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Case Study
How the Hub Found Its Center
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CASE STUDY
AN INSIDE LOOK AT ONE ORGANIZATION

How the Hub Found Its Center

After a period of crisis and transition, **Impact Hub** has emerged as a global structure that is partly a movement, partly a business, and partly a network. Along the way, its leaders—a group of people devoted to social innovation—had to master the art of *organizational* innovation.

BY MICHEL BACHMANN

I n early 2010, leaders from the Hub network gathered near Amsterdam for what amounted to an emergency meeting. Efforts to create a reliable structure for sustaining growth at the global level had led to a series of conflicts among those who had founded Hub sites in cities such as London, Melbourne, and San Francisco. "At that point, there was a collapse of trust," says Alberto Masetti-Zannini, founder of Hub Milan. "We realized we needed to get together and face our demons to redesign the dysfunctional system that we had created. It was quite painful, but one thing came across very clearly: When a system begins to change, there is no stopping it."

The system in question—now called Impact Hub, after a major rebranding effort that concluded in early 2013—today includes nearly 50 active sites. Each site gives social innovators flexible access to places where they can work, learn, and collaborate. In the language of the new branding, Impact Hub is a "global network of people, places, and programs" that enables users to "catalyze impact." Leaders of the organization expect more than 100 sites to be in operation by 2015.

But in 2010, five years after the opening of the first Hub, the organization had reached a turning point. The Hub system had become dysfunctional because its leaders had failed to create a structure that would effectively blend the interests and aspirations of its stakeholders. The decisive question was this: What kind of an organization would the Hub become as it expanded globally? Or, to be more specific, how would it navigate the tension between serving a movement, building a business, and sustaining a network?

I had a front-row seat as Hub leaders from around the world wrestled with those questions. In 2010, I had recently cofounded Hub Zürich. Partly because I was new to the Hub Network and partly because I have a background in organizational change, my fellow Hub founders elected me to the global leadership team. In that role, I helped guide the transition process that unfolded after that pivotal meeting in Amsterdam. But this isn't my story. In fact, the evolution of the Hub has never been about any one person. If there's one thread that runs through the history of the Hub, it's the fundamentally *collaborative* nature of the organization.

The story of the Hub—its rise, near-fall, and rebirth—reveals much about the struggle that any group of diverse, passionate people will face when they seek to drive a social change effort that can achieve global scale.

SOCIAL INNOVATORS FIND A HOME

The idea of the Hub emerged in the wake of the anti-globalization movement that arose at the turn of the millennium. "There was a huge amount of criticism of the current economic models but almost no attention to different modes of progress," says Jonathan Robinson, cofounder of the Hub organization and a leading figure in its early development. "We asked ourselves, What if half of that energy went into imagining and demonstrating some real alternatives?" The problem, as Robinson saw it, was not a lack of aspiration or inspiration. "Everyone has ideas for making the world a better place," he says. "But where does one go to make them happen? We felt there was a crisis of access to the experience, infrastructure, and networks needed to turn ideas into reality. We discovered a whole set of people trying to realize good ideas from their bedrooms—lonely, cut off from the world. So it dawned on us: What if these people could come together in the same physical space and have a place to connect?"

Robinson and a team of colleagues opened the first Hub in central London in early 2005. Located on the top floor of an old warehouse, Hub London embodied the spirit of grassroots entrepreneurship. Everything was built from scratch, and the space was designed to provide a collaborative environment in which people could work, meet, and learn within a modular structure. It featured leaf-shaped tables that allowed for flexible co-working, a semi-open meeting room where users could hold workshops, a secluded library for quiet thinking, and a community kitchen where people could hold small

meetings over lunch or coffee. There were no assigned work stations, so users would sit next to a different fellow user every time they visited the Hub. The main idea was to create a place where unlikely allies would meet by serendipity.

To catalyze that kind of interaction, Hub founders introduced the concept of hosting. "We didn't want any traditional receptionists. We wanted to host people in the same way that you would host someone in your house or at a party—making guests feel at home and introducing them to people they should meet," says Maria Glauser, who served as the first host of Hub London and later led the development of the hosting practice for the entire network. "So we looked at how we could develop a practice of creating collaborative environments and connecting people from different worlds into meaningful relationships." As part of its hosting effort, the Hub began organizing various community-oriented events, including weekly lunches, business clinics, and skill-sharing sessions.

