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philanthropy

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acsep: knowledge for good

ACSEP

Established in April 2011, the Asia Centre for Social Entrepreneurship and Philanthropy (ACSEP) is an academic research centre at the National University of Singapore (NUS) Business School.

ACSEP aims to advance understanding and the impactful practice of social entrepreneurship and philanthropy in Asia through research and education. This centre's research, by an international multidisciplinary team, spans 34 nations and special administrative regions across Asia. Its working papers are authored by academia and in-house researchers who provide thought leadership and insights into the key issues and concerns confronting social driven organisations.

ISSE

International Symposium on Social Entrepreneurship (ISSE) provides an annual platform for academic researchers, social entrepreneurs and various stakeholders to share their knowledge and expertise in the development of social enterprises. Since the inaugural event in 2015, ISSE has been tackling pertinent issues faced by social enterprises in a continuum of settings. The symposium consists of speakers from the industry as well as academia.

Foreword

On behalf of Asia Centre for Social Entrepreneurship and Philanthropy (ACSEP) at NUS Business School, I welcome you to the ISSE 2017! As director of ACSEP, I am excited to share with you the journey we have taken in the last three years in advancing understanding of social entrepreneurship in Singapore and beyond in Asia. ISSE was conceived as a platform where academics and practitioners interact. Its intention is to leverage research to add criticism and validity to the practice of social entrepreneurship. At the same time, researchers learn from practice to ground their research in relevance and to maximise impact.

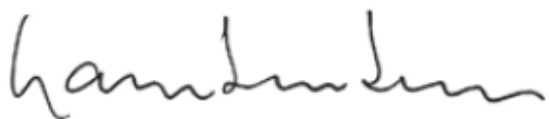
Public interest in social enterprises in Singapore has been increasing over the years. This can be seen from the increased number and diversity of funding sources as well as the publicity given to budding social enterprises. Social enterprises differ from conventional for-profit and charitable organisations. Social enterprises are hybrid organisations that need to meet the demands of financial returns, social and/or environmental impact. How this continual tension is being managed in achieving and balancing the double to triple bottom lines is still not clearly understood. Therefore, there is a place for critical enquiry to build sustainability in the social enterprise sector.

ACSEP aims to generate high quality research and education in social entrepreneurship to build capacity for academia, government, and practitioners. In the inaugural ISSE 2015, we surveyed the origination and landscape of social enterprises around the world as well as the regime under which these are administered. We asked the question: When should a country adopt an approach of certification, validation or accreditation for social enterprises? Research points to the multifaceted contexts from which social entrepreneurship develops, set against a range of socioeconomic, political and institutional factors. We find that different countries adopted different administrative regimes, each with its policy trade-offs that have to be carefully weighed in a country's own context.

In ISSE 2016, we asked the question: Can social entrepreneurship be taught and learnt? This is a question of nature versus nurture. If indeed there are aspects of social entrepreneurship that can be learnt, what then are some of the training and development needs? On the basis of such critical enquiry, ACSEP launched the Crossing the Chasm Challenge (CCC) in May of the same year. The Challenge was designed to train intrapreneurship and empathy among NUS Business School and other NUS students. This is a three-year initiative and will be reviewed for its sustainability.

This year, ISSE 2017 aims to understand the next pressing issue faced by social enterprises – impact assessment. A clear, valid and comparable framework facilitates social investment flows and rightly allocates resources to where the expected social impact is the highest. The pertinent question is: How can impact assessment be done strategically? Our keynote speaker Professor Lyon, who is an academic, a social entrepreneur, as well as an ex-policy advisor, will share his knowledge and experience. We will also host a plenary where thought leaders from various key stakeholders in Singapore will share their invaluable experience in assessing impact.

I welcome you to actively engage in our discussion this year and provide us with your insights and feedback on how we can work together to facilitate the sustainable growth and development of the social sector. Additionally, ACSEP will review ISSE for its outcomes after this three-year run with a view to help catalyse the next stage of growth and development for Singapore as one of the thought leaders in Asian social entrepreneurship.

A handwritten signature in black ink, appearing to read 'Lam Swee Sum', written in a cursive style.

Lam Swee Sum

Director, ACSEP

Associate Professor of Finance, NUS Business School

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The Opportunities and Dilemmas of Impact Assessment for Social Enterprise

Fergus Lyon

Professor of Enterprise and Organisations

Centre for Enterprise and Economic Development Research, Middlesex University, London Deputy

Director of the ESRC Centre for the Understanding of Sustainable Prosperity (CUSP)

Email: F.Lyon@mdx.ac.uk

21 April 2017

**International Symposium on Social
Entrepreneurship, Singapore**



Opportunities and dilemmas of impact assessment for social enterprise

Professor Fergus Lyon,
Middlesex University, UK

Centre for the Understanding of
Sustainable Prosperity (CUSP)

Introduction

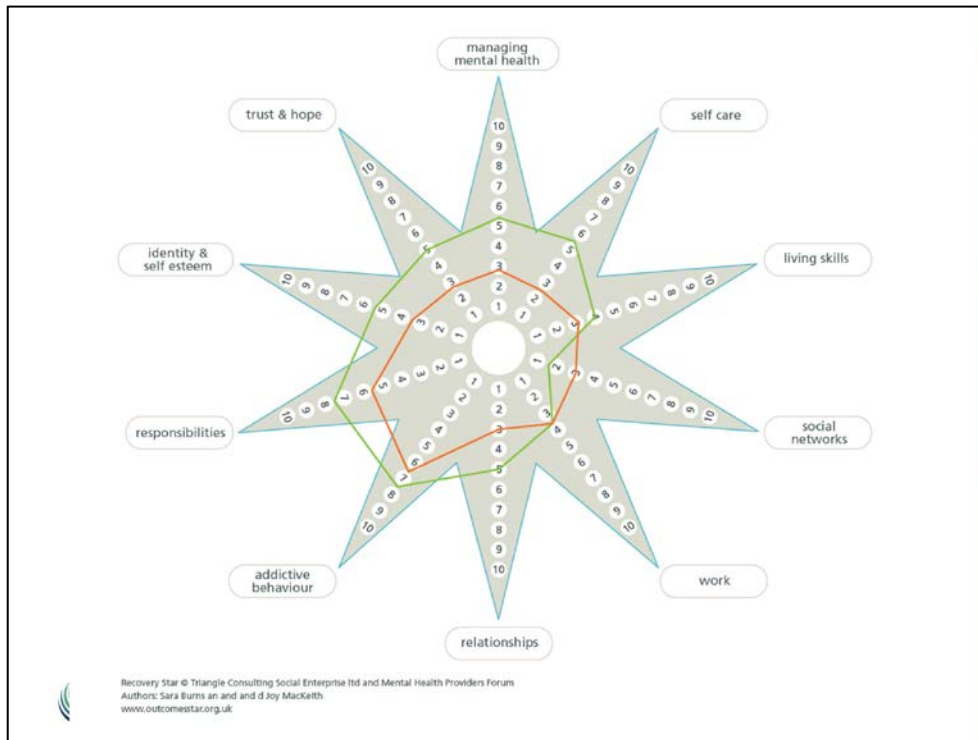
- ☾ Social enterprise as providing a new vision of prosperity and alternative businesses
- ☾ But how to demonstrate impact to different stakeholders?
- ☾ How does impact assessment help social and commercial objectives?
- ☾ Confusion over different approaches and concern over costs
- ☾ What futures
 - Uncertain but there are exciting innovations
 - Building capacity for alternative accounting
 - Changing roles of evaluation expertise



Types of impact assessment

- ☾ Telling a story- a narrative
- ☾ Indicators of positive social/environmental activity and ethical management practices
 - Evidence of impact across an organisation or a programme
 - Identifying social and sustainable enterprises eg IRIS and B Corps
- ☾ Evidence of additional benefit from the activities of the social enterprise
 - Case studies of individuals
 - Distance traveled eg Outcome Star
 - Monetised impacts – eg SROI
 - Experimental designs and random control trials





Social Return on Investment

- ☾ SROI= value of benefit/value of investment
- ☾ A ratio or form of cost benefit analysis
- ☾ Eg for every dollar spent there was \$3 of social value created

- ☾ Includes intangible benefits and externalities
- ☾ Use of proxy indicators
- ☾ Some have a strong participatory design element

Multiple demands for impact measurement

- ☾ Different stakeholders within the organisation and outside the organisation
- ☾ Multiple objectives of organisations- social environmental and financial- the triple bottom line
- ☾ 2 key objectives of impact measurement
 - To prove
 - To improve
- ☾ How do you manage these tensions?



