IVAR Decentralised Education, Mathematics in Agder, Learn better mathematics, Centre for Creative Economy, Elkem Solar, Norges Film, cf. appendix).
We have refined this framework to provide a suitable way for describing the key dimensions of social value creation at SKF and will present it in the following sections. In later sections of this report we will then discuss how to use this framework for project selection, impact tracking, and working on regional impact measurement from a more general perspective.

Overview of the key impact dimensions of SKF

The foundation's impact on the Agder region spreads over a wide range of impact dimensions. In our analyses we have identified a considerable number of impact dimensions relevant to the work of SKF. In order to make those impact dimensions accessible and develop a clear arrangement, we developed a hierarchical organisation of the SKF impact dimensions with three main impact dimensions. This makes it easier to assess to what extent a project fits into the foundation's portfolio and how to further develop this portfolio in the future.

We thus suggest that SKF's intended impact on the region of Agder which is
- predetermined by the goals specified in the statutes (secure and create jobs and good living conditions), and
- realised by the strategic approach of supporting Competence Development Centres, Resource Centres & Networks, and Entrepreneurial Activities,

...can be split into three main impact dimensions (cf. figure 9, next page):
- regional infrastructure in a broad understanding;
- regional attractiveness as a place to live and work, especially for knowledge-workers;
- regional dynamics of the interconnections between firms, academic institutions and political organisations.

Connecting this broad picture of impact creation back to the projects funded on the ground level is the aim of Theory of Change analysis. The heterogeneity of the concrete goals of the different projects and activities yield a broad range of sub-impact dimensions and corresponding indicators, the latter both quantifiable and non-quantifiable.
We developed sub-impact dimensions and indicators for the different projects, worked out interconnections, and finally integrated the results into an impact framework for SKF. The framework thus summarises impact dimensions that we found to be frequently relevant in the projects we analysed.
Doing so, we accommodated for the different approaches taken by SKF in the Value Creation Circle. For each of the key impact dimensions we

thus list the sub-impact dimensions sorted by their primary relevance to one of the three approaches (CDC, RNC, EA). This outlines the various perspectives that the SKF key dimensions can take.
In the following, we give a detailed presentation of three key impact dimensions. Sample sub-dimensions are taken from the general comprehensive framework which we present in tables 2, 3, 4, on the following pages. For each of the subdimensions we present, we give sample projects from the SKF portfolio which we take to have created impact on that dimension.

Concluding remark: We have to keep in mind that this key impact dimensions framework has been developed by analyses of past projects of the foundation. It has thus to be conceived of as dynamic, not fixed. SKF will monitor the development in Agder and continuously strive to find the best role to take as a regional development foundation. This will necessarily involve a gradual evolution of the framework which, on the one hand draws on the competencies, skills and knowledge which the foundation has gathered in its previous work, and on the other hand accounts for the changes and development that might require adapting the framework.

Improve regional infrastructure

The first impact dimension relevant for assessing SKF's contributions to securing jobs and improving living conditions is improvements in regional infrastructure (cf. table 2, p.52)
Improving or assuring infrastructure is a way to contribute to the preconditions or the most general prerequisites for regional development in various fields.
We suggest a broad understanding of regional infrastructure, i.e.

- all kinds of facilities and equipment: i.e. labs, test or simulation facilities, further offices, school or company sites as well as the materials needed for education and work
- information technology: access to relevant information, communication channels
- required HR / staff: professors, teachers or managers, executives
- institutional development, i.e. rights and status, connections and networks of existing institutions.

We meet here with suggestions put forward by Torger Reve in his concept of the 'Global Knowledge Hub' (Reve 2009, 2011), or 'Knowledge Com-

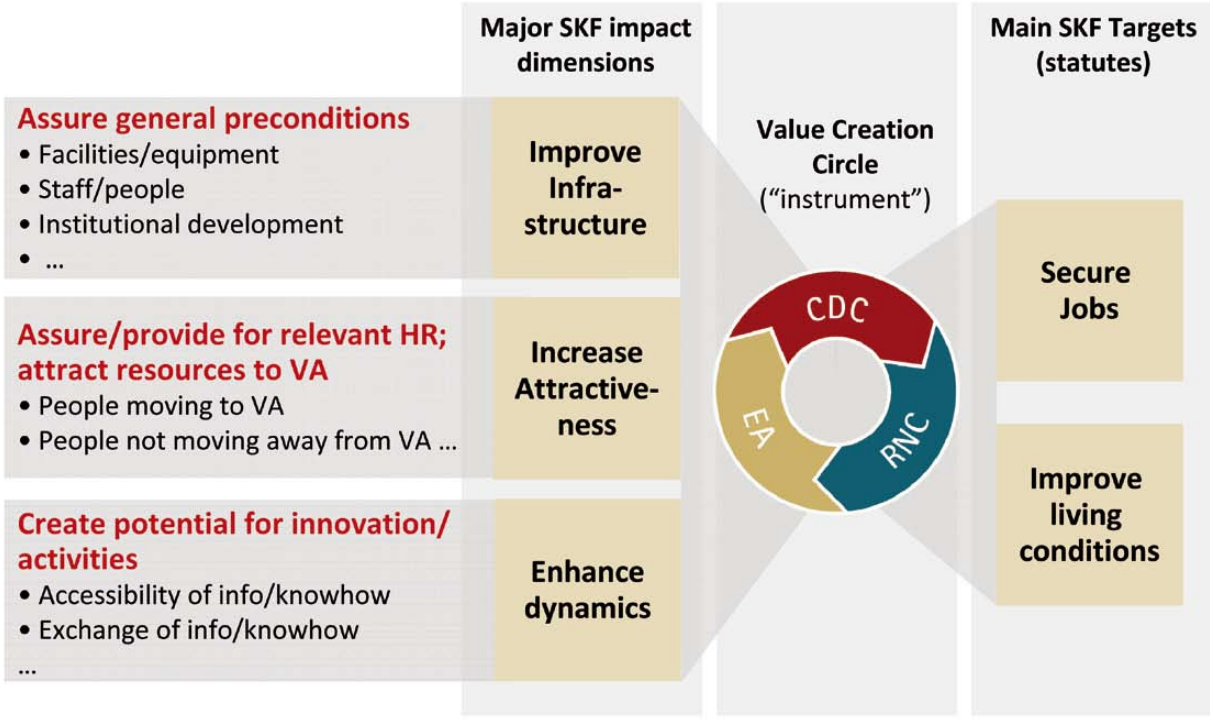


Fig. 9: Overview of SKF key impact dimensions for creating social value in Agder

Insights from the SROI studies on SKF impact on the infrastructure dimension

- Supporting infrastructure involves supporting organizations to develop a horizon of operation which well exceeds the end of the support. For this kind of thinking, SKF funding for **NODE** during its start-up phase is a perfect example.

- However, upgrading existing infrastructure is also important and sometimes more effective. It leverages existing resources and avoids decay and dispersal of accumulated knowledge and know-how. Helping the **Mechatronics** programme to expand helped the entire UiA, with significant benefits for the entire region.

- **Gallion** also fits into this type of approach, but with a slight twist: The Gallion organisation itself is not truly an example of "infrastructure" in the sense that its operation horizon is limited, with its closure scheduled in advance at the end of the project. The true "infrastructure" created are the firms who successfully manage to grow partly thanks to Gallion's efforts: these organizations will continue to create value and provide valuable jobs for a long time after the fund is be closed down.

mons' (Reve 2012). Reve stresses the necessity of the knowledge infrastructure for any future development of leading regions: it is "part of the core of a global knowledge hub". He emphasises that "investments in hard and soft infrastructure are critical elements in developing an efficient knowledge hub" (Reve 2009: 18). SKF is working along these lines of reasoning, and accordingly its impact is on the infrastructure dimension is to be measured.

Sample sub-dimensions

- **Status/level of institutions**. Most activities and initiatives depend to some extent on the development of institutions. Only institutionalized processes are sustainable in the long run.
Sample SKF projects: SKF has put major resources into the support of local educational and research facilities. The foundation has contributed to the successful "upgrading" of the former College of Agder into the University of Agder, and to help Kristiansand Central Hospital to gain status as a research hospital. Other examples include "Noroff", "Media College" and "Agder Research".

- **Educational infrastructure.** SKF especially invested into further developing the UiA Mechatronics department which works close to the local industry, as well as into the use of decentralised education and new forms of mathematics teaching. Reve also emphasizes the importance of strong and competing research universities with many boundary spanning units and close linkages to business (Reve 2009:19).
Sample SKF projects: "Mechatronics", "BI Kristiansand", "Decentralised education IVAR/Lister", "Learn better Mathematics".

- **Labs and R&D facilities.** An important part of the knowledge infrastructure of successful regions is the local Research and Development infrastructure. This includes R&D labs and corresponding test or simulation facilities. Sample SKF projects include "Elkem Solar" and "Teknova".

- **Entrepreneurial structures**. A success factor of global knowledge hubs is the network of venture capital firms and investors that surrounds the world class universities and public research institutions at their core (Reve 2011: 68). A good sample SKF project is "Gallion".

As Michael E. Porter et al. (2008: 49) claim, "the quality of factor (input) conditions, the context of rules in which firm strategy and rivalry take place, the quality of local demand conditions, and the presence of the related and supporting industries" are all important for a healthy business environment. For them, this "diamond" takes a crucial role in the context of business clusters. This development of educational and business infrastructure has played an important part in SKF's funding profile in the past.

	Sub-Impact Dimensions	Corresponding Indicators	SKF Project Examples
CDC	Facilities quality / equipment (for education / research)	- Investments into facilities	Mechatronics at UiA
	Competence level of staff (teachers / professors)	- Institutional ratings - Evaluation forms (students) - „CV value"	Learn better mathematics
	Institutions' size	- People: # of staff / students etc - Activities: # of customers / projects etc - Finances: budget / turnover / income - Facilities: # of work / lab place	
	Institutions' status / Institutions' accreditation level	- Institutional status upgrades - Successful accreditations - Institutional funding	SKF supports UiA to get university status
	Institutions' level of internationalisation	- # of foreign students / employees - # of projects / customers abroad - Foreign investments / backers - # of new partners abroad	
	Quality of / methods used in teaching	- Didactical quality - Usage of e-learning techniques - Web quality/services	Decentralized university education, Lister
	General study conditions	- National/international rankings - Professor/student ratio	
RCN	Staff employed on permanent basis	- # of staff - # of staff (+volume of employment) - Wage level of this staff	NODE secretariat
	Level of organisational institutionalisation / structures	- Investments into regular joint activities or members and non-members (regular meetings, forums, conferences)	NODE secretariat
	Level of institutionalisation/ structures for knowledge-/ knowhow-transfer	- Recruitment of / payments for PR experts/consultants - Investments into publications and media (activities elaborating/offering knowledge/knowhow for the field like websites, blogs, newsletters, social media; events with knowledge-transfer character, i.e. info sessions, forums...)	NODE secretariat
EA	Start-up / spin-off creation in the region	- # of start-ups/spin-offs; for each: - # of employees, turnover, profits, sustainability	
	Venture capital availability in the region (institutions!)	- # of VC institutions active in the region - Amount of investments	Gallion
	Seed capital availability in the region (institutions!)	- # of institutions - Amount of investments	
	Start-up information / consulting / support services	- Investments/ running costs - Institutionalised structures: #, budget, # of staff, sustainability of funding	Centre for Creative Economy. BI Norwegian School of Management
	Entrepreneurship education structures	- Investments/ running costs - # of/ quality of university programmes, or public workshops by municipality / chamber of commerce etc. - # of/ quality of participants	Learn better mathematics
	Field-specific infrastructure / facilities for entrepreneurial activities (e.g. laboratories)	- Investments into such facilities	Elkem Solar R&D facilities

Tab. 2. Impact dimension N°1: Improve regional infrastructure

Increase regional attractiveness

Regional attractiveness – to be reflected by the influx of people into Agder, as well as the impeded emigration out of Agder – is the second key impact dimension for SKF that has emerged in our analyses. This dimension is both relevant for the sufficient provision of skilled HR relevant to cluster dynamics sketched above (SKF goal: create and secure jobs), and for the question of the quality of living in Agder (SKF goal: improve living conditions). In addition to the individual choice of people to come to or stay in Agder to work and live, attractiveness refers to the decision of companies and founders to start their activities in Agder and not elsewhere.
So the attractiveness of a region is another main impact dimension we have to look at when we analyse the impact of SKF investments. It is the decision to stay and the influx of people or companies that can be seen as an indicator for the attractiveness of a region. We found a number of sub-dimensions that account for the effects of high regional attractiveness. Examples include:

Sample sub-dimensions

- Graduates-into-local-Industry-prospects. Regional clusters need infrastructure and dynamics to perform the way scholars suggest they can. One connection is especially important to regional attractiveness for students: The prospects for graduates to be hired in local firms. Agder can profit very much from students that decide to study in the region and to stay for employment. By investing in both Mechatronics at UiA and the NODE secretariat additionally mediating Mechatronics-NODE-firm connections, SKF has contributed to a very high prospect for Mechatronics graduates to be hired in firms in the NODE cluster.
Sample SKF projects: Mechatronics & NODE

- Internationalisation of RCN structures. Reve points to the fact that knowledge hubs can also attract people and functions from major multinationals in the industry. "Together with universities and their related research labs [industry clusters] create an advanced, specialized job market attracting talent and knowledge workers on a global scale" (Reve 2011: 63). One important factor here is the internationalisation of those RCN structures. Through the investments in the NODE secretariat and its lobbying power, as well as the global branding of the NODE firms through "NODE", SKF has contributed to the internationalisation of NODE. Sample SKF project: NODE

- Attractiveness of Vest Agder for start-up founders in a certain field. Clusters have a profile of complementary economic activity and therefore have a positive influence on the growth rate of entrepreneurship (Delgado et al. 2010). Therefore, investments in the capacity of the region, in a certain field, to act as an incubator for businesses and develop a spin-off culture, have been a means for SKF to raise regional attractiveness.
Sample SKF & Cultiva activities: Bundle of projects and initatives to foster the Creative Economy in Agder, raising attractiveness for start-ups (including Gallion I funding, RockCity, Centre for the Creative Economy).

Enhance regional dynamics

Disciplines like strategic management, economic geography, or development economics discuss the concept of "regional cluster". The chief advocate of competitiveness, Michael E. Porter, stresses the importance of clusters for the competitiveness of both regions, and nations or individual firms. Reve's concept of the global knowledge hub is a specific variant of regional cluster.

The most well-known approach was put forward by Michael E. Porter (1990, 1998), who defines a cluster as: "a geographically proximate group of interconnected companies and associated institutions in a particular field, linked by commonalities and complementarities."
Given that the relevant infrastructure for such a regional cluster is in place, it all depends on creating the necessary dynamics for the interconnections between companies, academic institutions and political organisations to develop well and yield fruitful output. It is all about the use and further development of those inter-connections and the creation of new connections in order to exchange, ideas and knowledge to inspire the work of those institutions in itself as well as to foster their partnering for new joint initiatives. Dynamics thus is a synonym for the potential for creating innovation and value.