In short, the Hub emerged as a cross between a business incubator, a learning lab, and a professional membership community. To make the operation financially sustainable, the Hub team adopted a membership model: People would pay for the space as they used it. Drawing on an analogy to mobile-phone subscription plans, the team developed a series of monthly rates that ranged from £20 (about $30 in US currency) for one day of use to £400 (about $600) for 24/7 access. Each plan allowed people to participate in Hub events and thus to connect with a broader community of social innovators.

A MOVEMENT GROWS—AND UNDERGOES GROWING PAINS

Before long, the nascent Hub community in London grew to include more than 200 members. It also began to attract attention from people who wanted to build similar sites in their own cities. Within a year, Robinson and his colleagues had received hundreds of such inquiries. "It didn't feel like we were building a London community," he recalls. "It felt like we were grounding a global community with its first manifestation in London. So it didn't surprise us when we got visitors from all around the world seeking to do something similar. What surprised us was the volume. Initially, we were flattered by the huge amount of interest. But practically, it became a bit of a nightmare." Robinson and his team, after all, were still working to develop a business model for their London operation.

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Even so, the Hub team decided to hold a meeting for people with an interest in hosting spaces devoted to social innovation. In early 2007, more than 30 aspiring hosts showed up in London; they came from as far away as Bombay (Mumbai) and São Paulo. Although the initial purpose of the meeting was merely to share lessons related to the hosting practice, it quickly became clear that most attendees had come to learn how they could replicate the entire Hub model. "It was frustrating, because everyone had questions about the global model and we had no answers," Glauser recalls. "But there was no way back at that point. The good thing was that, as a result of this gathering, we built a very strong and trusting international network of friends and peers." Indeed, many who attended the London meeting would soon found Hub sites in their home countries.

Over the next couple of years, the Hub started to expand as a movement of like-minded people who were building roughly similar Hub communities. There was no global structure to guide or limit them. That lack of clear rules was appealing to many Hub founders; it gave them the freedom to develop their own version of the Hub model. "The main philosophy at that time was 'just do it,' which activated a lot of entrepreneurial energy," says Pablo Handl, a cofounder of Hub São Paulo.

To be sure, the absence of a clear governing structure raised questions for Hub founders. What could they expect from each other, and how would they make decisions? Would they follow an open model that would allow anyone to open a Hub site? How much control would exist at the center of the organization? Should there be a center at all? For the time being, however, there was enough trust among Hub leaders for them to continue on that basis alone. "The general message was 'We're sorting things out together, so no worries,'" says Glauser.

THE HUB BECOMES HUB WORLD

By 2008, there were nine Hubs in operation—in cities ranging from Amsterdam to Johannesburg. (A second Hub had opened in London as well.) Hub founders had not yet arrived at a formal agreement on how to structure the organization globally. But that issue had become ever more pressing. So Hub leaders set up an interim board to map out the foundations of a global governance and financial model.

On the board, there were two main currents of thought: Some members preferred a very light structure that would allow local Hubs to work together in a loose fashion. Others leaned toward creating a more centralized organization that could attract investment and implement an active growth strategy. "Essentially, we were caught up in a tension: Do we foster a movement of Hub-like spaces? Or do we franchise?" Robinson says. "We wanted to borrow a little from the corporate franchise culture of codifying best practices and expectations around a shared intent. But we also wanted to borrow from the energy that movements develop as they spread around the world. So we were trying to pick the best bits of both operating models and to create something of a hybrid—a model that could serve the huge potential that we saw."

To discuss what such a model could look like, members of the interim board and other Hub stakeholders gathered for a meeting in rural Belgium. From that meeting emerged a commitment to pursue a "social franchise" model. Under the model, new Hubs would pay a substantial joining fee and a share of their ongoing revenue to the global Hub organization. In exchange, they would receive a license to use the Hub brand, along with dedicated support from a central team that would help them launch operations and increase their impact. (Existing Hubs would be able to join the franchise system under a special set of terms.) To enable the organization to expand globally, Jonathan Robinson founded Hub World, a limited company headquartered in London. The new company would provide central services—technology support, knowledge codification, quality control—to local Hubs. The core Hub team also began to develop a "suitcase" of best practices that would help Hub founders to meet challenges related to space design, community building, and business planning.