Impact assessment for organisational management

- ☾ A learning tool - What works
- ☾ An empowering tool- especially with participatory approaches
- ☾ A strategy tool- which direction should we go in?
- ☾ A governance tool- trustees and directors hold managers to account



For winning contracts by showing social value

- ☾ New consumer markets and the social enterprise offer eg Fair trade
- ☾ As a sign of change of character
 - To be 'professional' and 'businesslike'
- ☾ 'Buy Social' and procurement from companies



Social value in public sector contracts

- ☾ Impact Assessment to win government contracts
- ☾ Social Value Act in the UK
- ☾ Outcome based commissioning and Payment By Results



Grant Finance from outside the organisation

- ☾ Funders and grant making
- ☾ Philanthropists
 - Beyond measuring administrative costs



Social investment and repayable finance

- ☾ Social investors
 - Social lenders
 - Reports to show legitimacy
- ☾ Social Impact Bonds
 - Payment by results
 - Innovations in measuring outcomes
 - A growing industry?

Other uses of impact assessment

- ☾ Organisations to break or create a new image for local approval
- ☾ To get planning permission
- ☾ Find collaborators



For policy makers to understand the sector's contribution

- ☾ Subnational policy- the regional/ city level
- ☾ Local level- to justify local authority support
 - especially if a stigmatised beneficiary group
- ☾ National level
 - eg UK's social enterprise strategies in the past
 - Eg Bhutan's Gross National Happiness agenda



For alternative organisational forms to 'reframe capitalism'

☾ Social Enterprise Mark



☾ The B Corp



Dilemmas and Challenges

☾ Social enterprises as hybrids navigating around different goals

☾ Impact assessment as *reactive* to funders

☾ Or *Proactive*

- For learning
- For marketing



Balancing commercial and social objectives

- ☾ Competition forces organisations not to publicise their social impact or to down play it
- ☾ Discretion and judgement in impact assessment
- ☾ The rise of competition in social value
 - Organisation compete on impact claims as well as price



Disincentive to seek out negative findings and risk reputations

- ☾ “Rarely is there serious consideration of negative or challenging findings.
- ☾shrinking public funding for many charities has made the problem worse. This lack of an incentive for organisations to look for honest answers to questions about the impact of their work is hampering innovation and the generation of a shared evidence base.”

☾ <http://www.renaisi.com/how-can-enable-a-better-approach-to-impact-measurement/>



- ☾ “We are often in competition when tendering... models may allow organisations to cherry pick clients that will support their claims.... potentially there are lots of areas to make claims of financial value which can be overstated”
- ☾ “I am not sure what value [the IA tool] brings, I am suspicious, I told(the consultant) to be conservative ... we downplay the financial figures”



Discretion at each stage of impact assessment

- ☾ Setting theory of change
- ☾ Selecting indicators
- ☾ Data collection
- ☾ Additionality, deadweight, and control groups
- ☾ Danger of comparing the un-comparable



Other Dilemmas

☾ Impact assessment ‘process’ affects services

- How to justify diverting financial resources away from service delivery
- Risk of ‘managing what you measure’
- Data management systems change behaviour

☾ Trustees and directors lose interest

- Too hard
- SIBs give impact assessment a bad name



Ensuring trust in approaches to social accounting

☾ Search for a common approach but still competition between approaches

☾ Use of trusted professionals for social accounting

☾ Under-reporting to ensure no loss of legitimacy and trust

☾ Auditing procedures – but these are open to interpretation



Challenges for funders and social investors

- ☾ Setting measurable outcome indicators
- ☾ What data required and which method
- ☾ Allow cost of measurement in applications
- ☾ Balancing common indicators with innovation
- ☾ Allowing SEs to use discretion in measurement
- ☾ Interpreting (and trusting) the results
- ☾ Dangers of comparing the un-comparable
- ☾ Encouraging the reporting of smart failure



Six questions you should ask about any impact measurement

1. What indicators?
2. Who was asked?
3. How many people asked or what data used?
4. How has the value been measured? How monetised?
5. Has it looked at what would have happened without activity (counterfactual or deadweight)
6. What reported (and what left out)?



A future?

- ☾ Bring in the voices of beneficiaries – beyond the expert evaluator
- ☾ New sources of big data
- ☾ More sophisticated measures
- ☾ Common approaches and development of existing tools
 - Please no more new tools!
 - Balancing common approaches with participatory approaches/handing over control.
- ☾ Impact assessment literacy
 - ☾ For those doing it
 - ☾ For those demanding it
 - ☾ For those being assessed
 - ☾ For those leading or managing the assessed
 - ☾ For those reading



Impact Assessments across the Spectrum of Social Purpose Organisations

In the last couple of years, we see the social sector in Asia making significant adjustments in response to the ballooning unmet social and environmental needs precipitated by a confluence of factors like population growth, poverty, the dearth of investments, the widening gap between the have and the have-not, asset inflation with quantitative easing programmes, global warming, emergence of social media, changing consumer demands, market trends towards responsible investing, corporate response in CSR initiatives, etc. In many countries, the emergence of the social enterprise sector is seen as one of the many responses to address the unmet social needs in a country in a more sustainable manner.

Before social enterprises can scale up, they need to provide convincing evidence that their activities have a social impact. Nonetheless, measuring impact can be challenging and expensive. There exists a wide array of options for social impact assessments, ranging from simple logical frameworks to complex reporting tools and metrics, and from participatory evaluations to randomized control trials. What is the difference among all these approaches – and is there a *right* approach? Moreover, impact assessment is costly. While some may consider it as a legitimate cost for aiding the enterprises in strategic decision-making, others may feel that it is extra cost with bureaucracy that comes at the expense of the effectiveness of the enterprise.

In this session, ACSEP invited five thought leaders from different organisations in the social space in Singapore to share about the usage of impact assessment within their organisations and in their interactions with other stakeholders in the line of their business. The panellists also shared about their views on why, what and how local and regional social enterprises should conduct impact assessment.

Head of Funding & Partnerships (Social) of Tote Board Singapore, Ms Rashika Ranchan, served as the moderator of the plenary session. The panel comprises of:

- Alfie Othman, Chief Executive Officer, Singapore Centre for Social Enterprise (raiSE)
- Tina Hung, Deputy CEO, National Council of Social Service, Singapore
- Ramandeep Sidhu, Assistant Director of Philanthropy and Partnerships, National Volunteer & Philanthropy Centre (NVPC), Singapore
- Martina Mettgenberg Lemièrre, Head of Insights and Capacity Building, Asian Venture Philanthropy Network (AVPN)

Rashika Ranchan

Head of Funding & Partnerships (Social), Tote Board, Singapore

The importance of Impact assessment is increasingly being recognised within the non-profit and social enterprise space.

Firstly, impact assessment enables the identification and assessment of the gap, if any, between intended and actual outcomes of programmes. Secondly, it provides the opportunity to understand good practices to help contribute to learning within the organisation and the wider network of non-profit organisations, social enterprises and funders. Thirdly, with the former two upsides of impact assessment being realized, scarce resources can be maximized.

Impact assessment is important for Tote Board, as a grant-making organisation in Singapore providing funding which spans across six sectors (social service, health, education, arts, sports and community development), in its pursuit to achieve its three strategic outcomes, namely equitable opportunities for vulnerable groups, resilient community and enhanced quality of life.

Impact assessment is not only important to Tote Board as a funder but also to the fundees. For example, non-profit organisations and social enterprises stand to benefit from carrying out assessment as the measurements allow improvement of their services, facilitates their communication with external stakeholders inclusive of funders to help attract further investment.