	Sub-Impact Dimensions	Corresponding Indicators	SKF Project Examples
CDC	Quantity of academic activities and output	- # of PhDs - # of students in the region - # academic study programs - # of peer-reviewed publications	Mechatronics at UiA, Mathematics in Agder
	Relationships of cooperation of VA academic institutions with institutions _ in the region; from other regions in Norway, from abroad – in the field odr transectoral	- # of cooperation projects; For each: - Budget; sustainability; #+level of people involved - Variety of measures (internships, mentoring programs...)	Mechatronics, NODE, Lister / IVAR decentralized university education
	Quality of educational / service programs	- National / international ratings - Student evaluations	Mechatronics at UiA
	Quality of research programmes / academic output	- # of /kind of publications - Quality of publications (journal ratings/bibliometrics)	R&D Program with Elkem Solar
RCN	Exchange of information (1): quantity/quality/speed	- Estimates of stakeholders involved in the exchange	NODE, Mechatronics at UiA
	Exchange of information (2): scope sectoral or also intersectoral? national or also international?	- Affiliation of stakeholders involved; with sectors / their nationalities	NODE, Mechatronics at UiA, Mathematics in Agder
	Intensity of cooperation both intrasectoral and intersectoral (e.g. industries - academia)	- # / type of cooperation - Investments into joint projects	NODE, Mechatronics at UiA,
	Level of activity of RCN-structures	- [cf. infrastructure table]	NODE
EA	Start-up rate in a field	- Start-up rate in comparison to the field average	
	Start-up performance / sustainability	- Turnover - Employment figures - Survival rate	Gallion
	Intensity of cooperation	- Investments into joint ventures - Long-term subcontractors (outsourcing positive if it is a long-term business relationship)	NODE, Elkem Solar
	Internationalisation of EA	- Number of / type of international business contacts	Centre for Creative Economy, BI Norwegian School of Management
	Availability of funding	- Size and accessibility of public funds	Gallion
	Availability/quality of training / recruiting / hiring events	- Investment into such events (shared platforms, facilities)	NODE
	Synergies among firms through shared facilities	- Investments into shared facilities	NODE

Tab. 3. Impact dimension N°2: Enhance regional dynamics

SKF's funding, especially as it can be seen in the Resource Centres and Networks (RCN) approach, follows this basic logic of enhancing cluster dynamics in certain regional fields.

SKF has identified fields of smaller industrial groupings with a potential for group dynamics, and then invested in networking & social capital and provided funding – in order to increase dynamics. Examples include NODE, EYDE, and the Centre for the Creative Economy. SKF especially invested in the creation of governance structures which help to organise cluster dynamics.

Sample sub-dimensions

■ Existence / level of activity of cluster structures. The effectiveness and sustainability of many activities and initiatives, in the long run, depends on institutionalising some kind of governance mechanisms. Such resource centres, network secretariats or other kinds of hub structures can also boost the productivity of the institutions accessing the hub. This productivity depends on the sourcing of inputs, the assessment of information technologies and institutions, coordination with related companies and the measurement of improvements (Porter 1998: 81). Likewise, they can improve their member's competitiveness. "A high-quality business environment, including the presence of well-developed clusters, significantly affects the capabilities that a company can access, the competitive choices it can make, and the productivity that it can generate using its internal assets." (Porter et al. 2008: 48). Sample SKF project: NODE

■ Level of innovation. Another sub-dimension of regional dynamics is the level of innovation – both within already existing businesses or in start-up businesses. For the region of Vest Agder, innovation is a factor for competiveness. Again, this can be tied back to cluster thinking, since clusters increase the pool of competitive resources and reduce the barriers for new firms (Delgado et al. 2010: 514). Sample SKF project: Centre for Creative Economy at BI.

■ Quality of academic output / research programs is another sub-dimension of regional dynamics. Both in Porter's Cluster concept and in Reve's Global knowledge hub / knowledge commons, quality of education / academic structures play an important role. SKF has been investing intensively here in the past, and when accounting for the foundation's impact, this aspect should be taken into consideration.
Porter states that a successful operating business environment needs advanced research institutes as well as specialized training and education. And ideally these programmes focus on business knowledge development as they catch the demands of a growing regional industry. This specialization is needed due to the fact that "in more advanced economies, clusters deepen to include suppliers of specialized inputs, components, machinery, and services" (Porter et al. 2008: 50). As a result, "specialized infrastructure emerges from public and private investment; and institutions arise that provide specialized training, education, information, research, and technical support." (Porter et al 2008:50). Sample SKF project: Mechatronics at UiA, Mathematics in Agder.

■ Internationalization of entrepreneurial activities. When we look at the business activities of companies in Vest Agder, we see some successful global players and a growing network of international business contacts. Their openness for and dependence on foreign trade and investment has a high influence on the strategy and rivalry of the

Insights from the SROI studies on SKF impact on the dynamics dimension

■ If competitiveness is speed, then dynamics is acceleration: in the long-term, regional success will depend on it. This category comprises all factors that foster innovation: human and social capital, know-how, information-sharing and constructive competition, to name some. Innovative behaviour, however, is necessarily disruptive and requires strong incentives for it to be implemented; the profit motive tends to supply such drive for the private sector, but in general all social players can benefit from projects that push them forward to a higher level of competence and productivity.

■ Our SROI study provides insights into effects on the dynamics dimension. **NODE** has a marked effect on its members' productivity (while not being the only project that helps in this sector). The **Mechatronics** programme provides local business environment with a steady supply of versatile and well-educated engineers, which is totally absorbed by the companies. At the same time the department is conducting precious research beneficial to the entire sector. **Gallion** has the explicit aim of diversifying the regional business sector composition and helping new ideas and entrepreneurs, who could have more troubles than usual in acquiring funds through standard channels, to start up.

	Sub-Impact Dimensions	Corresponding Indicators	SKF Project Examples
CDC	Attractiveness of VA-academia for students (nationally + internationally)	- # of students moving to VA (compared to other No univ. cities)	Mechatronics, NODE
	Share of high potential students in the region	- # of summa cum laude graduates - # of PhDs	Mechatronics, NODE
	Attractiveness of VA-academia for staff (nationally internationally)	- # of applications for PhD, post-doc and teaching positions	Mechatronics; „Decentralized university education" Lister
	Factors / structures attracting students (incl. living quality, cf. R. Florida!)	- # of students moving to the region - institutional rating of VA	
RCN	Cooperation from within the field with partners from outside VA (nationally / internationally)	- # cooperations - Investment into joint projects from all partners	Mechatronics, NODE
	Development of RCN structures	- # of industrial clusters - # of member firms in industrial clusters - Sustainability of clusters - National funding, fees	NODE
	Immigration of workers in the field	- # of immigrants (excluding refugees)	NODE
EA	Share of Funding from outside the region	- Amount / share of investments from outside the region (incl. foreign direct investments)	
	Cooperation with established firms from outside the region	- Time and resources spent on these initiatives	NODE
	Attractiveness of VA for start-up founders in the field (nationally + internationally)	- Firms' demographic data	NODE

Tab. 4. Impact dimension N°3: Increase regional attractiveness

companies (Porter et al. 2008:50). For SKF, we see that it was a central aspect of their investments, to support the creative development of innovations through internationalization of networks and entrepreneurial activities. Sample SKF project: Centre for Creative Economy at BI.

From the perspective of the SKF Value Creation Circle, the dynamics dimension refers to the "energy" needed to get the circle turning. In other words: the "upgrading" of the circle by making it turn. In his concept, Reve talks about „knowledge dynamics": this dynamics is what finally makes a region attractive. It may be an attractive spot for education and talent, R&D and innovation, or environment issues. What finally counts is whether all these isses join each other to fuel some sort of regional dynamics.
We think that investing in the creation of regional dynamics in different fields has been important in the past and will remain important for SKF in the future. It appears important to care about regional dynamics and to track progress on this key dimension.

Insights from the SROI studies on SKF impact on the attractiveness dimension

- Improving attractiveness means, broadly-speaking, "putting Agder on the map", making the region an attractive location for studying, working or pursuing new business opportunities.
- The Mechatronics program provides a splendid example: in our surveys we found that many students decided to come (or stay) in Agder purely because of the academic opportunities offered by the program.
- NODE & Gallion provide incentives for CEOs and entrepreneurs: starting a new firm, or a local branch, in a new business environment is easier if one can rely on a well-established support network which can provide both necessary and useful contacts and services. Talented people with good ideas might find the availability of a seed-fund the decisive factor that encourages them to start their business adventures in Agder.

Using the Results: Project Selection and Tracking

How Theory of Change Thinking can be put into Practice in the Foundation

The current project selection process at SKF

SKF has been developing and refining the project selection process for 10 years. The foundation has gained huge experience and skills in selecting applications to support.

The current project selection process at SKF involves three steps: 1. the generation of funding opportunities ('applicants'), 2. the evaluation of the applications (in September-January each year), and 3. the final decision concerning which applicants to support (cf. figure 13).
The core of the current process is step 2, i.e. the evaluation of all applications received. This is realised using three tools:

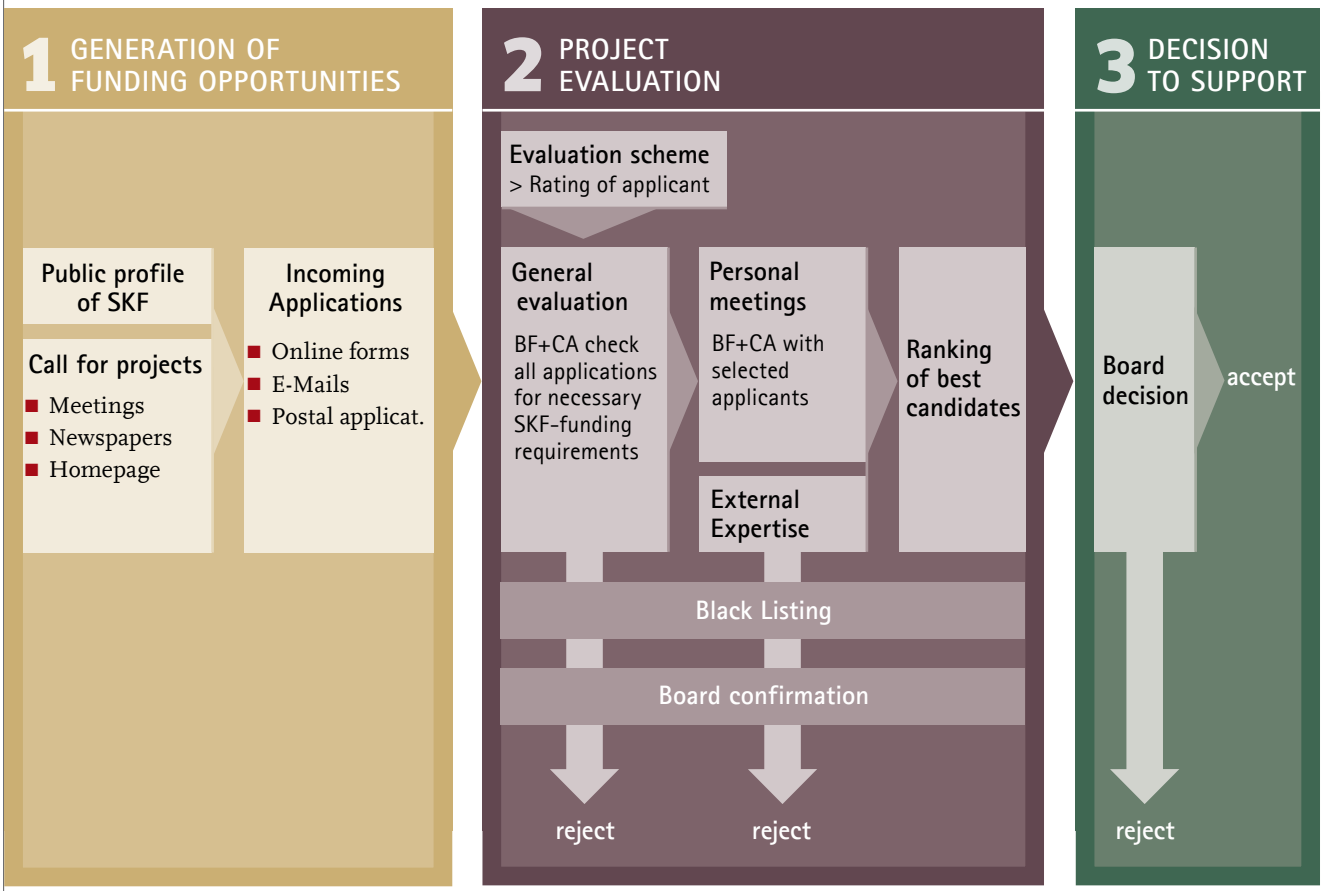
- applying a number of exclusion criteria (necessary SKF funding requirements, e.g. only institutions can apply, some kind of contribution to competence in Vest-Agder is mandatory);
- using a scoring system to evaluate applicants on a number of quality criteria (e.g. to what extent does the applicant contribute to the internationalisation of the region, or to entrepreneurship and innovation in the region;
- having face-to-face meetings with the applicants to discuss the proposal and, if necessary, refining objectives and activities to better suit SKF overall goals.

Overview of the section

In the following, we present two suggestions on how SKF can use the results of our analyses in order to further refine and enhance the project selection process.

- **Compatibility with SKF goals**: First we take into consideration step 2 in the visualisation: 'project evaluation'. We ask: How can SKF enhance project

Fig. 13: The current project selection process at SKF



selection by analysing the potential contribution of applicants to the key impact dimensions of the foundation? This is the most obvious way to draw on the results of the current project, i.e. the Theo-ry-of-Change-Analysis of SKF and the elabora-tion of key impact dimensions.

We illustrate this proposal by reference to projects from within the SKF portfolio, presenting the theory of change of those projects and discussing compatibility with SKF goals.

- **Social Value Chain Analysis**: We then step back and proceed with further considerations concerning step 1 in the visualisation: 'generation of funding opportunities'. The question is: What further means could SKF refer to for strategically generating attractive funding opportunities? When might it be preferable to step beyond open calls for applications and e.g. actively approach certain organisations or people with the request to apply, or even enter into a process of jointly developing a project suited for SKF funding? The requirement for doing this is what we call 'Social Value Chain Analysis', i.e. the analysis of what kind of value needs to be created in a certain field, and what players in Agder are already working in which way on the corresponding value chain. This analysis helps to identify where and how SKF can best contribute to realising the social value chain in question (cf. p. 63).

Again, we illustrate this proposal by reference to projects from within the SKF portfolio, presenting the theory of change of those projects and discussing their Social Value Chain analysis.

These ideas will be complemented by considerations on impact tracking, a summary of the section and a more comprehensive outlook on the possible future development of impact thinking at SKF in the following section where we present a scenario for how to join forces for improving competence, job situation, and living conditions in Agder.

1 Alignment with SKF Impact Creation Strategy

Once we have elaborated the general framework of impact dimensions, we can check applicants as for the compatibility of the proposed goals with SKF's strategy of value creation in Southern Norway. This enhances project selection, since the inclusion of the criterion of "Theory-of-Change-fit" or "compatibility with SKF goals" is a powerful instrument to assure the alignment of the grantees portfolio with the overall goals of the foundation.

Not only is this a way to assure grantees selected will actually work towards creating impact according to the goals of the foundation, but likewise it is a way to foster collaboration between grantees since the tool shows where grantees share goals and interests. Fostering collaboration between grantees can be an important resource for improving the portfolio's comprehensive social impact.

How could a check for compatibility with SKF goals be integrated into the grantee selection process?

■ Get/develop theory of change analyses of the applicants' proposals
- Provide potential grantees with information on theory of change thinking and examples, as well as on the theory of change of SKF.
- Try to educate applicants to provide a sound theory of change analysis with their proposals; ideally they already come up with connections to the key impact dimensions of SKF.
- Provide applicants with coaching on how to analyse their project or idea according to a theory of change logic (e.g. step-by-step-manuals, contact person in the foundation).
- Visualise the theory of change of the most interesting applicants.

■ Check for fit of main goals/impact dimensions with the SKF framework
- Ideally start with suggestions by the applicants.
- Discuss fit internally; evaluation may be included as a further scoring scale.
- External expertise: For particularly expensive or relevant applications, SKF might want to ask reviewers for an assessment of the fit with SKF goals, i.e. an evaluation of the applicant's potential contribution to improving infrastructure, dynamism, and attractiveness in Agder.
- The evaluation of fit could be part of the board presentation.

What steps would help to integrate the check for compatibility with SKF goals into the grantee selection process at SKF?

- Develop & present information on theory of change thinking, examples, as well as on the theory of change of SKF [draw from this reporting].
- Consider open workshops on SKF strategy and theory of change thinking for potential applicants.
- Prepare for the presentation of the advantages of the theory of change development by the applicants, jointly with SKF, during the selection process.
- Consider assuring availability of staff for phone coaching on how to apply at SKF using theory of change analysis and on the SKF impact framework.

Sample check for project compatibility

In the following, we refer to two projects from the SKF portfolio that have been funded in the past – in order to illustrate how the impact dimensions framework can be used to assess the projects' fit with SKF's ultimate goals of social impact creation.