In keeping with the idea of a *social* franchise, Hub leaders intended to sign an agreement that would distribute ownership of Hub World among its main stakeholders, including investors, founders, users, and staff members. But those parties never got around to finalizing an agreement. As a result, Robinson remained the sole shareholder of the new entity.

Robinson, for his part, took on the task of attracting investors to finance the newly incorporated Hub organization. (Investors included people such as Gordon Roddick, cofounder of the Body Shop, who had become a major Hub supporter.) Along with raising capital, Robinson traveled around the world "to spread the gospel globally," in the words of Tonya Surman, founder of the Centre for Social Innovation (an organization with a mission similar to that of the Hub), who met Robinson during this period. "This whole social franchising thing wasn't an instant, out-of-the-box solution. It was just a permission to struggle. But he had an incredible brand promise—the allure of a global network of social innovators."

Many Hub founders shared that sentiment. "I think all the Hubs fell in love with the dream that Jonathan created," recalls Danny Gal, a cofounder of Hub Tel Aviv. "He was an amazing storyteller, and many of us fell for this dream of creating a global network." Tim Freundlich, a managing partner of Good Capital, not only admired the Hub World vision but also considered investing in the new global structure. That opportunity was "the best impact investment we never made," he says. "We looked at it and looked at it, but we couldn't get on top of the idea of a global franchise company. And yet the more we talked about it, the more I fell in love with it personally. So I told myself: If you can't invest in them, join them. Get in there, and we'll figure it out somehow." Freundlich cofounded Hub Bay Area in 2008.

A CRISIS ERUPTS—AND A TURNING POINT ARRIVES

As the new organization got under way, signs of trouble began to appear. A growing number of local Hubs refused to pay their franchise fees. As a result, Hub World underwent a severe cash-flow crisis. "It

The Worldwide Hub: A Network Goes Global

From the opening of its first site in 2005, the Hub—now Impact Hub—has grown to encompass more than 50 member sites across six continents. (Some sites shown here were still in development in late 2013.)

Seattle
Boulder
Salt Lake City
Berkeley
Oakland
San Francisco
Los Angeles

Halifax
Ottawa
Boston
Washington, DC
Grand Rapids
Peoria

Mexico City
Oaxaca
Bogotá

Recife
Belo Horizonte
São Paulo
Curitiba

Helsinki
Stockholm
Bergen
Copenhagen
Berlin
Amsterdam
Rotterdam
London (3)
Munich
Zürich
Milan
Donostia
Madrid
Rovereto
Florence
Rome
Trieste
Bari
Syracuse

Moscow
Prague
Vienna
Zagreb
Odessa
Bucharest
Belgrade
Athens

Dubai
Tel Aviv
Johannesburg

Tokyo
Kyoto
Seoul
Singapore

Adelaide
Melbourne
Sydney

was an increasingly contested landscape," Robinson recalls. "There was tension in the network over whether we should pursue non-profit or for-profit. There were big questions around how much to invest in the core, on what terms, and for what services. And there was tension around the speed of delivery. The momentum of interest from around the world was simply faster than our capacity to deliver. Last but not least, there was growing tension around ownership. The fact that one person owned the brand was not aligned with what we had collectively created."

What followed was a year of turmoil. "It was like a car roaring down a really steep hill. But the engine wasn't running and there was no one in control," says Brad Krauskopf, founder of Hub Melbourne. "If you ask me, the organization should have folded at that time. I have no practical understanding of why it didn't, except for the power of a distributed network: Even if you take out some of the major nodes, it still manages to keep on working because of all the interconnected relationships. What you got was one of the most complex ecosystems that I've ever seen anywhere. And I'm still amazed that we managed to keep it all together."

The Hub network, in fact, continued to grow: By the end of 2009, more than a dozen Hub sites were up and running, and many others were in development. Yet only a few local Hub founders had signed the formal franchise contract. Instead, many Hub founders—especially those based in emerging economies—were trying to negotiate special terms for their franchises. "The conversation shifted from being part of a movement to a kind of bargaining," says Pooja Warier, a cofounder of Hub Bombay. (That operation later separated from the Hub network and is now called Bombay Connect.) "It felt like we were lost between the economics of being a movement, a business, and a network."