Impact Assessment can take different approaches. For example, for the Tote Board-Enabling Lives initiative (which aims to improve the well-being of persons with disabilities and their caregivers), Tote Board takes on a two-tiered impact assessment approach – project and programme level. Eight

shared outcomes¹ were developed for this initiative/programme. At the project level, a toolkit is being developed to adopt outcome indicators, or measures, before data and evidence is collected by the funded projects under this initiative/programme. At the programme level, there will be both a process and overall impact evaluation. Process evaluation, where the process adopted to fund individual projects will be taken into account, ensuring the learning of key drivers of effective funding. At the same time, impacts of individual projects will be aggregated to understand impact measurement at a broader and longer-term level.

Beyond impact measurement of strategic initiatives, the area of impact assessment can be further developed as part of building the capacity and capability building of non-profit organisations and social enterprises. Capacity and capability building includes development of human capital and training, infrastructure, knowledge sharing and new/emerging areas (including impact measurement, research and accelerator programmes). For example, knowledge sharing initiatives, such as the Tote Board-Case Study Collaborator programme, where good practice and learning are disseminated within the non-profit sector, is well-aligned with the need to allow proliferation of good practice, including in areas of impact assessment.

¹ For Persons with Disabilities: (1) increased psychological and emotional well-being, (2) improved life skills, (3) better support, access to information and programme navigation for better decision-making, (4) increased opportunities for social, family, economic and community interactions. For caregivers: (5) increased psychological and emotional well-being, (6) confidence in providing competent care and support, (7) greater access to support services, (8) increased opportunities for social, family, economic and community interactions

Alfie Othman

Chief Executive Officer, Singapore Centre for Social Enterprise (raiSE)

The Singapore Centre for Social Enterprise, raiSE, was established to address social needs by developing and supporting social enterprises in Singapore, encouraging vibrancy within the social enterprise sector while heightening its awareness among investors, policy makers and consumers. Its funding of social enterprises or projects range from seed monies as small as \$2,000 to equity or convertible debt of as much as \$2 million.

RaiSE uses the renewal of membership to keep track of the impact achieved by its members. Membership renewal at raiSE is dependent on whether the individual social enterprises/ projects fulfil their unique pre-determined social goals when they first applied for raiSE membership. A larger membership size, therefore, indicates that more social enterprises/ projects are achieving their intended social goals, underscoring the impact of the initial funding disbursed by raiSE and could continue receiving additional funding.

Unlike other social enterprises and organisations supporting social enterprises where impact measurement is determined at a high level, ensuring that the different social enterprises under its umbrella are coordinated and committed to a goal, raiSE allows its social enterprises/projects to pursue their own social goals. While social enterprises have the discretion to determine their goals, without being necessary coordinated with the others funded by raiSE, it implies that impact assessment would be, very much, self-reported.

In spite of a free-of-charge cloud software that raiSE had co-created in 2016 with Bain and Co to encourage

social enterprises to document their impact, reporting of impact by these social enterprises/projects remain an uphill task. Acknowledging that approximately 70% of these social enterprises/projects are start-ups with small single-digit teams, concerns over customer acquisition, marketing campaigns and cost reduction strategies predominate over the documentation of impact. The practicality of impact assessment would have to be considered, especially for early-stage social enterprises/ projects. One of the approaches raiSE has adopted includes having early-stage social enterprises being flexible with performance measurement while later-stage social enterprises/projects are strongly encouraged to embrace impact measurement and documentation. Meanwhile, all social enterprises/projects are encouraged to cultivate the habit of impact documentation.

Projects of relatively smaller scale, in the range of thousands of dollars, could be measured, at various stages, by unique outcomes and upon achieving these outcomes, funding will be disbursed at the next funding stage. In contrast, for projects requiring larger funds of more than half a million dollars, outcomes would have to be explicitly documented in investment agreements, with the provision of a possibility of subsequent funding contingent on pre-specified impact measures being attained, failing which appropriate covenants will be triggered. Innovative enterprises may require a longer pay-back period.

Essentially, each social enterprise has unique goals and, therefore, require unique impact measurement tools.

Tina Hung

Deputy CEO, National Council of Social Service (NCSS), Singapore

Collective impact, a framework to address complex social issues, is at the heart of National Council of Social Service (NCSS). With \$269 million being disbursed to 437 programmes in fiscal year ending March 2017, increasing from the \$35 million disbursed to 50 organisations in 1995, NCSS has grown from strength to strength and its growth is not only centred on the funding disbursed and membership size, but also in its ability to incorporate the collective impact framework in tackling the social issues it has committed to.

Core to its belief that complex social problems cannot be solved by a single agency, and hence social impact assessment needs to be holistic, NCSS has adopted the 5 conditions of collective impact framework¹ to cultivate holistic social solutions that can enact lasting and sustainable change for service users. The advantage of the framework is three-fold.

Firstly, in collective impact framework, a common agenda needs to be developed among different stakeholders. All participants will have common understanding of the social problem to be resolved and a shared vision for change. At the same time, co-creation is a necessity in developing goals as it has been far too often assumed that social enterprises or funders understand the needs of the service users. Organisations need to ensure that

high-level strategies are attuned to real needs of the service users. Social enterprises should remain true to their values and beliefs. While difficult, NCSS has rejected funders who wanted to feature service users in a less than dignified manner. Co-creation and developing a common agenda should therefore serve as the fundamentals of projects leading to a holistic impact assessment.

Secondly, a shared measurement system allows for consistency and regular reporting by projects or social enterprises. Mutual agreement on the shared user outcomes and the social problems to be solved, and the means and methods to measure progress will ensure efforts remain aligned and are effective.

Thirdly, mutually reinforcing activities should be in place to differentiate and coordinate various projects. In NCSS, this is encouraged by the multiple networking activities. Such networking activities would also facilitate the fourth condition of the collective impact framework – continuous communication, where stories of successes and failures are often shared. NCSS itself serves as the backbone organisation, supporting various member organisations' initiatives related to its core mission.

NCSS has adopted the five conditions model to the development of Project SAFE, (Support for recovering Addicts and Families through Empowerment). Project SAFE is a 6 to 9-month programme, supporting ex-drug addicts and their families as well as seeking to prevent inter-generational offending. None of the Project SAFE clients have re-offended since going through the programme, showing some early success to NCSS's modus operandi. The project now advances to the next phase where key driving factors of its success will be examined to provide learning materials for other social service organisations.

¹ The five conditions are given as follows, (1) Common Agenda: All participants to have a shared vision for change, one that includes a common understanding of the problem and a joint approach to solving it through agreed upon actions; (2) Shared Measurement System: Collecting data and measuring results consistently on a short list of indicators at the community level and across all participating organization; (3) Mutually Reinforcing Activities: Encouraging each stakeholder to undertake specific activities at which they do best in a way that is coordinated and supported; (4) Continuous Communication: Build trust and experience with stakeholders to recognise and appreciate the common motivation behind their efforts; (5) Backbone Support Organisation: A separate organisation and staff with a very specific set of skills to support the entire project. The above conditions are adapted from Kania & Kramer (2011). Collective Impact. Stanford Social Innovation Review.

Martina Mettgenberg Lemière

Head of Insights and Capacity Building, Asian Venture Philanthropy Network (AVPN)

The Asia Venture Philanthropy Network (AVPN) is a funders network operating in 28 countries with 370+ members. AVPN's aim is to channel more financial and non-financial resources to the solution of social issues.

Its members range from foundations and impact funds over service providers and intermediaries to corporates, incubators and financial institutions. Members support on multiple causes with the leading causes being education, health and livelihoods and focus on children & youth, people in poverty and women & girls as beneficiaries.

AVPN members invest into organisations along the entire philanthropy and social investing spectrum and hence invest into non-profits, social enterprises, social business and businesses. They deploy grants, debt, equity, soft loans, quasi-equity and convertible debt.

In this context impact assessment is seen as critical to understand and improve Social Purpose Organisations (SPOs) performance. Depending on their investees, AVPN members use Theory of Change or Logic Models, Social Value frameworks, or Randomised Control Trials. Most members customise their impact assessment to their investees and their portfolio.

The chief purpose of the impact assessment is to assess and manage the impact value chain:



Within the impact value chain, social funders contribute financial and non-financial support to organisations and can only attribute some of the change to this activity, because the impact is ultimately created by the social purpose organisations' actions.