Decentralised nursery education with IVAR

In a project with IVAR, the Inner Vest-Agder Regional Council (Indre Vest-Agder Regionsråd), SKF set out to improve nursery education by funding an initiative to establish a decentralised educational offer which better met the needs of potential candidates in the region.

The County Council had diagnosed both a need for skilled workforce in nursery jobs in the region as well as a hindering gap for potential candidates for those jobs. The reason was the lack of accessible educational offers for adults who either had small children, were already working part-time somewhere else, or just could not afford commuting to town to attend courses at the University of Agder.
ToC analysis for inputs shows that the project involves building a local auditorium, providing technical support, hardware, and software necessary to run decentralized educational offers in this auditorium, and organizing a partnership with UiA for the provision of teaching. A second step checks for the goals associated with these measures from the point of view of the SKF key impact dimensions. Results are shown in figure 14.

DOES DECENTRALISED NURSERY EDUCATION FIT WITH SKF?

ToC analysis shows that the project fits comparatively well with the key SKF impact dimensions, especially with regard to infrastructure and attractiveness. Stated goals of the project directly connect to these dimensions (build infrastructure for decentralized education in the county; raise attractiveness of both educational/job opportunities for a certain segment of the population, who might otherwise emigrate, and by improving the quality of local nursery services).

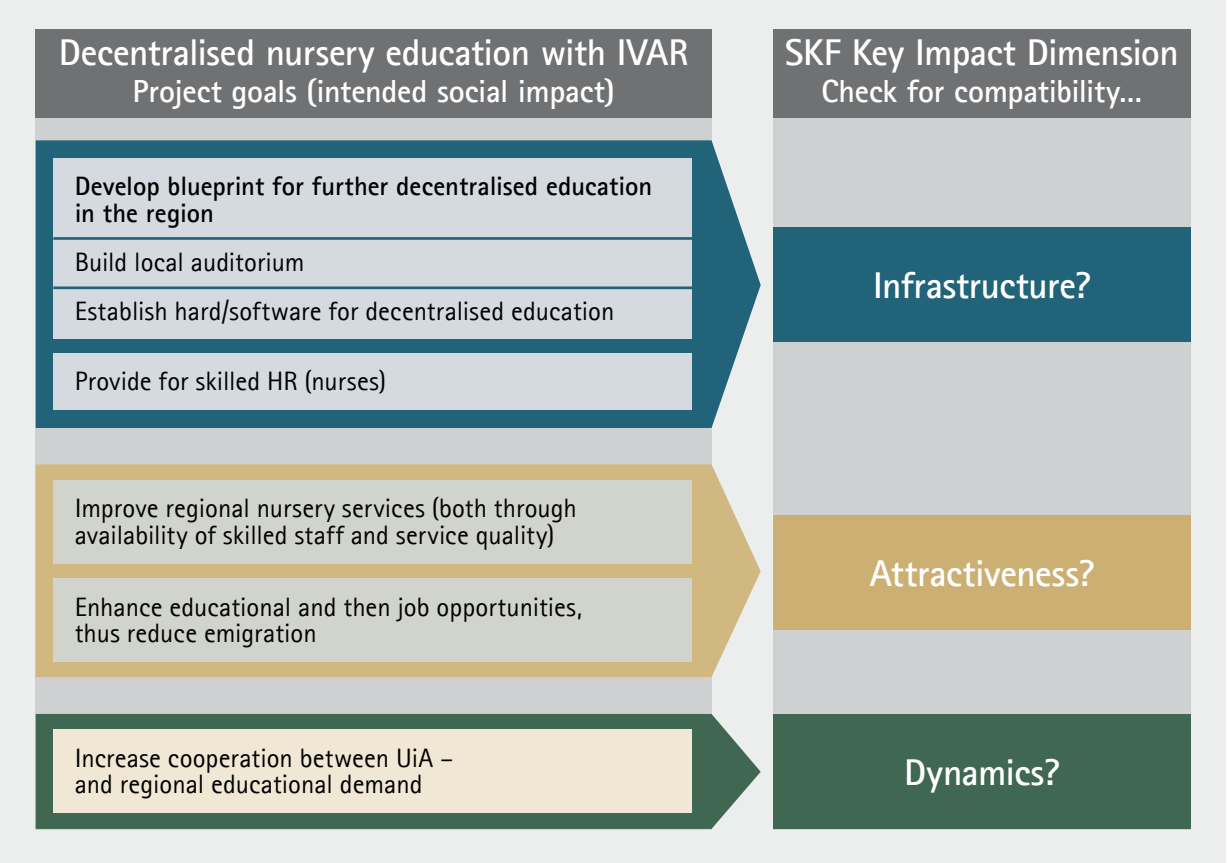


Fig. 14: Compatibility check for IVAR-project with SKF key impact dimensions

The project has actually been funded by SKF and received financial support to the sum of 2.400.000 NOK from 2003-2006. And actually ("blueprinting quality"!), a second project has been initiated and funded along a comparable line of thinking (decentralized education) in the county of Lister (cf. appendix 1).

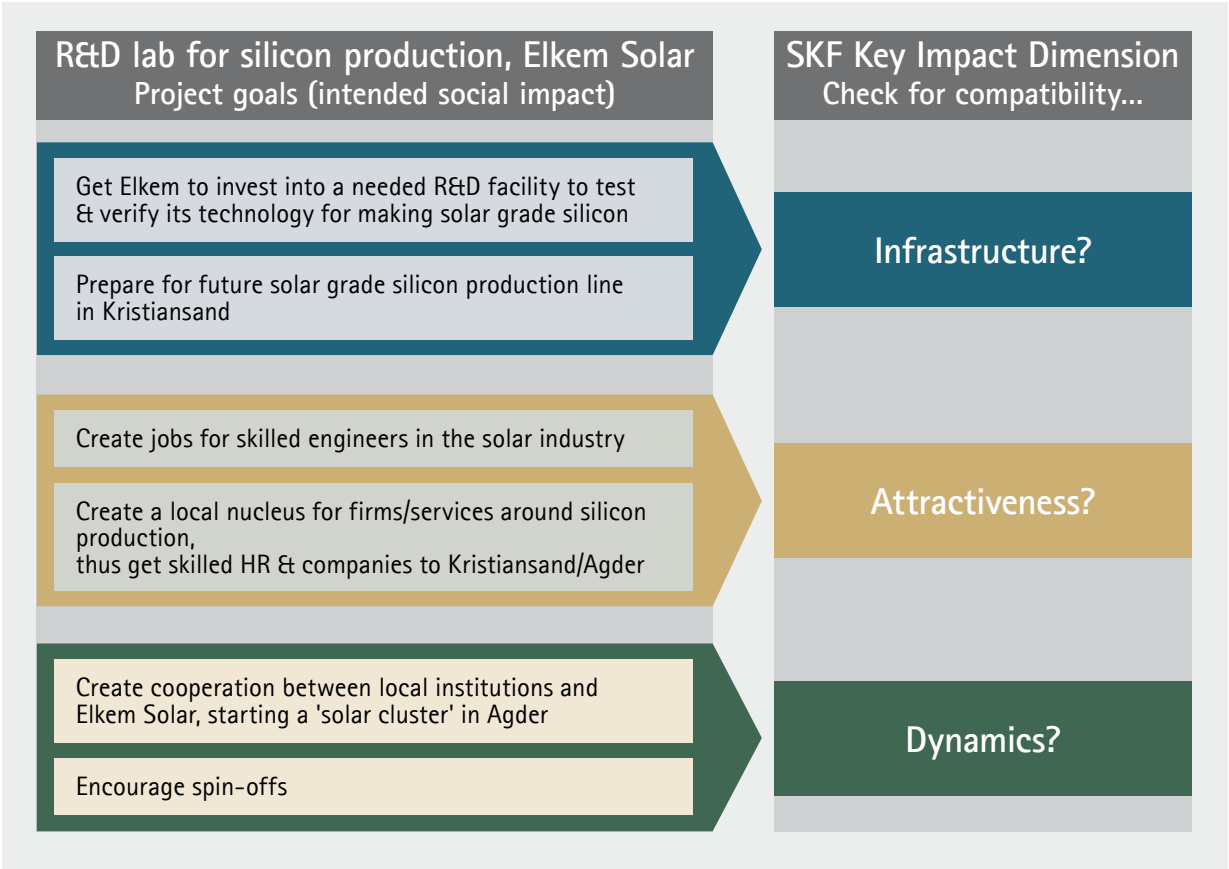
R&D lab for high value silicon production with Elkem Solar

In a project with Elkem Solar (Part of Elkem ASA, Oslo), SKF funding was meant to crucially contribute to getting the company investing in Kristiansand to establish an R&D lab for high value silicon production. Elkem is one of Norway's largest industrial companies and was about to make the biggest inland investment ever made in Norway (about $600 million, source: www.elkem.no).
Again, ToC analysis shows how the project fits with the key SKF impact dimensions.

Elkem Solar Site at Kristiansand

The project has in fact been funded by SKF and received financial support totaling 10.500.000 NOK from 2006-2008. Elkem invested in Kristiansand, facilities were built and staff was recruited involving UiA and Teknova. Successful R&D initiatives were started on a local and international level "Elkem Solar's technology for making solar grade silicon is tested and verified, and the company is now industrializing its proprietary solar grade silicon production line on Elkem's site at Fiskaa in Kristiansand", www.elkem.no).

Fig. 15: Compatibility check for funding the Elkem Solar investment into silicon R&D facilities



2 Social Value Chain Analysis

Checking applications for compatibility with SKF goals is only one side on the story. What's the other side of the story?

High-impact foundations not only select grantees for alignment with their goals but also for the special needs of the social environment they are addressing. They take care to identify the most pressing needs of their stakeholder groups and, most importantly, analyse who is already working in the field to meet these needs.

Foundations generally have the luxury to neither be dependent on market success nor on politics. They are the social actors which can look at society from the broad perspective, analyse where social value creation chains have missing links (or do not exist at all) and take action to complete the value chains.
Social value chain analysis (which takes the perspective of society) completes the theory of change analysis (which takes the perspective of the applicant). It tries to identify both necessary pre-conditions and necessary follow-up-conditions of the applicant's proposal. In a second step it analyses whether those conditions are assured – or whether it might be the role of the foundation to also work on them.

An example of a type of social value chain which is important to SKF is the Value Creation Circle (cf. 3). To realise the full potential of the circle of competence creation, distribution and application, it is not sufficient to only take one section of the circle into consideration...

Let's take an example

Given an applicant who suggests his way to contribute to meeting a social challenge (e.g. providing money for early-stage start-ups, increasing the number of mathematics graduates). Even if a check for compatibility of goals yields the result that the applicant's proposal is in full alignment with the foundation's goals, it may nonetheless be wise not (only) to fund the grantee:

- It may be essential to invest (additional) resources (money or "social capital"/ relationships) in order to assure necessary pre-conditions of the applicant's proposal. E.g. consider the potential impact of a pre-seed fund which lacks a corresponding deal-flow! – Recommendable to think of how to organise a certain pre-seeding deal-flow potential... If this cannot be assured it may be questionable whether funding the applicant is a good decision at all.

- It may be essential to invest (additional) resources (money or "social capital"/ relationships) in order to assure necessary follow-up-conditions for the grantee's proposal. E.g. consider the potential impact of inspiring pre-schooler to love mathematics if at grammar school teachers get all of them into studying languages! – Recommendable to think of mathematics at grammar school as well... If this cannot be assured it may be questionable whether funding the applicant is a good decision at all.

The result of any value chain analysis can be that if funding the applicant appears desirable, other support measures become necessary:

- funding further actors in the field
- convening players in the field in order to address certain issues or to take new initiatives
- creating new initiatives or organisations that don't exist but are needed (or convening government, industry and academia, to do this jointly).

How could social value chain analysis be integrated into the grantee selection process at SKF?

Our suggestions parallel to the ones given above for the 'compatibility of goals'-check:

- Get/develop social value chain analyses of the applicants' proposals:
  - Provide potential grantees with information on social value chain thinking and examples.
  - Try to educate applicants to provide a social value chain analysis with their proposals.
  - Provide applicants with coaching on how to run a social value chain analysis of their project or idea (e.g. step-by-step-manuals, contact person in the foundation).
  - Visualize the social value chains of the most interesting applicants.
- Check for fit of main goals/impact dimensions with the SKF framework:
  - Ideally start with suggestions by the applicants.
  - Discuss fit internally; evaluation may be included as a further scoring scale.
  - External expertise: ask reviewers to assess the fit with SKF goals, i.e. perform an evaluation of the applicant's potential contribution to infrastructure, dynamism, and attractiveness in Agder.
  - The evaluation of fit could be part of the board presentation.

What steps would help to integrate the check for compatibility with SKF goals into the grantee selection process?

- Develop & present information on social value chain analysis and give good examples, and inform on the SKF value creation circle.
- Consider open workshops on SKF social value chain analysis for potential applicants.
- Prepare for the applicants to present the advantages of social value chain analysis, jointly with SKF, during the selection process.
- Consider assuring availability of staff for phone coaching on how to apply at SKF using social value chain analysis and on the SKF value creation circle.

Choosing the best philanthropic approach

In the toolbox of a foundation, there is much more than just giving money. In our analysis of the project portfolio of SKF and Cultiva we have seen that the foundations have already used a broad variety of philanthropic approaches, ranging from combining grants with more operative elements to other financial support instruments beyond grants.

The decision process to support an applicant should include a traceable way to decide on what philanthropic approach to take for supporting a given applicant. Both theory of change analysis and social value chain analysis help to choose the best philanthropic approach for a given applicant. Combining the organisational perspective of the applicant (theory of change analysis) with the perspective of society (social value chain analysis) helps to better understand the nature of the needs, and to decide on how to best meet them. – The table illustrates different philanthropic approaches or funding instruments that have been used by SKF and Cultiva in the past.

Philanthropic Approach	Definition	Sample SKF Project
PA-1: Pure financial grant-making to existing organizations	Grant financial resources to an existing organization that has applied for funding, be it a nonprofit, public or profit organisation	IVAR, Lister
PA-2: More operative elements		
PA-2.1: Support existing organizations beyond financial support	Give other than financial support, e.g. by consulting, networking etc.; cf. high engagement philanthropy / venture philanthropy model	RockCity, NODE
PA-2.2: Run pilot projects / commission reports	Run pilots projects, evaluate them, and learn – before running a "scaled-up version" of the project; commission reports on issues to be understood in a more detailed way in order to develop strategies for addressing them effectively	RockCity, Eco Science Centre
PA-2.3: Support existing organizations to work on projects initiated by or co-developed with SKF/Cultiva	Develop ideas of how to promote the foundations' goals from within the foundations and collaborate with existing organisations in order to realise them, with those organizations doing the bulk of the rather operative tasks; or identify organizations capable of realising ideas that have been developed within the foundations or that the foundations take to be a step towards the foundations' goals (and that no one else is undertaking anyway)	Trafo, UiA
PA-2.4: Hire people to lead processes / projects	Hire / pay people taken to be competent / trusting in order to enable them to run / lead a process / project according to the foundations' goals	NODE. Motion, Noroff
PA-2.5: Set up new organisations/ new structures to work for the foundations' goals	Develop ideas of how to promote the foundations' goals from within the foundations and set up new organisations in order to realise them	RockCity
PA-3: Financial support instruments beyond grants		
PA-3.1: Loans	Instead of pure grant-making, give loans to organizations (money is not lost for the foundations + recipient has an incentive to develop different sustainable income or funding resources)	Artpages, Norgesfilm
PA-3.2: Mission-related investments, share holdings	Instead of pure grant-making, invest in shares of companies (money is not 'lost' for the foundations)	Ronnie Jacobsen AS, Norgesfilm
PA-3.3: Venture capital funds	Create (or invest in) venture capital funds that concentrate their investments in Kristiansand / VA.	Gallion

A sample social value chain analysis

In the following, we refer to a number of projects SKF has funded in the field of education for mathematics. While this has obviously been a focus programme in SKF funding, we suggest how SKF could pursue this kind of support even further using social value chain analysis.