For many local Hub founders, the tension between those organizational forms was becoming impossible to ignore. "Hub World tried to create a hybrid," says Masetti-Zannini of Hub Milan. It aimed simultaneously to build a franchise business and to support a loose, movement-like network, and it "didn't really serve either purpose," Masetti-Zannini argues. "Franchises need to be much more controlled, and the offering needs to be entirely clear—what you're buying into and what you're receiving. This was clearly not the case in the first phase of the Hub, because all the services of Hub World were still being developed at that time. So I asked myself: What exactly am I paying for? And if I'm paying, where is my voice? Where is my vote?"

By 2010, Hub leaders recognized that they had to shift course in order to rebuild trust. Early that year, they convened at a site near Amsterdam for a crisis meeting. The main outcome of the meeting was that attendees formed a working group to develop and propose a new governance model. The mandate of that group focused less on a change of leadership than on charting a way forward for the global Hub organization. "I never interpreted it as a coup. It wasn't about that," says Masetti-Zannini, who led the working group. "It was more about stopping a train that was about to crash—because all of us small trains that were attached to this train would have crashed as well." In any event, it proved to be a pivotal moment for the Hub network.

AN ALTERNATIVE MODEL TAKES SHAPE

After studying various innovative organizational forms, the working group put forth its proposal. The main idea behind the proposal was to follow a co-ownership model in which all Hubs would share responsibility for the global assets of the organization. "It was kind of an inverted model," says Pablo Handl of Hub São Paulo. "Instead of the global owning the local, we would become a system where the local owns the global. We would all be equal to each other and delegate the management of the network to a central company. We would own the company. We would own the brand and everything." Next, a transition council took charge of working out the practicalities of the new model. I served on the council, along with other Hub founders. "It was really about getting all the facts and figures together—understanding what are facts and what is just noise," says Hinnerk Hansen,

a cofounder of Hub Vienna, who served on the council as well. By the end of 2010, we had created a detailed transition plan.

The core of the plan involved the creation of a new entity called the Hub Association. Each local Hub had to commit formally to joining the association, and each Hub would sign up on equal terms—one Hub, one vote—as a co-owner of the new organization. The association would own a limited company called Hub GmbH, which would have a mandate to facilitate collaboration across the Hub network, to provide local support, and to grant licenses to new Hub sites. (Hub leaders would eventually register both the Hub Association and Hub GmbH in Vienna, in part because they had secured crucial financing from Austria-based Erste Bank.) One principle of the association was to keep the center as lean as possible and to delegate much of the necessary work to people based in local Hubs. Toward that end, Hub leaders introduced a Sister Hub system and other peer-based structures to guide new initiatives.

Essentially, the Hub Association inverted the centralized structure of Hub World. In place of that structure, it adopted a distributed model in which every Hub would be accountable for the whole. "It was really an invitation to a new kind of Hub network," Hansen says. In the new structure, as in the earlier structure, member Hubs would pay a joining fee and an ongoing revenue share. Significantly, however, both the joining fee and the revenue share would be about two-thirds less than they had been under the Hub World model. In addition, the joining fee would be adjusted to the projected revenue of each Hub.

One by one, local Hub leaders signed on to join the newly created entity. In early 2011, exactly one year after the Amsterdam meeting, people from all across the network came together at Hub Madrid to celebrate the transition and to make plans for moving forward. "It was amazing to be there and see how something new was born," says Maria Glauser. "It may not have been perfect, but it felt like the network was in really good hands."

NEW CHALLENGES EMERGE

Now that a new governance structure was in place, Hub leaders turned their attention to redesigning the processes that would enable the network to grow. A large backlog of requests to launch new Hubs had accumulated during the transition. To deal with those requests, Hub leaders introduced a peer-review mechanism. In that way, they would be able to leverage the power of the distributed network that they were building. "The whole process seeded a conversation around what 'distributed' really means," says Simon Ulvund, a member of the transition council who today serves as a director on the global management team of Impact Hub.

Previously, a central team in London had been responsible for approving applications to join the Hub organization. Under the revised process, applicants must first obtain a referral from an existing Hub

to gain candidate status. Next they must submit a feasibility study and receive the backing of a second Hub. Then existing Hubs vote as a group on whether to accept applicants into the Hub Association. This approach not only ensures that the quality of applicants will be high, but also helps build a strong relationship between each new Hub and other local Hub sites. "The main challenge in this process is how to maintain quality standards without getting standardized," Ulvund explains. "There are important lessons that we have learned along the way on how to build a successful Hub. Yet we also believe in the power of letting Hubs innovate with the model in their local context. So we focus on picking the right teams and sharing best practices."