In 2016, AVPN published the "Guide to Effective Impact Assessment" that catalyses literature about how to draw up one's theory of change and logic model, discusses the dimensions of impact assessment, outlines how to learn from existing frameworks, and provides details on implementation and presentation of results based on a study on their members. The guide also contains case studies from corporate foundations, grantmakers, venture philanthropy, impact investing funds, wealth managers, giving circles and social enterprises on their practices of impact assessment.

Ramandeep Sidhu

Assistant Director of Philanthropy and Partnerships, National Volunteer & Philanthropy Centre (NVPC), Singapore

Collaboration should be the cornerstone of impactful and sustainable giving. That was the key insight from the speaker's sharing. In Singapore, where the median corporate annual giving stands at around \$20,000 and where the median hours of volunteering done annually by employees stands at 10 hours, pale in comparison to Canada's 55 hours per year, although not a perfect comparison, the National Volunteer & Philanthropy Centre, Singapore (NVPC) seeks to alter the giving landscape.

The NVPC aims to build a giving nation where giving becomes second nature and corporations give not in rarity, but instead sustainably, and integrates giving into its corporate culture. It also appeals to corporations to realize strategic and extensive investment, integrated engagement with stakeholders, institutional support, and strong impact through their funded projects.

Impact assessment, in this case, is not limited to the beneficiaries, but should also be extended to the enterprise itself. "It has to be an impact on both ends...if the impact is not beneficial for the business, then it is not sustainable for the business to engage in giving." To ensure the impact is of huge positive magnitude, social needs must first be clearly identified. Without a real social need, there may not be a huge positive impact, albeit the passion for a particular cause. Following which, the drivers of success must be revisited and remembered. Finally, the question of scaling comes into play.

Yet, such impact assessment rests on the ability to amalgamate information into an ecosystem. In

other words, collaboration is pivotal to developing effective impact assessment, thereby ensuring projects have huge positive impacts. The understanding of what works and what does not has to be distilled from the confluence of ideas from multiple stakeholders. This should be documented into a body of knowledge which organisations could tap into in future.

CoLabs, a collective impact network platform established by NVPC in 2017, brings together diverse stakeholders to tackle issues related to children and youth, seniors and disabilities. Stakeholders gather to learn the issue, take them to alignment and prioritise them, get behind the issue in a collective manner, pooling together resources, measure impact and thereafter disseminate the information. Effective impact assessment, which stems from the collective identification of issues and pooling together of resources, would then be documented into the body of knowledge, among other dimensions of success. For instance, in addressing the lack of social mobility for children and youth from low-income families, the different frameworks and approaches of non-profit organisations, NCSS and corporations will be taken into account and assimilated into the ecosystem.

With the shared pool of knowledge and resources, the responsibility of doing impact assessment no longer rests solely on a particular stakeholder on the grounds of insufficient resources. Instead, "whoever is interested in seeing that change should be measuring the change," as all stakeholders now have access to the common knowledge pool.

A Landscape of Social Impact Assessment Practices among Impact Investors in Asia

Frank Hubers

Research Fellow, Asia Centre for Social Entrepreneurship and Philanthropy (ACSEP)
NUS Business School, National University of Singapore, Singapore
Email: frank.hubers@nus.edu.sg

Abstract

This study explores how impact investors that are active in Asia assess their social impact. Relying on publicly disclosed data from a sample of impact investors, I analyse their social objectives, frameworks for social performance management and reporting, and evaluation techniques. Also, this study investigates the (social) standards that the investees have to meet. I found that only 54% of the impact investors have formulated a social mission, and less than half of the sample (46%) measures their progress on social indicators. None of those that monitor social impact, deal with the counterfactual problem. Also, the vast majority of the impact investors do not have clear criteria to differentiate between a traditional and a social enterprise.

Keywords: Impact assessment, social enterprise, impact investors, Asia

Introduction

With the number of social enterprises in Asia rapidly expanding, there is a growing interest in determining the social impact of their activities (Ang, Lam & Zhang 2016). Social enterprises distinguish themselves from traditional enterprises by attaining social goals besides their financial goals. This fuels the expectations that these enterprises can make a social impact that a traditional enterprise cannot (Lam, Prakash & Tan 2014; Ang et al 2016; Zahra 2009; Seelos & Mair 2005; Santos 2012). However, measuring – and thus showing – their social impact is a difficult task, which is made more complicated by the ambiguity of the concept of “social impact” and what an assessment should enhance. Some refer to the regular monitoring of social objectives using particular metrics as social impact assessment (e.g. Bertoti, Sheridan, Tobi, Renton & Leahy 2011). In this field, social impact assessment is considered similar to ‘social accounting’ (Gibbon & Affleck 2008; Gibbon & Dey 2011; Darby & Jenkins 2006) or ‘social performance management’ (Luke 2016, Arvidson & Lyon 2013, McWilliams & Shrader 2012). The focus of this field of research is on establishing what social impacts are relevant to measure, what indicators should be used to measure

it, and what data is necessary to monitor this on a regular basis. According to other academics, a social impact assessment refers to a post- or mid-project evaluation of the causal effects of the intervention on society (Gertler, Martinez, Premand, Rawlings, Vermeersch 2017; Hulme 2000; Roche 1999). This focus in this field of study is less on *what* and more on *how* to measure social effects, in particular estimating the causal link between the intervention and observed social changes. Most academics agree that for a valid impact assessment both questions – *what* to measure and *how* to measure – need to be addressed. Both aspects bring their own methodological difficulties.

This study is a critical exploration on how impact investors that are active in Asia assess their social impact. The first section of the paper contains a literature review on the topic of social impact assessment. I explore the concept of social impact from a variety of perspectives, using literature from the fields of management, accounting, economics and econometrics. This literature review both provides us with a framework with criteria for valid social impact assessments as well as a set of different approaches

towards social impact assessments. This framework will be used in the second part of the study to assess the current status of social impact assessments that are used by impact investors in Asia. The second section contains an analysis of how impact investors and social enterprises that are active in Asia assess their social impact. For this analysis, I relied on publicly disclosed data, collected from websites and annual reports. As noted in earlier studies, social enterprises in Asia generally disclose little information on their social impact (see e.g. Ang et al. 2016). However, since they are generally funded by impact investors, we decided to use information from the impact investments funds. Although these organisations do not disclose all information, it provides information on the requirements that enterprises have to comply with in order to receive funding.

Literature Review

Despite the increasing emphasis on social impact in the past two decades, there is a lack of consensus on the definition (Liket & Maas 2011). Not only is there disagreement between academic fields, also practitioners and investors use the term in different ways. There are three characteristics about social impact that appear in most definitions. The first is that social impact is considered as a value for society as whole instead of a value for the company alone. Second, a social impact refers to the long-term results of an intervention – as opposed to short-term results. Third, social impact refers to a change in society caused by the organisation or intervention. An impact assessment hence should focus on evaluating whether certain social changes that are observed can be really considered the result of the activities of the organisation. The first two aspects are dealing with the question about what to measure. The discussions often focus on the metrics necessary to monitor a certain impact. Data on these measures or indicators can fuel management decision-making. The last aspect focuses on how to measure. One of the most important problem social impact assessments have to deal with, is what is referred to as the counterfactual problem. That is, a social impact assessment has to make it plausible that certain observed social changes are a result of the intervention.

Social impact and value creation

Social enterprises are enterprises that that apply business concepts to attain social goals (Zahra 2009;

Seelos & Mair 2005). Santos describes these goals as the type of social value brought by an activity that happens when ‘the aggregate utility of society’s members increases after accounting for the opportunity cost of all the resources used in that activity (2012). The social impact of a social enterprise is the value of the activity for society that could not have been created by a traditional enterprise. To predict in which fields a social enterprise can actually make an impact, one then needs to look where traditional enterprises fail. According to the First Theorem of Welfare Economics a market will tend towards an equilibrium that is Pareto efficient (a situation in which no individual can be made better off without making at least another one worse off) if the market is complete and competitive. This assumption no longer holds in a case of market failure, which is what happens in the case of externalities, public goods or asymmetric information. In case of market failure the allocation of goods provided by market is sub-optimal and social welfare can be improved by a government intervention (see e.g. Stiglitz 1989 on this topic). In cases where governments are unable to improve these market outcomes – e.g. in cases of high corruption or high administrative costs – it is referred to as government failure (Datta-Chaudhuri 1990). If the social enterprise were operating in a market without a defined market or a government failure, their performance as a social enterprise will be similar to a traditional enterprise.