Support for mathematics all along the educational continuum. Analysing the comprehensive SKF portfolio, we found a number of projects targeting the education for mathematics in Agder. Clearly, mathematics related jobs are of prior importance to the engineering firms which are dominant in the region (oil & drilling offshore technology, process industry etc). It creates a long-term HR supply problem for the region if too few young people decide on engineering studies, as it is the trend in Norway and other countries. It thus appears intelligent to support mathematics education to foster interest in mathematics and develop talents that otherwise might stay undiscovered. The support of the so-called MINT disciplines at school level (which stands for Mathematics, Information Sciences, Natural Sciences, and Technology), is taken to be an essential requirement for increasing student numbers in the natural sciences.

There is, however, an interesting effect when we apply social value chain analysis. The question to ask in social value chain analysis is: What are necessary pre-conditions and necessary follow-up-conditions for a given activity that the foundation might fund? If we take support for education in mathematics as a means to prevent future HR supply problems in engineering jobs in Agder in the long run, we get a social value chain along the educational continuum. Mapping this with SKF's activities in this field shows, that the projects funded by SKF focus around preschool and high school age classes, with some activities at university level and practically none at job-entry level (cf. figure 16, next page)

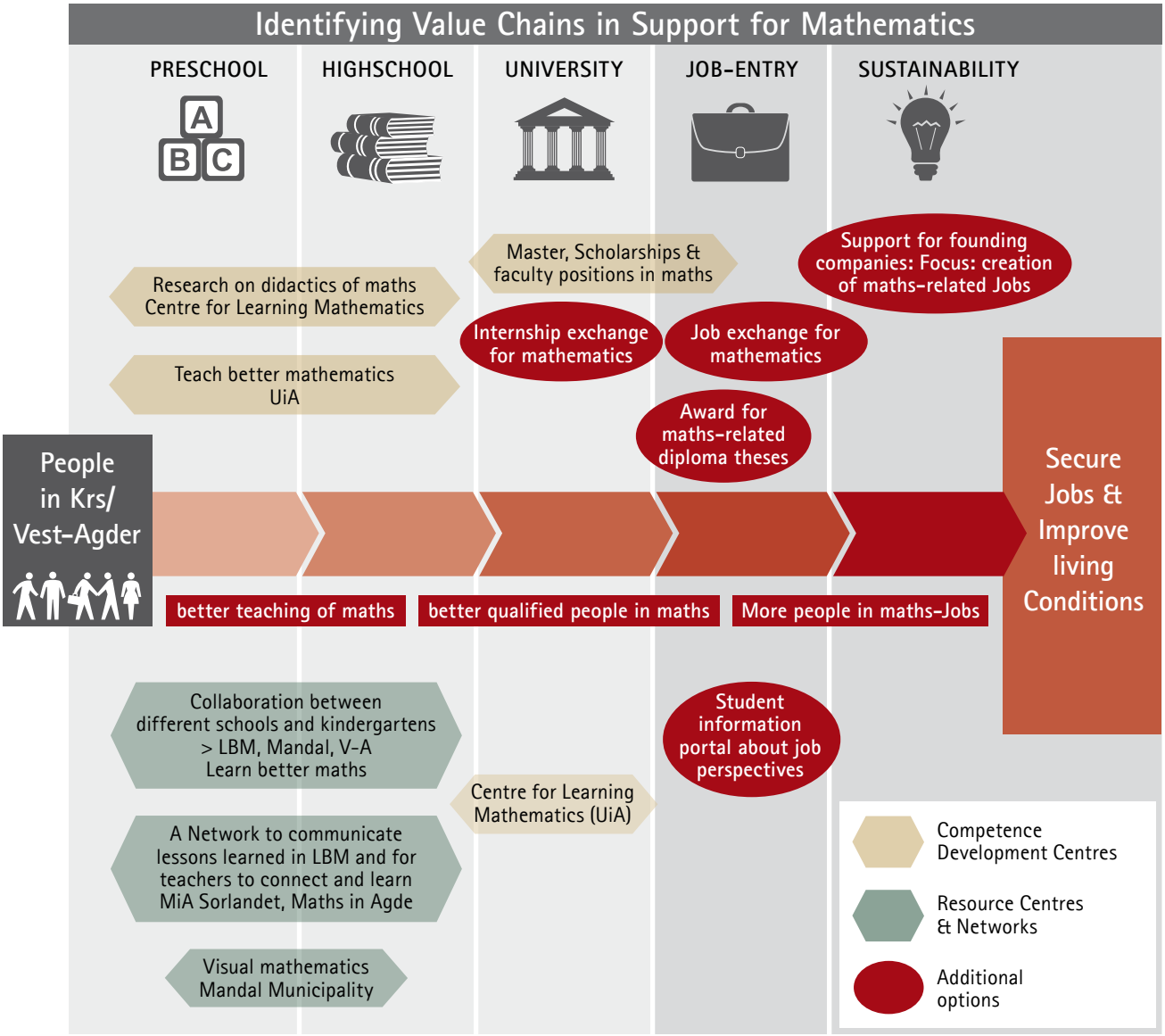
Now this finding has two important kinds of follow-up questions. The first is: What is the follow-up condition to mathematics education at

New recruits for the MINT subjects?

preschool and high school level if the ultimate goal is to prevent for future HR supply problems in engineering jobs in Agder? The answer is that there should be support for mathematics education at university level as well as support for job entry from mathematics studies into mathematics related jobs in Agder. Figure 16 presents in red the options for comparable initiatives.
But the second set of questions is: Are there institutions in Agder which already take care of comparable initiatives? Which players are there which could be both competent and interested in pursuing (and co-funding) such initiatives? What could SKF do in order to assure that these latter links of the chain are strengthened?

Working with social value chain analysis puts applications or projects into a context of social value creation and asks for necessary pre-conditions and follow-up-conditions. The relevant social value chain can be both one according to the SKF Value Creation Circle or a different one like we presented with the example of sup-port for mathematics all along the educational continuum.

Fig. 16: The social value chain in support for mathematics



3 Project Impact Tracking and Reporting

How does theory of change analysis help project tracking and reporting?

In the introduction to section four we presented the two main requirements for strategic philanthropy: firstly, the identification of key impact dimensions corresponding to values / statutes, and secondly, the effort to optimize, for any activity, its contribution on those key impact dimensions. This second condition can be met much better if the foundation has an effective system for grantee progress tracking in place. The reason is that impact tracking enables early course correction where necessary, which is both in the interest of the grantee and the foundation.

AT THE CORE OF IMPACT TRACKING ARE INDICATORS

Indicators are measurable aspects of reality that enable us to evaluate those aspects (impact dimensions) that we are actually interested in. Since indicators are not identical with the aspects that we are interested in (impact dimensions), but only indicate them, they are also called "proxies", or "proxy variables".

Good indicators are SMART – the acronym summarizing the key criteria Specific, Measurable, Attainable, Relevant and Trackable (United Nations Development Organisation, Evaluation Office, 2002: Handbook on Monitoring and Evaluating). This means:

- Specific: it is clear what is being measured, and the indicator is specific enough to measure progress towards the goal;
- Measurable: the indicator can be measured reliably and is verifiable;
- Attainable: corresponding data is basically accessible in practice
- Relevant: the indicator is plausibly associated with the impact dimension of interest;
- Trackable: corresponding data is actually available at reasonable cost and effort.

THEORY OF CHANGE: THE IDEAL PREPARATION FOR PROJECT TRACKING

The reason is that theory of change analysis either includes or ideally prepares for the development of smart indicators. By disentangling activities (inputs), intermediate goals (i.e. both immediate results, or 'outputs', and desired changes, or 'outcomes') and final goals, theory of change analysis yields a framework for systematically identifying relevant indicators. Actually, it is part of a thorough theory of change analysis to identify or develop indicators corresponding to intermediate and final goals, since otherwise it is hard to track progress and notice in time if the activity or project gets off course.

What is important when developing indicators for project tracking is not to get caught in the trap of convenience: it is usually much easier to track progress on so-called 'outputs' than on so-called 'outcomes'. Take an example: You can easily count the number of people participating in a training course ('output'), but it is much harder to evaluate whether attending the training actually provokes the desired effects on the participants, like e.g. improved job interview skills ('outcome').

How could impact tracking and reporting based on theory of change thinking be integrated into the current processes at SKF? For those applications actually accepted, the next step should be to work with the applicants on developing an adequate set of indicators for tracking progress. There are four important things to bear in mind:

■ Use existing work and resources on indicators for regional development. For developing smart indicators for project tracking, SKF can draw on much pre-existing work on indicators. Besides the indicators developed in the course of this project (cf. tables in section 4.2) and in our in-depth analyses of NODE and Mechatronics, there are numerous existing databases on indicators for progress in regional development. Most relevant to the work of SKF, is, the "Regional Monitor" on the development of the Agder region, which was first published by Agderforskning in 2011).

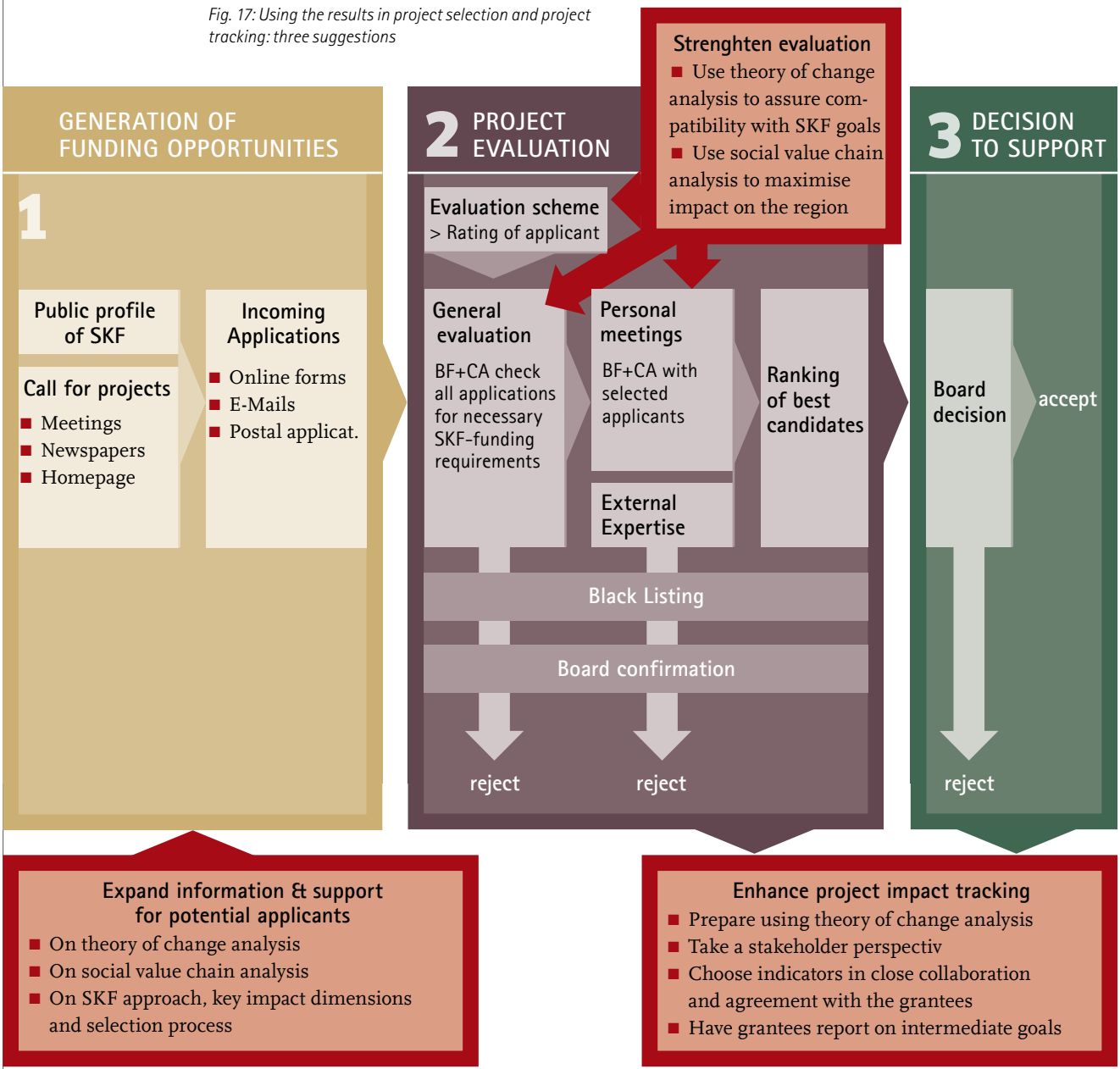
OUTPUTS AND OUTCOMES: EASY VERSUS INTERESTING.

■ Develop or choose indicators in close collaboration and agreement with the grantees. Most importantly, the development or choice of indicators cannot precede project selection but should be done in close collaboration and agreement with the grantees. Impact tracking in a foundation-grantee-relationship is an extremely sensitive subject, since proven underperformance might entail cuts in funding for the grantee in the future. From the foundation's perspective, the only way to actually choose the right indicators and get good data is to closely collaborate with the grantee, appreciate their generally superior field knowledge and create a true spirit of shared goals and act in concert. At least in the development phase of an impact tracking system, this clearly rules out approaching grantees with a predefined set of performance indicators (cf. section 6: Stepping ahead).

Working with grantees to identify or develop indicators may involve both bringing in knowledge and access to resources on indicators and coaching grantees in the development of smart indicators.

- Take a stakeholder perspective. If a project is selected for its potential contribution to the foundation's goals, then preparation for impact tracking needs to adopt a wider perspective. While the SKF clearly prioritises the overall perspective of benefits for the region of Agder, grantee activities may create numerous other benefits for individual stakeholders groups. When accounting for impact creation, it appears wise to take this into account and come up with a more comprehensive picture of grantee impact. This is important for two reasons. First, it yields a more realistic picture of the actual effects of the grantee's activity. Second, it may well be that from the grantee's perspective other stakeholder groups than "the region" are the ones they are primarily interested in.

Fig. 17: Using the results in project selection and project tracking: three suggestions



■ Have grantees report on intermediate goals, not only on final goals. The point in project tracking is the controlling progress. To be able to judge a grantee's progress towards the proclaimed final goals, intermediate goals have to be fixed, or it has to be clear that data on key indicators is to be collected and reported at given points in time during the course of the project.

When setting out to implement social impact tracking in the first place, it could be inappropriate to impose indicators developed for past projects on current or new grantees, especially since it would be generally wise to involve grantees in the selection or development of indicators. Likewise, it could be unreasonable to impose impact tracking on grantees that have been selected in the past without this requirement. For these reasons, we suggest initiating impact tracking with a new generation of grantees, who can be involved in the process, firstly of theory of change analysis, and secondly of social impact tracking.

What helps to choose which grantees to select when launching this endeavour? Clearly, it might ease the process to select projects for whom it can be anticipated that they will not be the toughest candidates, that the foundation can draw on existing knowledge on appropriate indicators, where both necessary skills and openness can be expected on the side of the grantee, and finally, where there is or will be a group of grantees working in the same domain or with the same approach. It then makes sense to work towards a standardisation of indicators and reporting.
When actively choosing the first grantees to participate in impact tracking and agreeing with them to start the process, it should be kept in mind that there might be scepticism both among other grantees and the public. Starting social impact tracking can trigger a fear of funding biases in the future that might disadvantage certain initiatives or potential grantees. Indeed, such fears can be warranted, and the foundation should strive not to become biased towards selecting grantees, who are easier to track or who fit better into a first version of a tracking system. Selection is about potential contribution to social value creation, not about easiness of tracking. Even if the foundation is quite aware that it has to deal with its perception in public and take care, in public relations management, to inform the public appropriately on what's going on.
The most general reference point for starting the process of social impact tracking should be a long-term vision on where this could or should lead.

WHEN, HOW MUCH, HOW QUICKLY, AND WHERE TO START?