Indeed, one important lesson to emerge from the transition process was that the Hub needed to re-invent not only its global operating model, but also its local business model. In the original model, local sites derived their main revenue stream from offering flexible access to work, meeting, and learning spaces. (Call it Hub 1.0.) Most Hub founders, however, quickly realized that they could not build a sustainable business on that basis alone. So in recent years, they started to offer value-added services—incubation, education, and consulting, for example. (Call that model Hub 2.0.) "Essentially, we're becoming a platform that connects people to meaningful content, both locally and globally," says Hansen, who is now a director of the global Impact Hub management team. Hansen likens the Hub platform to a computing platform: "It's about building an operating system within the growing impact sector, with all kinds of 'apps.' The question is, What do we do in-house and where do we partner?"

As Hub leaders emerged from a period of crisis and transition, they started to look outward again. "We're slowly becoming a global player and are exploring how to collaborate effectively with others in the broader impact ecosystem," Hansen says. "The magic of the potential," Surman says, is "to get practical around creating value for our members, rather than being consumed with ourselves." Many Hub founders, meanwhile, believe that the network is still in transition—that it is about to enter the next stage of its development as a collaborative learning organization. In fact, the ability to reinvent itself continuously may be the quality that has most enabled the organization to expand around the world. Cliff Prior, an early Hub supporter who is also the CEO of UnLtd, a group that fosters social entrepreneurship, puts it this way: "The striking thing about the Hub is that it always manages to pivot somehow."

HUB FOUNDERS LOOK BACK—AND LOOK AHEAD

When the Hub first started to expand around the globe, it did so in the spirit of an open *movement*. It offered a powerful narrative of change, and it sparked an enormous response in people who wanted to replicate the model elsewhere. To sustain momentum and to cope with the demand for replication, Hub leaders then adopted the idea of a social franchise. In other words, they decided to develop the Hub as a *business*.

What ensued was a clash of expectations. Movements are built around a shared vision and thrive on the voluntary engagement of their participants. One can't control a movement—much less own it. A business, by contrast, has a clear ownership structure, and a franchise system in particular depends on a rule-based transactional relationship between local franchisees and a parent company. Each mode of organizing creates different expectations and different power relationships: Who owns what? How do decisions get made? How does everyone work together? Among Hub stakeholders, not surprisingly, significant tensions emerged when one model conflicted with the other.

The effort to resolve such tensions led Hub leaders to a crucial insight: Along with being a movement, along with being a business, the organization that they had created over the years was fundamentally a *network*—a community of like-minded peers who have a common purpose and a commitment to collaborate with each other. The network model differs from the other two organizational models in important ways. Whereas a movement is open to anyone who will follow its core vision, a network has boundaries that reflect more or less explicit principles regarding how people will work together. Unlike a business, meanwhile, a network involves relationships that are collaborative rather than transactional. Simply put: A movement attracts passion-fueled activists, a franchise attracts transaction-oriented managers, and a network attracts peer-driven entrepreneurs.

Which model is most effective when it comes to scaling up an organization for global impact? The case of the Hub suggests that a hybrid model may be most workable. But which sort of hybrid? For Hub leaders, the answer was to combine the spirit of a movement and the mechanics of a business within a co-owned network that allows for entrepreneurial freedom. The result is a distributed power structure that thrives on the self-organizing capacity of its members.

Whatever model people choose, they need to make sure that relationships within their organization are transparent. Otherwise they won't be able to build trust. "My biggest learning? We needed to have much smarter expectation-setting upfront," says Robinson, who now serves in an advisory role for the Hub Association. "The downside of our rather emergent process has always been that we did not do enough to define our relationship with each other."

Yet the Hub organization had, and still has, core strengths that kept it together. "Ultimately, it's all about cultivating personal relationships around a shared intent," Hansen says. "There are hundreds of Hub makers around the world who hold the network ethos very dearly and are ready to fight for it. It's this strong personal connection—our having built something together—that unites us."

Freundlich, who now serves on the Hub Association board, echoes that view: "We're a mix of crazy people who have a shared vision and want to collaborate to enhance our impact in this world. But we have yet to figure out how to unleash our full potential. I think everybody should take responsibility here. It's not the company's problem. It's not the board's problem. It's not the members' problem. It's our shared problem. We are it. The answer is in the network." ■