Long term results and goal-attainment

The idea of social impact as a long-term result comes from the concept of a logic model that forms the base of many philanthropic interventions. One of the first logic model that was widely adapted, was the Logical Framework Approach (LFA), first applied by USAID in 1969. LFA was an instrument for strategic planning and monitoring of development programs, in which the results of an intervention were divided into three different categories: short-, medium- and long-term results. Short term results are the immediate results expected at the end of an activity, whereas the medium- and long-term results, outcomes and impacts, respectively, were the effects of the activity on society. Many aspects of the LFA are applied in contemporary instruments for social performance measurement (Aune 2000; Bakewell 2006). The main idea behind most logic models is that a certain input (money, resources) will result (through activities) in a

certain output, which will in turn lead to a particular outcome and then has a certain impact on society. The further one goes up in the chain, the more the results are affected by external social, political and economic influences, and the greater the risk is that the desired results cannot be realized.

The concept of social impact as a long-term result that lies beyond the direct control of the organisation has been incorporated in most social performance tools (Liket and Maas 2011a). The objective of this type of monitoring is that it tracks program performance against expected results, fuelling management-decision making. Monitoring progress relies on good administrative data. Although it is relatively easy to gather reliable data on the results that are within the sphere of control of the organisation, it is much harder to collect data on results beyond this sphere of control. It is also worth noticing that in the formulation of a social impact metric as a long-term result of the organisations, it should focus on the ultimate beneficiaries of the intervention (Roche 1999; Hulme 2000).

The counterfactual problem

Social impact assessments are about measuring the changes that are beyond the full control of the organisations (like outputs) but still a result of the intervention. Whereas monitoring data might indicate that a social change is occurring in society over the years, this doesn't necessarily mean that it is also caused by the intervention. In order to estimate this, one needs to investigate what would have happened if the intervention had not taken place. Although this sounds straightforward, it raises an immediate problem. In order to understand what happened to the individual that 'benefited' from the intervention, one needs to understand what would have happened if the individual had not received it. However, at a given point in time individual i either receives or does not receive the benefits of the project. This is considered as one of the core problems in impact evaluation and is often referred to as the counterfactual problem (Duflo & Kremer 2005; Angrist & Pischke 2008; Blundell & Dias 2008).

A core element of an impact assessment is to construct a credible control group: a group of individuals who in absence of the intervention would have had similar outcomes as the group that received the benefits of the intervention. However, simply

comparing the group of beneficiaries with a group of individuals that did not receive the treatment may also lead to biased results. This is a result of the selection problem: Individuals that receive the services of the enterprise might be inherently different from the individuals that do not. The social enterprise might be targeting a specific kind of customer/beneficiary or select certain geographical regions in which it is active. Self-selection also plays an important role. Since participation is voluntary, the customers/beneficiaries may be inherently different from those that do not receive the services. The customers of the microfinance institutions may for example be less risk-averse than the non-customers. Simply comparing a group of beneficiaries with a group of non-beneficiaries will hence likely suffer from endogeneity bias. This is why matching techniques, even when including a large number of covariates to control for characteristics between the two groups, often give biased results, since one cannot control for the unobserved characteristics (Angrist & Pischke 2008).

The most valid method to get rid of the selection bias is to randomise the treatment. In a randomised control trial (Duflo & Kremer 2005) or a field experiment (List 2007, 2008) participants are randomly selected to participate in the programme (or become clients). After randomisation, the group that receives the services is statistically equal to the group that did not receive them. Differences in outcomes between the two groups can then be confidently attributed to the programme (Angrist and Pischke 2008). Randomised experiments have the highest validity of all techniques mentioned here and are therefore often referred to as 'The Golden Standard.' The advantage of randomised field experiment over randomised lab experiments is the external validity (List 2007). In practice however, due to logistic and financial restrictions, randomised field experiments are not always feasible.

The second-best option would be to search for a natural experiment. In order to make use of a natural experiment one has to find an exogenous shock that caused one group of individuals to be able to participate in the programme, where another group did not. This evaluation strategy makes use of a regression model containing instrumental variables. An instrumental variable can be considered as the exogenous shock: it is correlated with the independent variable (whether or not the individual received the

benefits) but unrelated to any other endogenous characteristics of the individual (Angrist and Pischke 2008; Heckman 1979). A strategy based on the instrumental variable approach and often applicable to activities of social enterprises is the regression discontinuity (RD) design. An RD design can be applied when the organisation maintains strict conditions on participation of participants. The idea behind the RD design is to compare the group that was just above a certain cut-off point – in other words, participants were just accepted for the programme – to a group that just below that cut-off. The assumption is that the individuals around this cut-off point are very similar. Comparing the two groups would thus give us a reliable estimate of the impact of the programme (Imbens & Lemieux 2008; Duflo & Kremer 2005; Thistlethwaite & Campbell 1960).

A strategy more commonly applied for non-profit interventions is the difference-in-differences (DD) design. In a DD design, groups of individuals are compared over time. Groups that received the treatment are measured before and after they receive the treatment and compared with a control group at the same moments in time. Crucial is the common trend assumption: The DD model assumes that the group of individuals that received the treatment would have followed a similar time trend as the control group. This is a strong assumption to make, for which the DD strategy is often criticised (Bertrand et al 2004). An alternative approach to social impact assessment is using qualitative methods. Although these are popular among practitioners, they have a lower validity and are less reliable than the quantitative approaches mentioned above. Qualitative techniques find their origin in the humanities tradition. Its main features are an inductive approach, a focus on key informants, use of non-standardized interviews and story-telling, and a data analyst generally directly involved in data collection (Hulme 2000). The beneficiaries interviewed are rarely randomly selected and there is no control group. Although these techniques lack the rigour needed to make any valid statements about cause and effect, they are widely applied strategies for impact assessments because of their relatively low costs and easy application. An interesting category among the qualitative techniques are the Participatory Impact Assessment techniques. First introduced by Robert Chambers (1997), these techniques do not estimate causal links between observed outcomes and the intervention, but instead focus on bringing the reality

of the beneficiaries directly to attention to the management to different story-telling techniques. The goals of these techniques is not to provide management with accounting data or stories that can be used for PR purposes, but rather as a kind of client satisfaction process, in which the beneficiaries bring their experiences to the attention of the management of the implementing organisation.

Impact investors in Asia

This section explores how impact investors in Asia assess their social impact. I use a sample of 26 impact funds, of which 20 physically located in an Asian country. The investors that are located in Asia 6 are most often located in Singapore (23.1%), Hong Kong (11.5%) and India (11.5%). The impact investors that are not located in Asia are mostly located in the United States (5 out of 6 not located in Asia; or 19.2% of the total sample). The age of the funds in the sample range from 8 to 45 years, with an average of 17.3, and a standard deviation of 12.6. The median age is 13 years. The numbers are based on those who disclosed their founding year on their website; only 15 out of 26 disclosed this information. The size of the investments funds ranges from 43 thousand US dollar up to 131 billion US dollar, with a median value of 155 million US dollar. Only 11 out of the 26 (42.3%) disclosed this information.

Social vision, mission and objectives

As a first step, I analysed whether the impact investors had a clearly stated vision and mission. The social mission plays an important role in formulating indicators on social impact level. Without a social mission, it is unclear how to set long-term social objectives, and hence difficult to monitor social impact indicators. Monitoring social impact starts with setting social objectives. Out of the 26 impact investors, only two have a vision and mission statement on their website – or other publicly accessible documents. That is less than 8% of the investors in our sample. On a positive note, the majority of the investments funds have at least a social mission statement (15 out of 26, or 58%). Out of the other 42% that do not explicitly state their social mission, around 35% show some social objectives in other parts on their website or annual reports. The last 12% did not disclose any social missions or social objectives on their website.