We suggest understanding the internal launch of social impact tracking and the development of an integrated impact reporting across projects as some kind of first phase of the establishment of a more comprehensive initiative to social impact measurement in the region. A foundation is usually one player among many others, and social challenges and regional innovation are to be met by coalitions of regional actors, not alone. Social value chain thinking makes clear that social issues are to be addressed by many players working hand-in-hand. The natural consequence is that social impact tracking should be a concern of those same coalitions, i.e. a broader regional social impact learning community than just the SKF grantee network. We will present a scenario of what this could look like in the next chapter – after having summarized how the suggestions in this chapter fit into the existing SKF grantee selection procedure.

Overview: integration with the existing SKF selection process

For a graphical illustration of our proposal for adapting the current project selection process at SKF, cf. figure 17 on p. 50. We have integrated the three suggestions that we have presented and discussed in the previous sections.

Concluding remarks

The social impact creation framework we have developed in this project is based on an analysis of the past activities of the foundation. Implementing this framework into the working mode of the foundation entails a dynamic process of adaptation to new developments in the environment of the foundation.

The framework in itself is to be conceived as flexible. It will require continuous decision-making by the management of the foundation. Initiatives and actors in the region have their own agendas and, as a general rule, applications will not fit with all SKF key impact dimensions equally well.

Social value chain analysis then gives additional help for choosing grantees, since it is with support for those projects which “fill a gap” in the social value chain, that SKF can best leverage its resources (cf. Value Creation Circle).

Selecting the best grantee candidates, developing adequate success tracking, and working on strategically developing the portfolio and the impact tracking efforts, all remain an ongoing challenge for the foundation and its management in the years to come.

Looking Ahead: Integrated Impact Reporting

Implications for Future Strategy Development Building on 10 Years of Experience

Recently, a small number of foundations pioneered into developing approaches for analysing either the social impact of a huge number of grantees working on the same social issue, or even of the whole foundation. The CSI is currently involved in developing such an impact system for one of the biggest foundations in Germany.

IT'S NOT ABOUT SKF GRANTEES' PERFORMANCE – IT'S ABOUT WHETER VEST-AGDER IS DOING WELL

Moreover, for a regional foundation like SKF the final question is not (only) whether their own portfolio of grantee organisations is performing well, but, more precisely, whether the region is doing well. Being one actor within a much bigger network of regional innovation and development organisations, the question ultimately is how this regional network can effectively track its performance and impact, learn from each other, and effectively join forces for the good of Vest-Agder. Developing a general impact tracking or measurement system for a foundation (or a region...) has thus to account for the specific goals, grantees structure, stakeholders, and social environment of the foundation – and successful implementation is dependent on a number of crucial success factors.

In the following, we develop a scenario of what should be taken into account when taking steps towards such a general approach to social impact measurement for both SKF and the region.

- We have condensed our thinking into a catchy scenario including the main aspects and benefits.

We then talk about success factors and requirements, as well as steps to be considered in a process of realising the scenario .

- We conclude by summing up why the history of SKF and its work to date as well as the insights into those past activities which we have got to know through our project, actually have put the foundation in a very favourable position for successfully approaching this endeavour right now.

1 A Scenario for Tracking Impact Across Projects and Organisations

The Agder Learning-on-Impact-Generation Network (ALIGN): A Scenario

In the summer of 2017, a delegation of regional development experts from Shenzhen, China, is welcomed by the management team of ALIGN in Kristiansand. They want to learn more about the Agder Learning-on-Impact-Generation Network. Here's what the management presents to their Chinese guests.

In a nutshell

ALIGN is a joint social impact tracking community of regional actors in Agder, which coordinates the use and further development of shared measures for regional development and organisational impact, and has had a tremendous effect on aligning the efforts of the members for creating value and improving competitiveness and living conditions in Agder. ALIGN runs a joint impact tracking for the entire system of interrelated regional organizations working on Agder society. The system both includes monitoring of key regional indicators and social impact tracking for all membership organisations. Tracking results are presented, and discussed at regular meetings of a steering committee and an annual member conference. Honouring Harvard professors Michael Porter and Mark Kramer's contribution on the competitive advantage of aligning (regional) business strategies with (regional) social investments (cf. Porter & Kramer 2011, 2002), they have adopted a name yielding the acronym 'ALIGN'.

Basic structure

- All major regional stakeholders actively participate in ALIGN

- The network has a steering committee of regional innovation organisations at its core (Innovation Norway, VRI Agder, Regionalt Forskningsfond Agder and others) which meets regularly and discusses the results from the network's impact tracking system and the future development of the system.
- Numerous regional organisations and activities are members and use the ALIGN system to track and report their own social impact.
- Some members work more closely together in order to jointly realise regional social value chains, sharing impact measures and co-ordinating activities (e.g. in the UiA-NODE-Innovation Group, the Sorlandet Pre-Seeding Group, the Health Care Group, the Math-Education-Group, or the Agder Creative Industries Group).

Working logic

- The steering committee members meet twice a year to discuss the results from the tracking system and to jointly develop consequences for their own strategy and activities in the future.

■ Members receive support from the network for tracking their own social impact (indicators, data requirements), and they have agreed to use the system and to enter required data.
■ At annual meetings of all network members, tracking results are presented and discussed. Information flows on who's currently working on what using which approaches, and what approaches are particularly successful. The meetings help to foster co-ordination and mutual adjustment of the activities of the network members.

Commitment of members

■ Steering committee members actively participate in bi-annual meetings and discussions. They have signed an agreement to involve tracking results in their own decision-making and strategy building, and to participate in jointly working on social value chains with the other steering committee members.
■ Members have agreed to use the system for their own impact tracking, i.e. collect and enter necessary data. In exchange, they receive individual reports generated by the system.

Funding/Budget

■ ALIGN has core funding from both regional private players and government sources.
■ Additionally, steering committee members pay a fee to use the system.
■ ALIGN pays staff to run, maintain and further develop the tracking system; to generate reports for the meetings of steering committee and annual member conference; and to coach members on using the system.
■ Additionally, ALIGN pays members an expense allowance for collecting data and entering the data into the system; the allowance covers more than the actual efforts necessary, thus can partly be seen as a (small) grant.

Benefits

■ The standardisation of impact measures to a certain degree (while still working with completing measures which represent specifics of some organisations) has enabled the entire system of players to track success and quickly react and improve their work where this seems most promising.
■ With the infrastructure of the network and the web-interface of the tracking-system, impact tracking and reporting have become much easier and cost-efficient.
■ The network has had a considerably positive effect on aligning the efforts of the regional players and jointly increasing social value creation for the region.
Many participants have started new forms of col-

laboration by using the system and jointly work on connected links in regional social value chains.
- SKF has strengthened its strategic positioning as a key player of the VA regional innovation system.

How can SKF prepare for ALIGN?

In our scenario, we sketched an integrated regional social impact learning community with regional organisations co-ordinating their activities and mutually reinforcing their joint social impact on the region.

How could a comparable scenario become reality? We suggest approaching these questions from two directions: First, we take the perspective of SKF asking how the foundation can directly build on the results of the Impact Measurement Approach project to move in the direction of ALIGN (this section). Second, we take an objective, external view and ask: What will be the requirements for something like ALIGN to become reality in Agder? (next section).

YOU WON'T START A NETWORK LIKE ALIGN OFF THE CUFF

Building a regional social impact learning network is not something you can do off the cuff. There are a number of helpful preparatory steps that are favourable for successfully starting the process. Let's have a look at how SKF could approach such preparatory steps.

The primary purposes of a preparatory phase should be:
a. to develop SKF regarding internal competencies, processes, and practical know-how about Theory of Change thinking, Social Value Chain analysis, and impact tracking. This would strengthen the foundations legitimacy to take the responsibility for initiating ALIGN – and give SKF the capacity of taking a leading role in the process.

b. to start talks with all major regional stakeholders from the Agder innovation system and invite them to take their roles in a joint process of moving forward. While SKF is in the comfortable position of having both the network and the reputation to start a comparable initiative, it is crucial to point one thing out: The scenario described above is only one vision about a most fruitful future situation of regional collaboration, and the only way to get something comparable become reality is jointly developing a shared vision of the major regional actors. The members of the future "ALIGN steering committee" need to be the ones developing the vision of what kind of steering committee they want to form, for what kind of Social Impact Learning community.

SKF is in the most favourable position to draw on its core skills and competencies for developing RCNs (Resource Centres and Networks) like it has successfully done with NODE and the foresight process (cf. report on NODE impact).

Preparing for the Agder Social Impact Learning Network

1. Know thyself: develop clear explicit knowledge about the goals, key impact dimensions and strengths of SKF – in order to clarify the role of SKF in the regional innovation system.
Major contributions to this have been achieved in phase I of the SKF Impact Measurement Approach project (foundation portfolio analysis).

2. Know your environment: develop a clear analysis of the situation and the needs of the region.
Major contributions to this have been realised in the previous work of the foundation, including the analysis of the regional innovation system and its main players.

3. Prove thyself: Exemplarily prove that SKF has actually been funding successful initiatives which create real social value to the region. Gain credibility as a regional actor seriously interested in creating social value.
This has been achieved by both SKF's work in the past and the SROI analyses run in phase II of the SKF Impact Measurement Approach project (NODE, Mechatronics).

4. Build basic skills: Use the results of the SKF Impact Measurement Approach project to build skills and implement Theory of Change thinking and Value Chain Analysis thinking in project

selection. Increasingly align the grantees' and the foundation's goals and work on building collaborations both between grantees and between grantees and other organisations ('convenor role of the foundation').

A COMPARABLE PLATFORM FOR SKF GRANTEES MIGHT BE A VALUABLE TESTING FIELD FOR LEARNING & DEVELOPING SKILLS

5. Build tracking skills: Start impact tracking for selected projects drawing on indicators developed in the course of our analyses and from other sources and work closely together with the grantees: build knowhow in selecting/developing SMART indicators (specific, measurable, attainable, relevant and trackable) and jointly work with the grantees on reporting.

6. Prototype the system: Start planning and developing the IT infrastructure needed for facilitating the core of ALIGN: the shared impact tracking system. Building and using a comparable platform for SKF grantees might be a valuable testing field for learning what works, developing skills. A system which helps standardising reporting and makes reporting much easier could be opened up step by step to other organisations which want to participate in impact tracking.

A working prototype of such a web-based tracking system at SKF could be helpful. Involving other organisations in improving and further developing this system might start a process by which the system can gradually develop into the future ALIGN platform.

Make it reality: Key requirements for a Social Impact Learning Network

Let's step back and take a look from the outside: What are the key requirements for success when trying to build a regional social impact learning network? The basic insight here is that a good regional impact monitoring system requires joint efforts and multiple players collaborating and producing data – including organisations that do not receive funding from SKF. It is the key to success, thus, to get those others motivated to joint in while clearly assuring their autonomy in what they do.

While SKF has indisputably achieved a high level of competencies and skills for successfully establishing regional Resource Centres and Networks, we would like to complete this section by resuming **10 success factors** for a network like in the ALIGN-scenario:

1. Strong leadership and substantial investments

A social impact learning network is about boosting what is already there: by providing regional

players with information on progress and impact, and by improving interconnections and collaboration in social value chains. It is not about creating something completely new but desperately needed. An overwhelming body of knowledge on change management suggests that the engineers of the network will face initial reluctance of potential members, both for the steering committee and for the broader range of potential participants. The need to learn something new, the necessity to invest time, the transparency created on impact, or the danger of funding biases might feed such reluctance.

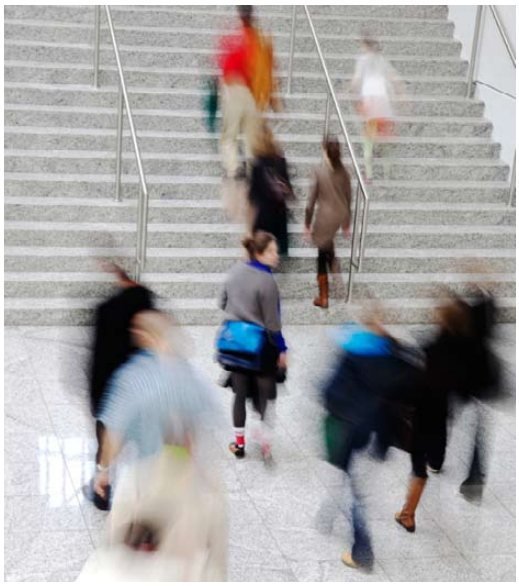
Thus, smoothing the way for a social impact learning network that will actually be able to realise the benefits of increased regional value creation requires considerable efforts, both in terms of investments and leadership. While it is even desirable to have the investments made by a consortium of regional funders which commit themselves to the common cause, they need to agree on the shared goal and assure strong leadership in the process.

2. Close and intensive involvement of key regional players and organisations

An endeavour that promotes close collaboration and open architecture will only succeed if such close collaboration and openness is part of the process. At the earliest point in the design process, the initiators should strive to make their initiative a shared one that is based on the ideas, needs, and goals of the key regional players and organisations – taking into account their fears and hopes.

3. Active involvement of existing regional monitoring knowhow

A social impact learning network is not only about tracing social impact of regional associations, but also about tracking regional development from an objective point of view. Just as businesses are well advised to best meet market needs, social and innovation organisations can maximise their impact if they tailor their activities to the actual needs of their environment, i.e. the region of Agder. Existing initiatives and know-how on tracking regional development indicators (like e.g. the "Regional Monitor" by Agderforskning) should be given an important role in the design process of the network.



4. Open architecture and voluntary participation

While voluntary participation goes without saying, an open architecture is the counterpart to involvement. A social impact learning network has to be designed jointly with regional players and organisations, but it has to be open to further development, especially given more regional organisations may join the network over time and bring in their specific contributions, ideas, and needs.

5. Web-based technology

The impact tracking system at the core of the social impact learning network should make use of state-of-the-art web-technology which both eases the standardisation of indicators and the use of the system by various network members.

6. Adaptive learning process

Open architecture and a growing number of members and users will create a need for allowing an adaptive learning process. Especially the web-based impact tracking system will highly benefit from a will to continuously test and improve through user feedback. Adaptive learning needs to be an integral part of the approach.

7. Sufficient time horizon

The initiators should adopt a sufficient time horizon for establishing the network, allowing for a multi-year development period.

8. Adequate staffing

Network funding must provide the means for adequate staffing. Establishing and running the network both in terms of process facilitation, technology development and maintenance, data tracking incl. reviewing the accuracy of all data, as well as user support and coaching will require adequate staffing.

9. Independence from funders as for devising indicators and running the tracking system

Both for the development of first round tracking indicators, but even more for further indicator development and coaching when the network has started, there is an important need for adopting a management and governance structure which assures a sufficient degree of independence from the funders. Social impact tracking is an extremely delicate subject for most organisations, and a clear factor for long-term success is the question of whether objectivity and neutrality are assured from the perspective of (potential) members.

10. Non-committed process facilitation from outside Agder

The need to assure objectivity and neutrality also holds true for the design phase of the network. In order to negotiate the interests of different stakeholders of some sort of preestablishment steering committee, it is advisable to outsource process facilitation to a renowned institution from outside Agder.

Why it is the right time to start ALIGN?

SKF is in a most favourable position to push forward both its own commitment to impact measurement and a corresponding initiative in the region along the lines of the Agder Social Impact Learning Network scenario that we have described above:

1. Social capital, relationships, and reputation built in 10 years of successful funding

SKF has worked very successfully in the past to connect to all key regional players and collaborate with them in order to catalyse social value creation for Agder. The strategic approach developed by the foundation that we could describe on the basis of our foundation portfolio analysis in phase I requires a clear reputation of being an organisation committed to value creation in the region as well as a dense network of good relationships with the decision-makers of the region. This is both a prerequisite and an ideal starting-point for initiating an Agder Social Impact Learning Network.

2. Experience and know-how in successfully establishing RCN

SKF can draw on its core skills and competencies for developing RCNs (Resource Centres and Networks) like it has most successfully done with NODE and the foresight process., or else EYDE.

This is all the more important, since the good reputation and relationships mentioned above are not carved in stone. Like our impact analysis of the NODE network has shown, even if it has been built through a long history of collaboration, trust can be easily destroyed and it seems wise to take care to preserve it. SKF has built a regional reputation of being a listening, non-bureaucratic supporter for organisations with good ideas and projects in the region. The requirement of certain needs for reporting and even certain forms of standardisation that come along with a social impact learning network – even if jointly designed and agreed on by all participants – might put this reputation at risk. But SKF has the know-how, skills and possibilities to successfully counter this threat.

TRUST CAN BE EASILY DESTROYED AND IT SEEMS WISE TO TAKE CARE TO PRESERVE IT

3. SKF Impact Measurement Approach project laying the foundations for stepping ahead

With the results of the collaboration with CSI Heidelberg available, SKF has created major preconditions for professionally moving ahead in its process of implementing social impact measurement. With the integrated strategy approach of the Value Creation Circle, the results of the SROI analyses, the SKF key impact dimensions framework and the suggestions of how to draw on Theory of Change thinking and Social Value Chain analysis for project selection and project tracking, major foundations are laid to move ahead, initially at SKF, and building on that, towards a wider collaboration on using impact tracking in Agder.

4. The SKF 10th anniversary as a public slot for renewing commitment to social impact creation for Agder

The 10th anniversary of Sorlandets Kompetansefond in June 2012 presents an appropriate opportunity for the foundation to publically renew its commitment to professional philanthropy and impact measurement for both the organisation and the region.

2 Taking SKF Impact to a Next Level

It is one thing to measure and account for social impact. It is another thing to decide what social impact to create.

From both our analyses of SKF's activities in the past and intensive talks with the foundation management and representatives from the board, we have developed a suggestion for how to take SKF impact to a next level.

In the following, we first review SKF's situation after 10 years of activity, then sketch a recommendation for a new strategic focus for the future, add our recommendations for steps to take and finish with some concluding remarks.

Review of SKF's situation at the 10th anniversary

Background of SKF establishment: Two issues have been decisive elements in the definition of SKF's goals: **1.** The observation that, at the beginning of the 21st century, Kristiansand was facing the challenges of a globalising economy and increased national as well as international competition. Local industries were at the crossover to a global economy and the city and the regions future dependent on how well they were to enter the age of globalisation. The foundation was thus supposed to support the internationalisation of existing industries as well as investments into new, future-oriented sectors of the (knowledge) economy. **2.** The region of Agder had been scoring constantly low on national Norwegian surveys of a number of general indicators, above all reflecting living conditions. – These two issues are reflected well in the statutes.

SKF statutes' definition of goals: The founders of SFK, the 15 Vest-Agder municipalities which gave their shares from Agder Energi into the fund,

Kristiansand virew from the sky

decided to create the foundation with the goal "to secure jobs and improve living conditions" in Vest-Agder County; and they specified this goal by suggesting a means, i.e. "to contribute to improved competence in the county of Vest-Agder ... including assisting in the development of the University of Southern Norway" (SKF statues § 4). This made the "Competence development foundation of Southern Norway", or "Sorlandets Kompetansefond".

A 10-years success story: Looking back we can clearly see how SKF adopted and developed the idea to boost the knowledge-based economy in Kristiansand and the region.

The foundation developed an ambitious interpretation for the goal to 'secure jobs'. SKF tried to catalyse collaboration, change, and investments in various local industries (off-shore, metal, process). Doing so, the foundation has been successful in different areas, but the clearly outstanding success is to be seen in today's interplay of the successful NODE cluster (recently winning the Cluster Management Excellence Labels GOLD Award) and the University of Agder including its Mechatronics programme (having graduates employed in less than a month after graduation and recently passing the 100-person-in-educational-programmes line). This development has put Vest-Agder industry on the screen on both a national and international level.

A capacity to build regional social capital: The successful activities of SKF in the case of the NODE–university interplay represent the SKF Value Creation Circle. The foundation not only supports 1. the development of competence, 2. the distribution of competence in networks and 3. the usage of competence in entrepreneurial activities. Moreover, the foundation takes care to foster the interplay of these activities in order to create added social value to the region: SKF makes the Value Creation Circle turn in Agder (cf. Figure 4, p.15).

What can we learn from that? The key capacity that SKF has obviously been able to develop since its establishment is to create relationships of trust among major local actors. Our analyses have shown this impressively for the sample case of NODE. Such trust relationships among major local actors are key for regional development success, and social science has given them the spelling name of "social capital" – a form of capital besides financial terms.
SKF has been able, in the past 10 years, to develop a regional reputation and to contribute to building a "trust economy" in the region. The foundation has shown that they can successfully start and moderate processes and debates in which local actors in Agder jointly agree on what they take to be the 'right' ways to approach the future.

Sketch of a new strategic focus for the future

SKF's interpretation clearly stresses the importance of "to create and secure jobs" – and justifiably so. Few things have worse effects on the living conditions of individual human beings in western societies than unemployment – as we can learn both from personal biographical or psychological studies as well as other overwhelming evidence in the social sciences.

SUPPORT THE SOCIAL SECTOR AND CIVIL SOCIETY, AND PARTICULARLY IN THE SURROUNDINGS OF THE CITY

For the past 10 years, SKF deserves respect for the courage of addressing the big challenge: i.e. supporting **Kristiansand economy** in its development into a strong "global knowledge commons" (Torger Reve). While this approach naturally entails a stronger focus on the city of Kristiansand, it would seem appropriate now approach the next level add a second focus: Being able to build on exactly the skills the foundation acquired in the past as well as the knowledge and trust economy core established primarily in the city of Kristiansand, SKF is now in a most favourable position to more prominently support **the social sector and civil society, and particularly in the surroundings of the City.** This would include further strengthening of the regional social capital, but with a focus on civil society organisations. It would include support for the creation of jobs in the different municipalities of Vest-Agder. This could in addition mean a particular focus on employment opportunities for the

more disadvantaged people in the region – those who are not among the 21st century knowledge workers who make the SKF Value Creation Circle turn in the City.

In order to succeed at this, SKF will need to draw on precisely the skills set they have developed in the past: **It's the capacity to build regional social capital** that SKF needs to strengthen Civil Society and the social sector in Agder.

SKF NEEDS TO COLLABORATE CLOSESLY WITH OTHER PLAYERS IN THE REGION

This is what drives our suggestion. It is the application of an approach that the foundation has successfully developed and applied in one field in the past – to a different field. We should note, however, that support for Civil Society is not at all new to SKF. The foundation did quite some funding in the social domain in the past, you might think of the example of SKF's support for decentralised education with the Inner Vest-Agder Regional Council and in Lister.

Foundations are much too small to realise their goals 'on their own'. It is their convening power – their ability to bring the key players at a table and trigger collaboration – that let's them have an impact on society. Foundations need to work in close collaboration with the existing actors in the region – and of course this holds true for improving social issues and living conditions in Agder as well. Helping to build trust based relationships, supporting the right people join their forces for the common good – this is what the creation of 'social capital' is all about.

Harnessing the power of social entrepreneurship for Agder

The classic model of charity is based on funding non-profit organisations to care for those in need – both from public sources and private foundations. The downside of this model is that doing more good always requires more funding – and the need of those in need usually exceeds available funding resources.

The alternative model increasingly meeting with international public attention is "social entrepreneurship". Social entrepreneurs use entrepreneurial approaches in order to address social issues and contribute to the public good. Some of their entrepreneurial strategies include market approaches, some quasi-markets with public regulation, some are more hybrid in their resource base and also rely on private contributions of time (volunteering) and money.

Their goal is not making money but to create returns to society. However, social enterprises take an approach that at least partially creates earned income and are self-sustaining social endeavours. The advantage of the approach is thus to join a social goal with the self-sustainability of an enterprise.

Example: Microfinance. A most well-known example of social entrepreneurship is "microcredit" or "microfinance" – an approach for which Muhammad Yunus has won the Nobel Peace Prize 2006. Microfinance means giving small loans to poor people who cannot give debt security to a bank. The aim is to support them start a self-sustaining business which in turn enables them to pay back the credit.

Another example in the social services arena is the so-called **German welfare state** which as a matter of fact is rather a system of legal quasi-market regulations which allow non-profit social enterprises (of which the largest and oldest emerged already as private initiatives in the last third of the 19th century) to provide the actual social services in competition with for-profit and public (frequently local government) competitors.

Both in Norway (cf. Ferd's Social Entrepreneurs), and more specifically, in Kristiansand / Vest-Agder, there is already an active social entrepreneurship scene, meaning that SKF has starting points for supporting social entrepreneurship. (For example, Kristiansand hosts the "Norwegian Centre for Microfinance Research", cf. below).

SOCIAL ENTERPRISES: BOTH SERVICES AND JOBS FOR THE COUNTRYSIDE?

From the perspective of SKF and the goal to strengthen the social sector and civil society in Agder, the social entrepreneurship approach bears two major advantages (beyond self-sustainability):

1. Social enterprises could provide numerous services which could help to improve many facets of living conditions in the Vest-Agder countryside. They e.g. could provide social services for disadvantaged youth or elderly people as well as cultural services for those living far from the city.
2. Social enterprises could create jobs in the countryside – involving jobs for the more disadvantaged part of the local workforce. They could be a means to get minority people into (social) business. They could help to create jobs beyond the knowledge economy and beyond the City of Kristiansand in a more narrow sense.

However, support for social entrepreneurship will rather be part of a larger initiative of strengthening civil society. Social enterprises have a substantial potential to mobilise funding from local companies. Social enterprises, after all, are enterprises, and this fit of the mindset with the corporate world should not be ignored.
But SKF needs to keep up its successful approach to convene people and trigger collaboration across social value creation chains. The foundation will need to take a broad perspective on social issues and living conditions which involves all relevant actors and stakeholders. It's about building trust relations and social capital in the region – in order to merge efforts and resources for the good of Agder.

Recommendations for steps to take

For strengthening a complementary strategic focus on the social sector and civil society in Vest-Agder, the following issues could be taken into consideration:

1. Take stock: What is the state of civil society and social entrepreneurship in Vest-Agder?
Besides the local industry: what other structures in civil society are there which care for living conditions and could be supported by SKF? What are the existing civil society structures in the region? What solutions are already practised, what skills and knowledge exists? What is the level of employment, of budgets, of volunteering in what types of organizations in which fields of activities? What is the role of the public sector in supporting the non-profit sector or cooperating with it? This approach of stock-taking has frequently been used by US-colleagues on a regional basis (most recently e.g. by our colleague Andreas Schroeer at Portland, Oregon; see www.nonprofitoregon.org/sites/default/files/uploads/file/ONSR.pdf).

Checking for social entrepreneurship in the region will uncover, for example, that Kristiansand hosts the "Norwegian Centre for Microfinance Research" (NOCMIR) , a joint initiative of the Kristiansand School of Management at the University of Agder and different microfinance organisations (Strømme Microfinance ltd and Alliance Microfinance AS).

Similarly, Ungt Entreprenørskap (Young Entrepreneurs) has its Agder office in Kristiansand. It is an international non-profit organisation which tries to help young students to start a business of their own and make experiences and develop an entrepreneurial spirit.
Taking stock and getting a more systematic understanding of the existing structures will reveal the potential partners for SKF.

2. Identify social value chains and needs
How do the existing structures realise social value creation? What are the ways to best support them – and where is a need for missing links the value chains? This is how SKF identifies ways to intervene and create impact in the social domain.

3. Check for models to transfer
Good solutions are also invented elsewhere – why not importing them? For example, the CSI carried out research on social entrepreneurs worldwide and their business models for social change. Some of those models might be of interest to Vest-Agder, and SKF could try to catalyse their transfer to the region. For example, there is Franz Dullinger from "Xper Regio" (Germany) who helps people in structurally weak regions to directly connect to EU funding streams for their ideas – which otherwise would only be possible involving numerous intermediate players and major bureaucratic costs. Another example is Geoff Cape from "Evergreen" (Canada) who has developed an innovative approach to develop people's sensitivity to ecological and environmental issues – which might be worthwhile thinking about in a touristic region.

4. Moderate regional process of what to do/support
SKF should be aware that foundations will only preserve their legitimacy if they involve the public and their stakeholders in their decision making processes. The foundation should thus moderate a regional process of jointly defining how to prioritise and what and how to support.

5. Build support infrastructure for civil society and social entrepreneurship
It has been a key part of SKF activities to care for developing infrastructure in different fields. An expected outcome of the process sketched above (1-4) is the definition of infrastructural needs in local civil society – including the field of local social entrepreneurship.

6. Communicate on regional support infrastructure
It is then in the interest of both the foundation and the region to communicate about the local support infrastructure for civil society and social entrepreneurship – in order to both get locals to start social enterprises, and – maybe – to attract people from outside Agder to come and become social entrepreneurs.

3 Concluding remarks

In the SKF Impact Measurement Approach project, we have made considerable and successful efforts 1) to analyse the foundation's strategy for impact creation in Southern Norway, 2) to check empirically for social impact creation in selected projects (SROI analyses) and 3) to elaborate a framework of social impact dimensions useful for project selection and tracking.

The future of impact measurement at the foundation

Referring to the framework of social impact dimensions elaborated for this report can help SKF to further **improve internal processes and funding decisions**. As we have shown in detail in section 5 of this report, the framework is suitable for pushing further the issue of impact measurement and strategic social investment at SKF. Even beyond SKF could use this momentum, as suggested in section 6, in order to work towards aligning its efforts with other actors in the region and jointly develop an **impact tracking system across projects and organisations**. Working with shared measures for regional development and organisational impact might have a huge positive effect on regional development since it fosters aligning the efforts of various organisations and thus helps improving the overall social impact.

Furthermore, the power of this impact creation framework for **reaching out to the public and providing legitimacy for the foundation** should not be underestimated. The framework of the three key dimensions to create social impact for

Agder – infrastructure, attractiveness, and dynamics – together with the strategic instrument of supporting competence development, spread and use all around the Value Creation Circle, provides a coherent and plausible way to position the foundation in public. It helps both to actively encourage applications and initiate strategic cooperation and explain decisions to refused applicants in a comprehensible and acceptable way. After all, a good strategy is very much about knowing well when to say 'no' – and being able to convincingly justify such decisions is very important – not the least in the context of a regional foundation which is so much dependent on keeping up good relationships also all major actors around, since they might well be forced to work with a now refused applicant in the next funding period.

A GOOD STRATEGY IS VERY MUCH ABOUT KNOWING WELL WHEN TO SAY 'NO'

There is much to be gained for SKF from pushing the concern for impact measurement further by implementing and using this framework. Stepping further ahead towards joint efforts with major regional players to establish a learning-on-impact-generation network along the lines of our scenario would place the foundation among pioneering actors for impact-oriented action in regional development on an international level.

The future of funding strategy at SKF

While, in the past, SKF has concentrated much more on funding corporate entrepreneurship (structures contributing to the knowledge and trust economy or industry), we suggest to start a new strategic funding cycle which adopts a complementary focus on investing into social entrepreneurship.

While, in the past, SKF has concentrated much on pushing industrial development in terms of knowledge jobs, pushing the development of civil society, in particular in the countryside beyond the City of Kristiansand, should be considered as a much justified complementary focus.

For this shift towards a complementary strategic focus on civil society SKF could draw on lessons and capacity development from 10 years of successful intervention in the regional economy. In its contributions to catalysing NODE and also foster industry-university collaboration, SKF has developed an approach for building relationships of trust between key regional actors which the foundation can now use for the social sector, or civil society, and the issue of quality of life, particularly in the municipalities beyond Kristiansand.

A crucial element in this shift might be a support programme for social entrepreneurship in Agder which has a potential to combine the provision of services for improving living conditions and, doing so, to create jobs for less skilled workers in the countryside.

Taking the role of a "community foundation"

The dynamics of economic development in the core of the region, the city of Kristiansand, will consequently contribute to the creation and accumulation of wealth. The more successful and wealthy individuals will have emerged in the city and its environs, the more there will exist a potential for their contributions to the further strengthening of the region. SKF can take a role to both "educate" them to give back to the community and how to do it wisely. This is to suggest that SKF may gradually convene those people and develop services to help those upcoming private donors to

become effective contributors to social investment. In doing so, the foundation will develop the qualities of a community foundation.