Although most impact investors have identified a

mission, it is not always clear who their ultimate beneficiaries are, or to what social goals their investments are contributing to. Many of the social missions are in fact very vague, containing phrases as “profit with purpose” or “(...) to make a positive impact on the world” or “impacting the lives for a brighter future (...)”. In fact, I find that, out of the 15 formulated social missions in this sample, only 4 identified their ultimate beneficiaries. Most of these are not very specific and often only geographically describe them (e.g. “(...) activities to help people in Asia”). None of the 15 missions actually describe the social changes that the investments are supposed to make in the lives of their ultimate beneficiaries. Many social missions instead focus on the effects on the level of the enterprises they are funding. Nine social missions refer to job creation and stimulating entrepreneurship in their social mission. However, an investment in a traditional enterprise would also have led job creation and entrepreneurship, so the extent to which these can be considered social values is questionable.

Social impact monitoring

Although more than half of the investors in the sample have formulated a social mission, a much smaller portion use social impact indicators to track the progress on their objectives. Although a few of them apply a wide variety of tools and metrics, more than half of the impact investors do not report on any social indicators at all. With regard to social impact monitoring, I can roughly divide them into three categories. Investors in the first category are those that have formulated indicators that comply with the definition of social impact as described above. The indicators reflect long-term social effects of their investments, measured on the level of the ultimate beneficiary and describing social values that go beyond the social value that a traditional enterprise would create. The investors in this category, 11.5% of the sample, generally report on a wider variety of indicators than any of the other investment fund do (also including input, output and outcome categories). Unfortunately, none of the organisations disclose how the information on these indicators is collected.

In the second category are investors that use some measures to track their social progress, but don't use indicators on impact level. Most of these measures are indicators on input level, output and outreach level (E.g. “Number of clients”). Although the latter type of

metric clarifies who the ultimate beneficiaries of the investment are, it does not clarify what social objective the investment is intended to attain with them. Nine investors, 34.6% of the sample, fall in this category. The third category contains the investors that do not report on any social indicators. Fourteen of the impact investors, 53.8% of the sample, are in this category.

Some investors mention that they use instruments to assist in social accounting; examples that are mentioned are IRIS metrics, B-Analytics and Social Return on Investment. Others have constructed their own instruments (e.g. the Abraaj Sustainability Index and FIRM) or their own social indicators. For most of the investors it remains unclear how they collect the data to track the indicators.

Selection criteria for social investments

Only 8 out of the 26 funds in the sample publicly disclose eligibility criteria for social enterprises. Seven (of the 8) funds require from their investees that they have social objectives or a social mission. In some cases, the investees are required to show a track record on their social performance. About half of the investors (3 out of 7) require that the investees work on specific social objectives that are in line with the social objective of the investors. All three of these investors only invest in enterprises that attain to improve the livelihoods of low-income people. Most of the investors mention that an organisational assessment is part of the pre-assessment process for eligibility for funding. The criteria that are disclosed are standard for traditional investment, including risk assessments, criteria for government structures and viability of business potential. A standard requirement is also that investees have to fulfil environmental and social standards, although it is not disclosed how this should be assessed. Four out of the eight investors that disclose their criteria for eligibility require that the enterprise has to have a certain size and age – most of the funds focus on start-ups – and work in a certain industry in order to receive funding. Two of the investors require that the enterprise operate in a particular geographic region.

It is not clear how impact investors differentiate the social from the traditional enterprises, besides from the requirement of having social objectives. There is no mentioning of assessment criteria that take market failures or government failures into account. As a final remark, although the majority (7 out of 8) of the

impact investors make it a requirement for investees to formulate and attain social objectives, only 3 of them require that the investee actually measure and report on their social impact.

Methods for impact evaluation

Unfortunately, all but one of the investors disclose any information on how they evaluate their impact. The impact investors that mention the use of instruments used to monitor impact (e.g. SROI, IRIS, etc), do not disclose any information on how data is collected or how they deal with the counterfactual problem. The only investor that actually discloses information on how they evaluate their social impact is the private equity firm Bamboo Capital Partners. They use a type of client satisfaction survey, using online questionnaires, in which clients (the ultimate beneficiaries) can provide feedback on the services that their investees deliver. Although technically not an impact evaluation – due to the lack of a counterfactual – it is the best disclosed strategy for data

collection among the ultimate beneficiaries within this sample.

Conclusion

This study is an exploration on how impact investors in Asia assess their social impact, using data from publicly disclosed sources. This study is not encompassing: conclusions about impact investors in our sample cannot necessarily be generalised to all impact investors active in Asia. Nonetheless, it provides valuable insight into the contemporary practices and attitudes of Asian impact investors towards social impact assessment. The first section of this study contains an overview of the literature from on social impact. In the second section, I explore how impact investors that are active in Asia measure their social impact, using publicly disclosed data from 26 impact investors. Based on the sample of this study, I conclude that contemporary practices among impact investors in Asia are inadequate.

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Measuring the Social Value Added by Social Enterprises - A Case Study applying the SIMPLE Methodology

Jim McLoughlin

Head of the CUBIST Research Group (Socio-Economic Impact Research)
Brighton Business School, University of Brighton, UK
Email: jgm4@brighton.ac.uk

Abstract

This paper presents a holistic social impact measurement model for social enterprises. The model, named SIMPLE (**S**ocial **I**mpact for **L**ocal **E**conomies), was developed by the CUBIST Research Group and Social Enterprise London to provide the conceptual and methodological underpinnings for a series of training programmes for social enterprises from 2008 to date. It was specifically designed as a practical tool to develop the capabilities of social enterprise managers to systematically measure their organisation's impacts, tailored to their mission and stakeholder needs.

The SIMPLE impact model & methodology has been tried and tested on over 100 social enterprises through a series of training courses and consultancy projects. It offers a 5 step approach to impact measurement called Scope It; Map It; Track It; Tell It & Embed It. These steps help social enterprise managers to conceptualise the impact problem; identify & prioritise impacts for measurement; develop appropriate impact measures; report impacts and to embed the results in management decision making. The SIMPLE model employs the use of the quadruple bottom line (4BL) concept for impact measurement; potentially capturing financial, economic, social and environmental impacts.

An illustrative case study of the application of SIMPLE will be presented, explaining the measurement process and identifying the impact metrics for a UK Community Development Finance Institution (CDFI), one of many community finance social enterprises in the UK. Although the measurement outcomes derived from the case study are specific to community finance sector, the applicability and flexibility of the SIMPLE measurement methodology to other social enterprise sectors should be evident.

Keywords: social enterprise, social impact, impact assessment, SIMPLE

Introduction

This paper presents a holistic social impact measurement model for social enterprises. The model, named SIMPLE (**S**ocial **I**mpact for **L**ocal **E**conomies), was developed by the CUBIST Research Group and Social Enterprise London to provide a practical tool to develop the capabilities of social enterprise managers to systematically measure their organisation's impacts, tailored to their mission and stakeholder needs. The model also

provides robust conceptual and methodological underpinnings for impact measurement (McLoughlin et al, 2009).