SKF can offer its experience and its professionalism as well as its intimate knowledge of the region and its needs to private donors who wish to contribute to the regional public good. Internationally this approach has been termed a **community foundation** which is a type of foundation in which the citizens of a region or a city join forces to give "through the community foundation" rather than "to the community foundation". The community foundation concept sees the organization as a trusted service provider to donors who wish to see their interests and values represented.

Community foundations have been invented in the United States with the Cleveland Foundation set up in 1914. While there exist over 700 community foundations in the US, the concept has only started taking roots in Europe. In the context of the "Transatlantic Community Foundation Network", US and German foundations tried to foster a knowledge transfer about 15 years ago. They were successful in Germany, which has seen the emergence of community foundations in more than 300 cities or regions by now. Given our strong state tradition, this indicates that citizens actually felt a need for a private structure to join forces and take an interest in the local public good.

Practically, the suggestion would imply for SKF to accept funds by private donors and to develop both "product lines" and legal provisions how this could be organized. While such preparatory steps would have to be taken, we see SKF, given the foundation's capacities and history, in a favourable position of taking the role of a Community Foundation for Vest-Agder.

1 Appendix 1: Mini Case-Studies of SKF projects

Apart from our rough analysis of all SKF and Cultiva projects in the clustering analysis, and the three in-depth analysis using SROI methodology of Mechatronics programme, NODE and Gallion, we realised six additional mini case studies of SKF projects. The reason for doing so was that we felt a need to test our framework of impact dimensions against more projects of SKF in order to assure its fit with the foundations funding activities.

In order to represent the foundations approach, we chose projects that represented all of the three approaches in the value creation circle (an overview is given in Tab. 6).

Competence Development Centre approach	- Centre for Creative Economy, at BI Norwegian School of Management	- Decentralised education initiatives, with IVAR / in Lister
Resource Centres and Networks approach	- Mathematics in Agder (MiA), Southern Norway Competence Centre AS	- Learn better mathematics (LBM), Vest Agder County
Entrepreneurial activities approach	- Elkem Solar (R&D lab)	- Norges Film

Tab. 6: Overview of the mini Case Studies and SKF types of support

Centre for Creative Economy

The project was conceived as a means to secure the presence of BI Norwegian School of Management in Kristiansand. A "Centre for Creative Economy" was established at BI Kristiansand in order to ensure research, teaching, and consultancy within this field, in line with the general approach of Cultiva to support the development of the creative industries in the region.

The project was supported by SKF in 2006 and 2008 with 2500k NOK in order to make the Centre operational. To reach the goal, the local branch of BI had to develop study programmes, initiate 2 Post Doc positions and 2 PhD positions. Also the development of networks to Agder research, the University of Ager and other relevant regional players (IN, Kristiansand Commune, Knowledge Park) were involved, or at least affected, by the establishment of the Centre. The main beneficiaries of the project are BI itself, the private sector in Vest Agder and the students taking part in the programme.

According to the Value Creation Circle approach, SKF's support for the Centre for Creative Economy best classifies as Competence Development Centres funding, since it is focused on providing both services and education.

Fit with SKF key impact dimensions

Infrastructure

- Development of a business education structure in the region targeting the creative industries, thus providing competence and local HR supply for this field.
- Additionally, the centre promotes networking and cooperation between different stakeholders in this field.

Dynamics

- Due to the successful development of BI Kristiansand, the share of funding for the branch rises. The value of direct investment from local or foreign investors pushes the dynamics within the entrepreneurial activities of the region.

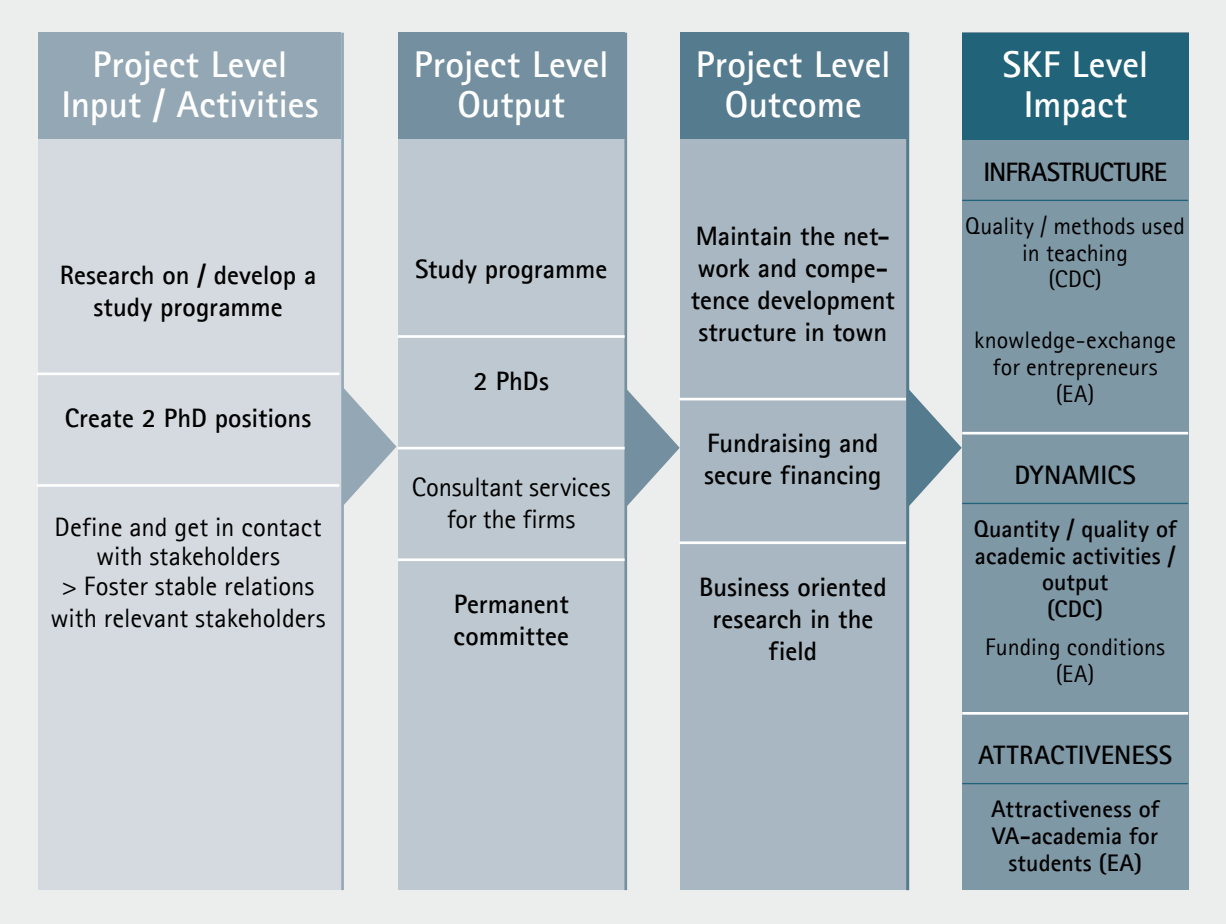


Fig. 18: Theory-of-Change Map for the 'Centre for Creative Economy'

Attractiveness

■ The establishment of the study programmes and the PhD positions helps attract students to the region. Likewise, graduates could find employment opportunities in the same environment.

Decentralized education initiative with IVAR

■ cf. section 6.1 of this report

Decentralized education in Lister

With 'Lister Kompetanse' SKF supported projects for distant and decentralized university learning in the communes of Lyngdal, Flekkefjord and Farsund, plus three other smaller communities in the same area. SKF supported the project with an investment of around 5000k NOK from 2001 to 2007.
The ultimate project goals of 'Lister Kompetanse' were to reduce emigration and to raise the competence level of people in the region, to help them meet job offers in the private and public sector.
The educational programmes were meant to give the province of Vest-Agder a better Human Resource profile. The stakeholders were employees and businesses in the region, the region itself and of course the students.
According to the Value Creation Circle approach, SKF's support for the decentralized education initiative in Lister best classifies as Competence Development Centres funding, being focused on education.

Fit with SKF key impact dimensions

Infrastructure

■ The improved quality of education in terms of decentralized learning programmes offers study options to people who would otherwise not be able

to participate in a regular study. The region's HR supply systematically improves due to this widening of the group of potential students and employees.

WIDENING OF THE GROUP OF POTENTIAL STUDENTS IMPROVES THE REGION'S AVAILABLE WORKFORCE

Attractiveness

■ The programme was meant to reduce emigration. There is no need any more to move directly to the campus and finance city housing, or to commute.

Mathematics in Agder

The goal of this project, realised by the Southern Norway Competence Centre, was to create a website designed for facilitating networks, project cooperation and exchanging experiences in the field of mathematics. In order to reach this goal, SKF invested 925k NOK in 2006-2007, it was necessary to develop the website, to explore different ways of making the networks efficient and fruitful to participants, and to promote and market the website among the potentially interested players.
To complete the networking feature of the project, SKF funding required the Southern Norway Competence Centre to develop a partnership with the University of Agder and its already existing project 'Learn better mathematics' operated by the Vest-Agder County Council.

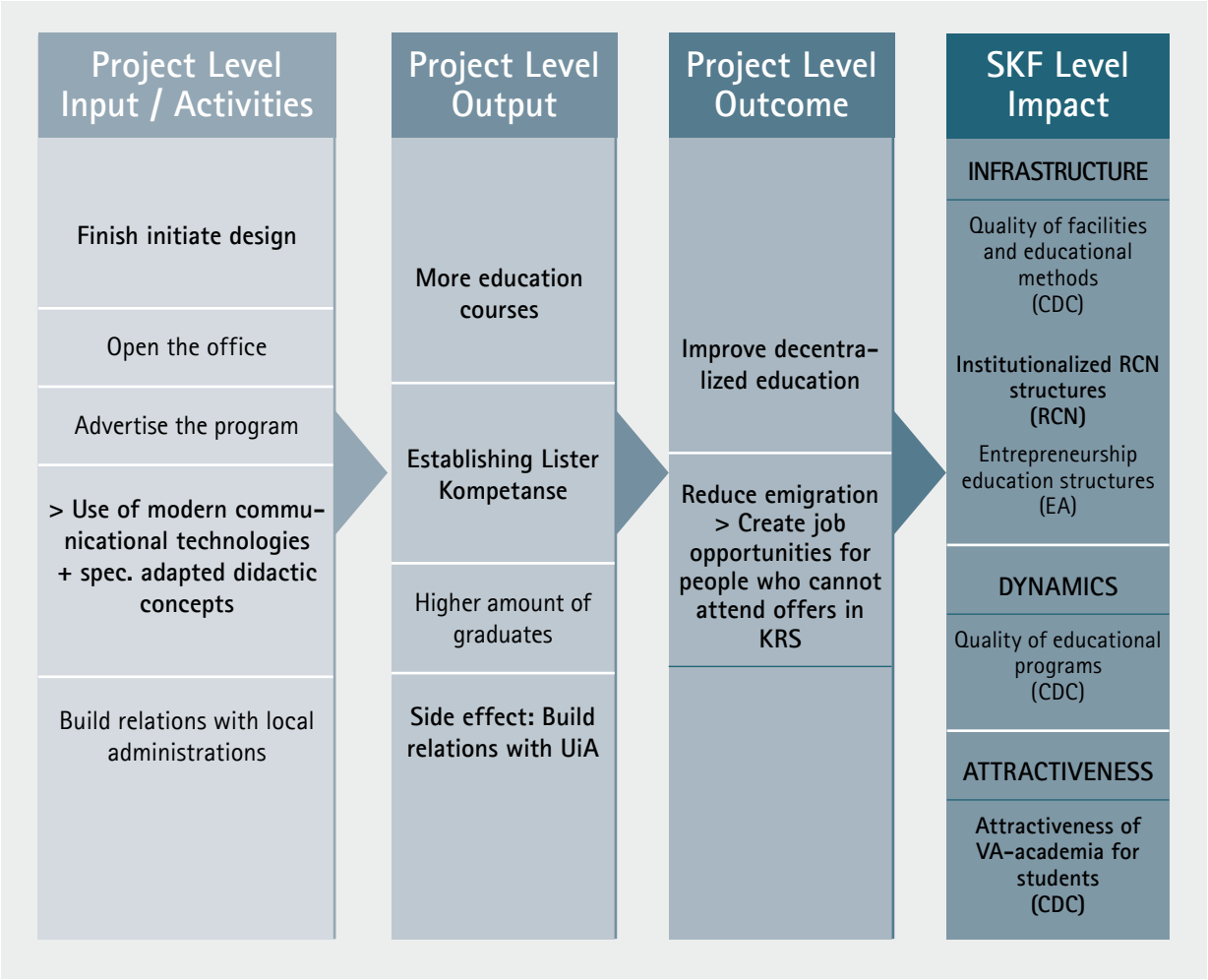


Fig. 19: Theory-of-Change map for 'Decentralized education in Lister'

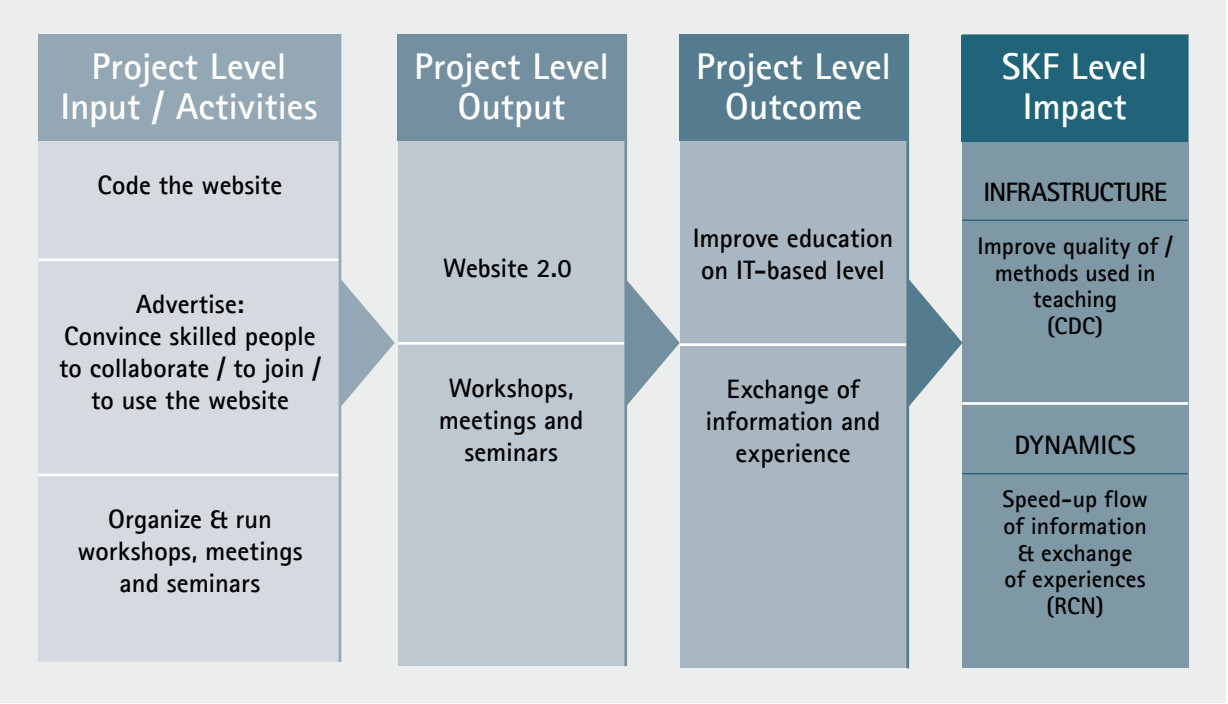


Fig. 20: Theory-of-Change map ‚Mathematics in Agder'

Project stakeholders were thus the math teachers in kindergartens, primary and high school and the research group at the University of Agder. This helped to develop a collaborative culture for innovation in teaching.
According to the Value Creation Circle approach, SKF's support for Mathematics in Agder can by classified as Resource Centres & Networks funding.

Fit with SKF key impact dimensions

Infrastructure

■ The establishment of the website and the initiation of the networks updating and using it, clearly classify as successful infrastructure development. Giving teachers access to advanced state-of-the art web-based and IT-based tools for education helps to improve mathematics teaching in the region.