The SIMPLE impact model & methodology has been used on over 100 social enterprises through a series of training courses and consultancy projects. An illustrative case study of the application of SIMPLE will be presented, explaining the

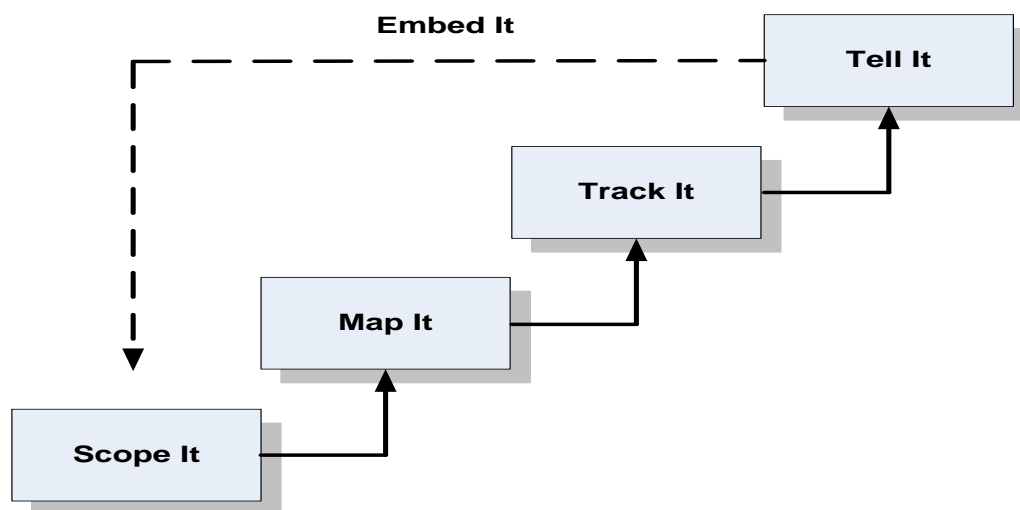
measurement process and identifying the impact metrics for a UK Community Development Finance Institution (CDFI), one of many community finance social enterprises in the UK. Although the measurement outcomes derived from the case study are specific to community finance sector, the applicability and flexibility of the SIMPLE measurement methodology to other social enterprise sectors should be evident. Robust and

cost effective impact measurement is a priority for all social enterprises, including the CDFI sector (CDFI, 2009, 2010; Gieco et al, 2015)

The SIMPLE Impact Measurement Methodology

The SIMPLE impact model (see figure 1) offers a five step approach to impact measurement called SCOPE IT; MAP IT; TRACK IT, TELL IT & EMBED IT.

Figure 1: The SIMPLE model's five stage approach to impact measurement



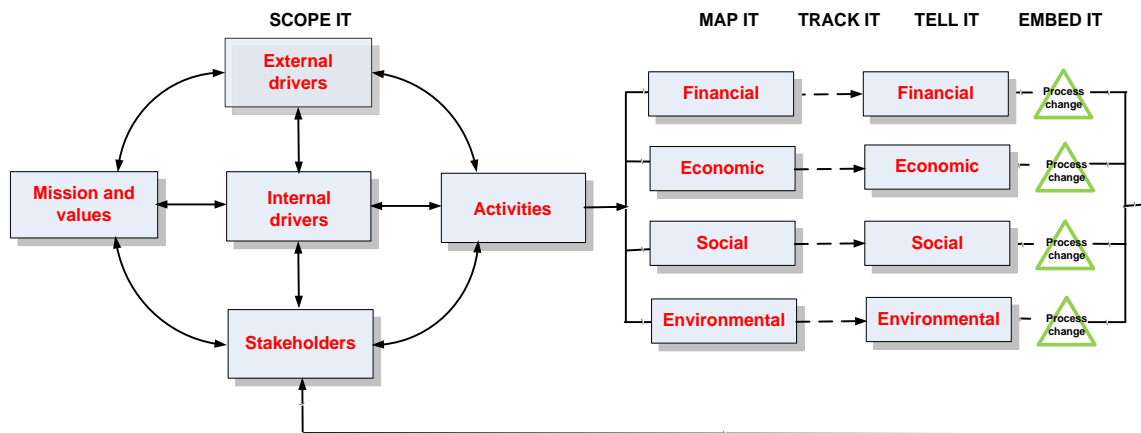
The five steps are explained below:

- **SCOPE IT:** to identify and prioritise impacts for measurement based on the mission, participatory stakeholder analysis and engagement, external and internal drivers of impact.
- **MAP IT:** to identify the inputs, activities, outputs and outcomes, using the logic model (i.e. theory of change model), crossed linked to the Scope It stage.
- **TRACK IT:** to develop priority metrics, usually combining quantitative, qualitative and monetized metrics. This also involves designing and implementing a data collection system, followed by data analysis.

- **TELL IT:** Reporting the impacts to the relevant stakeholders, both internal and external.
- **EMBED IT:** involves integrating the results in management decision making, creating a continuous improvement, and influencing future strategies.

The SIMPLE model's five stage method is designed to break down the complexity of impact measurement into easily accessible parts and make the process understandable for practitioners to implement. It is useful to view all stages as a fully integrated strategic impact management tool which is best expressed holistically as shown below. The model features a quadruple bottom line approach (abbreviated to 4BL below) to impact categorisation, embracing financial, economic, social and environmental impacts (see figure 2).

Figure 2: The SIMPLE Strategic Impact model



Case study for the application of SIMPLE Strategic Impact methodology:

Capitalise Business Support (CBS) - A Community Development Finance Institution (CDFI)

Capitalise Business Support (CBS), a CDFI social enterprise based in Hastings (UK), an area of high unemployment, and high on the index of multiple deprivation (IMD). Following recent expansion and takeovers, it now serves 3 major counties in the south of England, Sussex (East & West), Hampshire and Kent. It focuses on small and micro enterprise lending with a strong emphasis on start-up loans (over 70%) with mentor support provided throughout the lifetime of the loan to help businesses develop the skills (in finance, marketing, business planning, operations, etc) to start, build and sustain the business for the financially excluded.

Measurement Development and Embedding process by CBS

Adopting an action research approach, working in close partnership with the CBS management and operations team, the Cubist Research Group's focus was problem centred (to develop relevant, robust and practical impact measures), client centred

(tailored to CBS needs and priorities) and action oriented (interactive and iterative process), (Liket et al (2014), Lewin, K. (1946) Bryman, A. and Bell, E. (2007), Argyris, C., (1985).

The development team of Cubist Research Group and CBS, effectively formed an academic-practitioner partnership engaging in experiential learning and reflective review processes which led to a number of refinements and amendments in measures and data capture procedures (Kolb, D.A. 1984).

The process is summarised below:

- Detailed planning, briefing and scheduling with CBS
- Understanding CBS context and CDFI sectoral needs
- In-house facilitated workshops, applying the SIMPLE methodology, with the CBS senior staff team by Cubist Research Group
 - Workshop 1 - Scope It – Review of mission, stakeholder analysis, external drivers and also to establish why it is being done.

- Workshop 2 - Map It - Impact map constructed to identify activities, outputs and outcomes/impacts
- Workshop 3 - Track It - Developed indicators that measured the outcomes/impacts
- Stakeholder engagement - external and internal - testing and reviewing against impacts
- Development of impact indicators (Quantitative, Qualitative and monetised)
- Blended value approach adopted
- Ongoing testing, learning, review with key stakeholders.

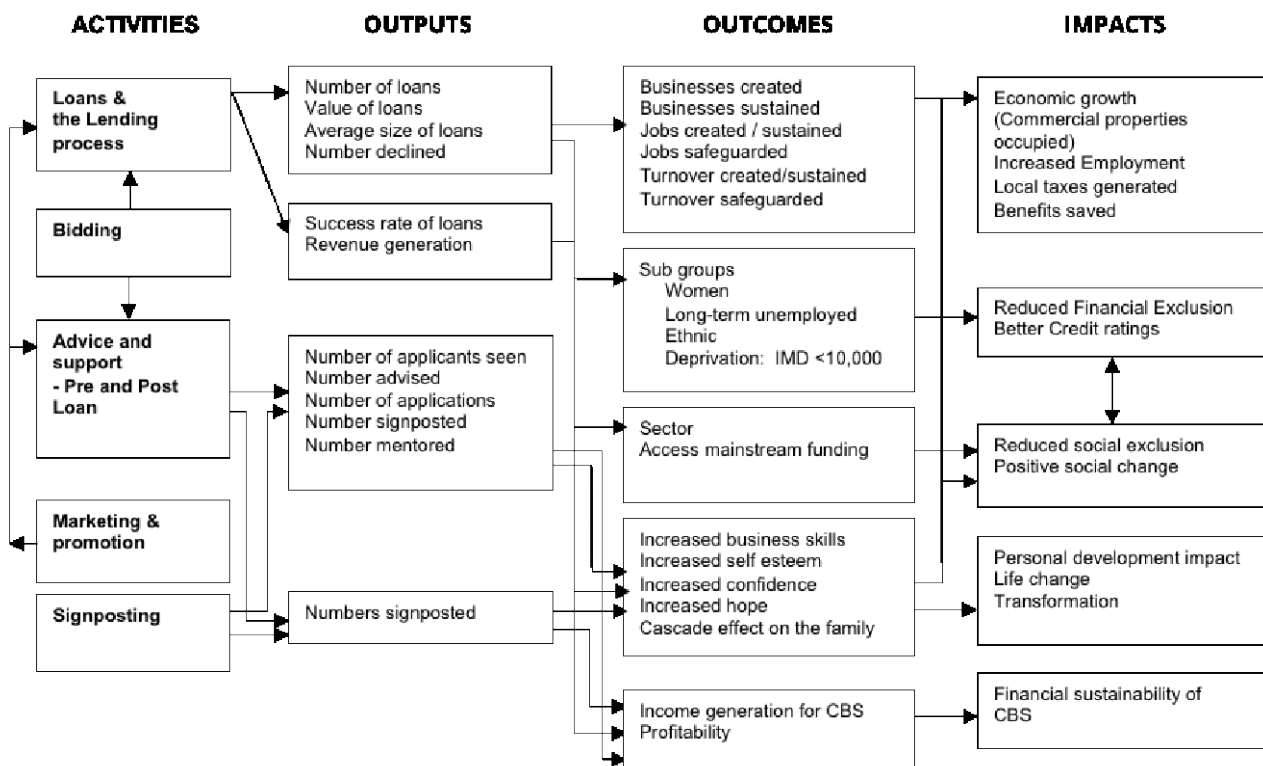
The remainder of the paper will focus on the results from the Map It and Track It stages.