Dynamics

■ Using a website as a central tool in the project speeds up the flow of information and the exchange of experiences. Students and practitioners can communicate and share information positively influencing the dynamics of the 'mathematics education knowledge hub' in Vest Agder.

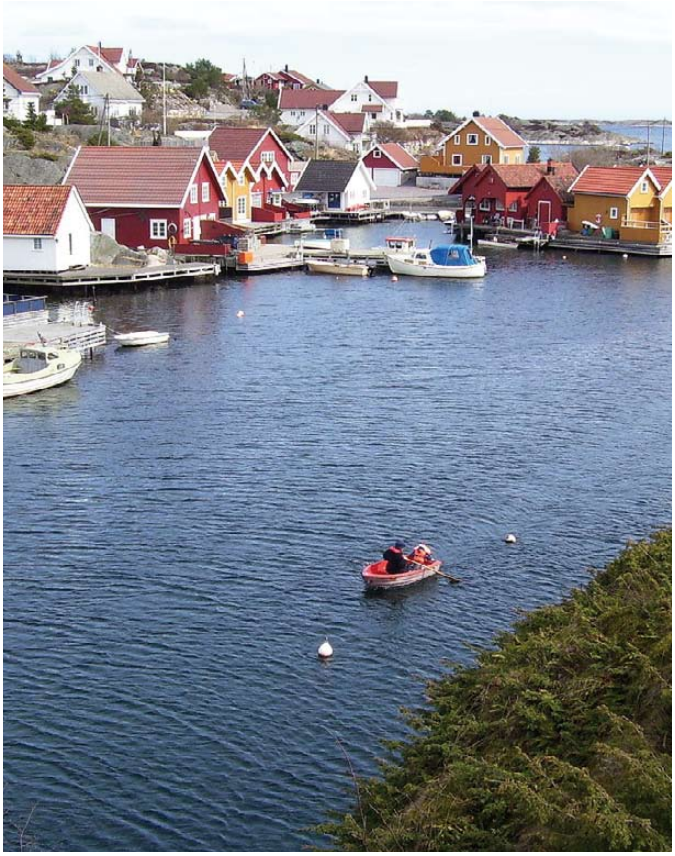
Learn Better Mathematics

SKF supported the 'Learn better Mathematics project' with a budget of 3000k NOK during 2006 and 2008. The project's goal was to develop didactic approaches for teaching math to children and young students. To achieve this goal, Vest Agder County had to develop partnerships with kindergartens and schools. It was part of the project to test tools and didactic approaches to math education and to motivate practitioners to share their experiences with colleagues outside the project. The lessons learned from the scientific monitoring and research project "Teach better Mathematics" (TBM) at UiA can be seen as an intermediate output of the project.
According to the Value Creation Circle approach, SKF's support for 'Learn Better Mathematics' can by classified as Resource Centres & Networks funding.

Fit with SKF key impact dimensions

Infrastructure

■ The development and establishment of tests and improved teaching methods helped improve the teaching infrastructure in the region. The project



further institutionalised cooperation among different institutions to improve the quality of teaching for mathematics.

Elkem Solar: R&D lab for high value silicon production

- cf. section 5.1 of this report

Norges Film

This project was about developing regional competence in the area of film industry, particularly concerning digital IT technology. The project's goal was to establish a business based on the digital distribution of film. To reach this goal, the initiators had to map stakeholders with rights and royalty agreements. Starting in 2003, it was also necessary to attain competence on intellectual property rights and to map technical platforms for securing digital rights. Furthermore, they had to develop a format for digital distribution to cinema and a legal frame for the company. Finally, they established a platform for digital distribution of films.

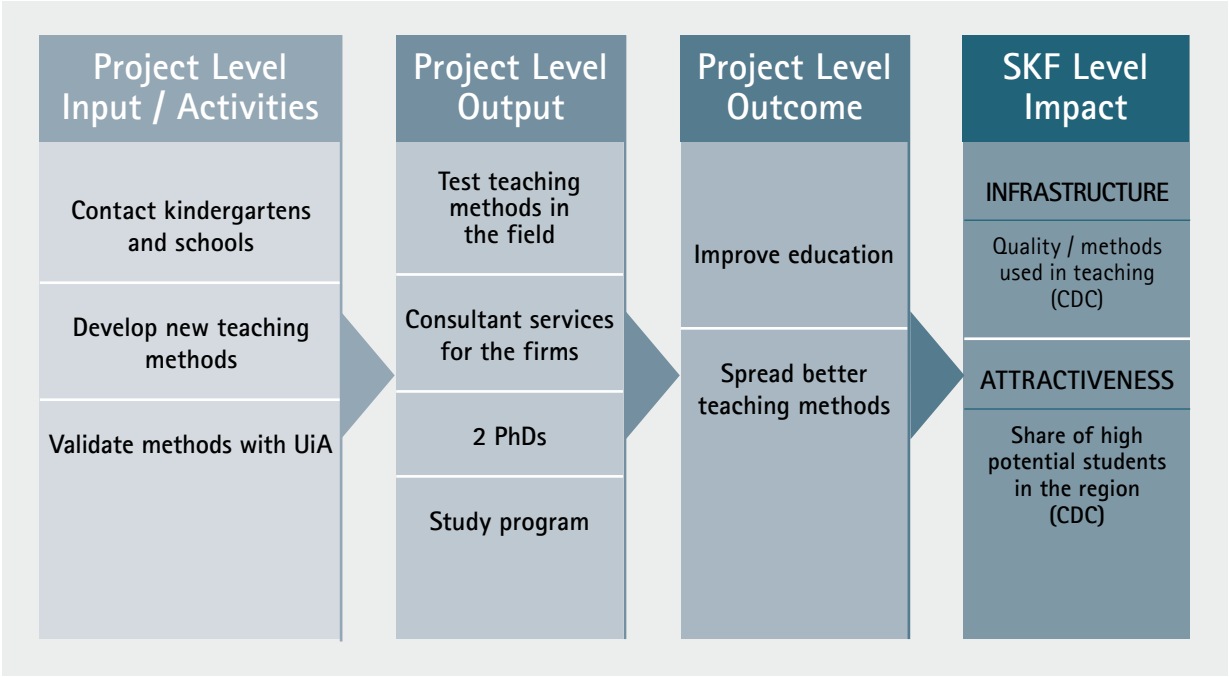


Fig. 21: Theory-of-Change map 'Learn better mathematics'

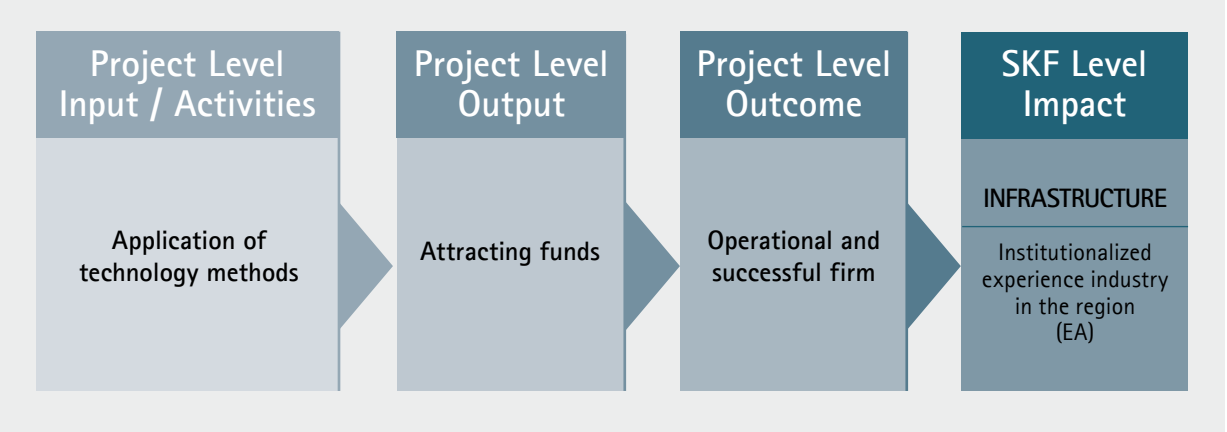


Fig. 22: Theory-of-Change map ‚Norges Film'

The beneficiaries of the project are not only the company with its business performance, but also the region with the corresponding tax effect and the private and public customers who were offered broader access to cultural and educational material (cf. goal to improve living conditions).
According to the Value Creation Circle approach, SKF's support for 'Norges Film' can by classified as Entrepreneurial Activities funding.

Fit with SKF key impact dimensions

Infrastructure

■ The main value of the project is that the company was able to improve the infrastructure of the experience industry in the region. This was to open the region's business structures to other entrepreneurial activities in this field.

Blindtext

2 Appendix 2: Methodological notes

Mechatronics SROI: Methodological notes

For the Mechatronics impact analysis, we started by identifying the relevant stakeholders who bear the costs of the programme and who benefit from its effects. We identified four main beneficiaries: the region, the students, the university and the companies. Through theoretical analysis and interviews with representatives from the University of Agder we identified and refined relevant impact dimensions for these stakeholder groups in order to specify in more detail how stakeholders benefit from the programme and how the programme's costs are paid for. This yielded the basis for our empirical analyses and all our calculations of costs and effects rely on this detailed description of the programme's mechanisms.

For the computation of the effect size we compared each beneficiary with an appropriate control group. Any average difference of the variable of interest arising from this comparison could be understood as caused by the Mechatronics programme. It is key for this approach to choose a control group with the same characteristics as the Mechatronics stakeholders. Ideally the two groups differ only by the participation or non-participation in the Mechatronics programme, so this difference can be claimed to cause any observable deviance between the two groups. Furthermore the variable of interest may be defined as a difference over time to preclude any distortions from level differences. This approach resembles a difference-in-difference-approach.

EACH BENEFICIARY WAS COMPARED WITH AN APPROPRIATE CONTROL GROUP

Due to the unique character of the Mechatronics programme (only Mechatronics programme all over Norway) a comparison based on matching was infeasible. Consequently, we based the evaluation of the effects on comparisons with national averages in terms of aggregate values obtained from official statistics. This holds for the effects on students and on the University of Agder.

Necessary data on the students was collected in a survey (online questionnaire) among all current Mechatronics students and all graduates. The response rate was 63 for a total of 90 current students and 53 for a total of 748 graduates. In total more than 50 graduates and more than 60 students took part in the study. Further information on the University of Agder was provided by the University (faculty of engineering).

To assess potential effects on the companies, we conducted a case study. Working with the compa-

nies, we tried to elaborate the exact effect of the Mechatronics programme on the particular company. Consequently, counterfactual reasoning was incorporated via self-assessment by the company representatives.

The effects on the region were computed via the information given by the students. They reflected on the hypothetical question of where they would have studied if UiA hadn't offered a Mechatronics programme. This counterfactual self-assessment facilitated the identification of the regional effects. The actual effect size was calculated via averages supplied by the Norwegian statistics bureau.
The share of costs borne by the different stakeholders was deduced from the Mechatronics programme's budget. This helped to avoid bothering one stakeholder.

The SROI computation was realised referring to the observed costs and the estimated effects on the region. Potential further effects on other beneficiaries like the companies or the university could not be evaluated in monetary terms and were thus omitted when calculating the SROI coefficient.

For more detailed information, see our detailed report on the impact analysis of the Mechatronics programme. Like the report on the impact study on NODE, it is available at SKF.

NODE SROI: Methodological notes

The first step was to collect and review available knowledge on NODE, the organisation, its history and working mode. In recent years, the cluster has been studied by different researchers, so we could review their results and get into contact with them. In particular, we got in direct contact with William Fagerheim to discuss his insights and the results of his work on the NODE Foresight initiative and including a survey he conducted on this initiative. We also entered in direct contact with Helene Ranestad, NODE Project Coordinator, to explore open questions and to check if our information was accurate.

A STAKEHOLDER ANALYSIS FOR COSTS AND BENEFITS OF NODE

We then developed an analysis of NODE stakeholders' costs and benefits. Through theoretical analysis and interviews with NODE representatives we identified relevant impact dimensions for the different stakeholder groups. The goal was to specify in detail how the different stakeholders benefit from NODE and who bears the costs for NODE.

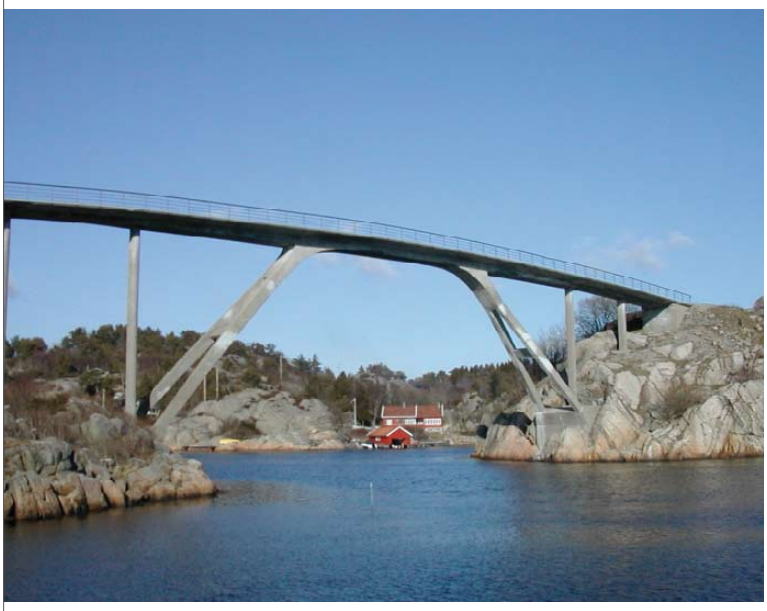
On this basis we could develop an SROI study design which made clear which impact dimensions we could access through different kinds of data.

Survey

Our main instrument was a web-based survey among all member companies of the cluster.

■ The survey was to be compact, yet able to provide us with the bulk of the quantitative data needed for our analysis. In order to reach this ambitious goal we employed an innovative application of conjoint analysis (a fundamental instrument from marketing research) in order to get reliable, coherent and consistent data about NODE's perceived impact among the firms.

■ In combination with this instrument, we used a virtual auction model to get estimates on the monetary value of NODE for its main beneficiaries, the firms. As an estimate of the real value we used the Willingness To Pay concept. The WTP is the stated price that an individual would accept to pay for avoiding the loss or the diminution of a service. It is similar to the Willingness To Accept, the stated price that an individual would accept in compensation for the loss or the diminution of a service. The main difference between the two is that the first is linked to the wealth of the respondent. Since the method used to estimate the total value of NODE for the entire member population relied on turnover weighting, WTP was preferred.



■ A third part of the survey instrument was a section dedicated to trust between NODE members and the secretariat and among the members themselves. This was motivated by the importance which was placed on the trust element by all the stakeholders we contacted during the preparatory phase, and in order to test the hypothesis of "trust transferral" among the firms.
An additional objective of this section was to give us data that could be used to inform a Social Network Analysis model of inter-firm relationships inside NODE.

■ Limesurvey software was used to generate and manage the survey and its results. The first stable version was tested with two firms: results were positive. Minor errors were fixed, but both the conjoint analysis and the auction model, the most critical parts of the survey were well understood by the respondents, who reported no particular difficulties in dealing with those sections. Passwords to access the final version of the survey were then sent out by mail to all potential respondents, accompanied by a motivational letter signed by NODE CEO Kjell Johannessen, UiA Engineering Faculty Dean Frank Reichert and SKF CEO Bjørn Fjellstad.

■ We succeeded in reaching a response rate of 66% among all member firms in the NODE cluster.
Case study and "over-performance" check: The data collected through the survey and the explanatory hypothesis supported by it received additional confirmation through three case studies, involving direct interviews with executives from different NODE members. The case study also produced additional data which supported the results obtained through the survey.

In order to capture all aspects of NODE we also conducted an "over-performance" check of NODE firms in comparison to the average national Oil- and gas sector and related supporting activities for the period of time between 2005 and 2011.
For more detailed information, see our detailed report on the impact analysis of NODE, available at SKF.

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