MAP IT stage

The mapping stage facilitated by the application of the logic model (the theory of change model) to identify the inputs, activities, outputs and outcomes (eg. Wholey, 1979). The map below, figure 3, is illustrative of the process from the which the impact measures emerge, ensuring these are consistent with the measurement parameters developed from the scoping phase, especially in terms of being directly relevant to mission and key stakeholders. From the mapping process, social, economic & financial outputs and outcomes were identified as priorities. These intended outcomes were also confirmed by the key external stakeholders.

Technically, one needs to adjust the gross measures for deadweight, displacement and multiplier effects.

Figure 3: MAP IT - the case of CBS



TRACK IT stage - Quantitative, monetised and qualitative indicators developed

It is important to note that a distinction is made here between economic metrics, which relate to the

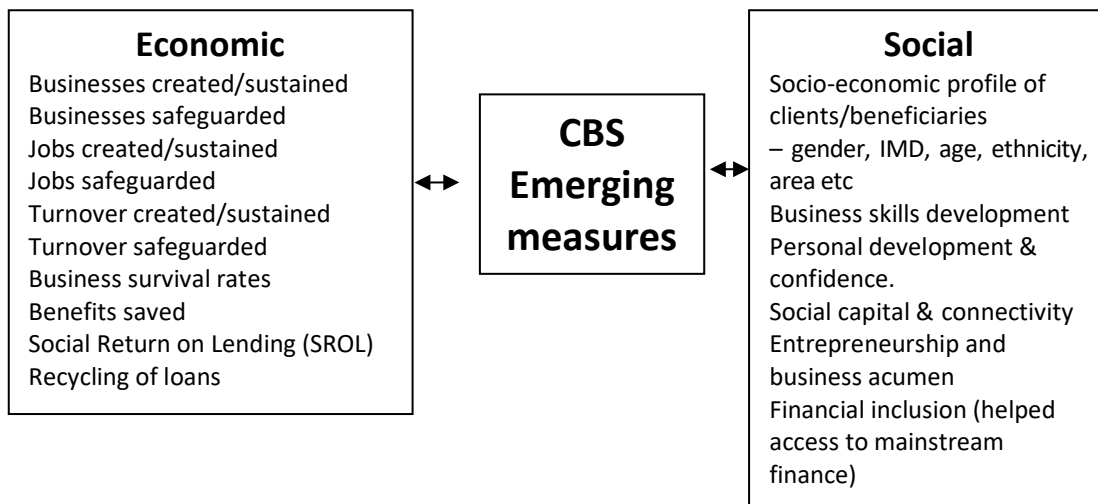
local economy effects (eg. businesses created, jobs created), and financial metrics, which refer to the actual performance of the loan book for the relevant CDFI. The financials are not social impacts

but essential operational aspects to help sustain the business to achieve its social mission.

Social impacts are considered to be the more qualitative outcomes in terms of both personal development and local community (social capital

enhancement). Hence, in this case, triple bottom line effects were identified as priorities to report on. The indicators emerged directly from the impact mapping, the scope it stage, the workshops and the stakeholder engagement (see figure 4 below for the economic and social measures identified).

Figure 4: Social & Economic indicators emerging



Towards a blended values approach to impact measurement

When the total return is considered on an investment in a CDFI it is useful to adopt a blended values approach. That is, to present for a given investment (or resource cost) the range of social, economic (local economy) and financial (direct from loans) returns generated either for a year or over the cycle of a loan. This is an alternative to SROI but is nevertheless presenting return(s) on social investment.

Conclusion

This paper presented a case study, representative of a UK based social enterprise lending CDFI, to develop impact measures. By applying 5 step SIMPLE strategic impact measurement methodology of SCOPE IT, MAP IT, TRACK IT, TELL IT & EMBED IT, a range of social and economic impact metrics were developed which emerged from a series of workshops and stakeholder engagement. A blended social value added approach to impact reporting was advocated which captured the multi-dimensional outcomes of a CDFI intervention and

enabled outcomes metrics to be checked against the mission and key stakeholders

It is hoped that the case study, by applying SIMPLE impact methodology, has demonstrated a useful approach to impact measurement for social enterprises in general, showing how metrics can be tailored to each organisation’s context, mission and relevant stakeholders, in this case the Community Development Finance sector.

Furthermore, SIMPLE is a versatile, nonprescriptive, bottom up, client-centred, systematic & strategic approach which is designed to build capabilities for impact measurement of social enterprise managers. Through extensive application in different social enterprise contexts, the SIMPLE methodology has proven to be a flexible tool which can offer robust blended social valued added metrics – combining, when desired, monetised, quantitative and qualitative indicators, which are cost effective and targeted to each organisation’s measurement needs. The SIMPLE methodology also leaves it to each organisation whether to progress the outcomes & performance metrics to technically net impact and even to the single monetized SROI metric.

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Reporting in Social Entrepreneurship

Scheck, Barbara

Munich Business School, Munich, Germany
Email: Barbara.Scheck@munich-business-school.de

Ann-Kristin Achleitner

Technische Universität München, Munich, Germany
Email: Ann-Kristin.Achleitner@wi.tum.de

Alexander Bassen

Universität Hamburg, Hamburg, Germany
Email: Alexander.Bassen@wiso.uni-hamburg.de

Wolfgang Spiess-Knafl

Next Generation Impact, Vienna, Austria
Email: Wolfgang.Spiess-Knafl@next-generation-impact.com

Abstract

Social enterprises regularly find themselves confronted with the measurement of their performance, the description of their risks and a professional documentation of their work for their investors, funders, cooperation partners or the public. However, there is a lack of standardized, generally accepted reporting practices hindering the effective allocation of resources and the overall development of the social entrepreneurship sector. This article provides a conceptual framework for reporting in social entrepreneurship that intends to fill this gap. Furthermore, it illustrates the Social Reporting Standard (SRS), a standardized reporting tool originating from Germany and applied by a variety of European social enterprises, instructing social entrepreneurs how to assess and communicate their performance to an external audience that can be used across multiple applications.

Keywords: Social entrepreneurship, impact assessment, Social Reporting Standard

Introduction

Contrary to most other countries, the social sector in Germany has developed not as anti-thesis to profit-oriented companies or to the state, but rather in interaction with these. This specific historical development influenced the fundamental relationship between the sectors and is demonstrated by three elemental principles governing the social sector: autonomy, social economy and subsidiarity (Salamon & Anheier, 1996; Evers & Schulze-Böing, 2001): The German state delegates public duties to non-profit organizations under federal supervision which operate within elaborate governance systems. This autonomy led to a highly structured system in which associations play an important part in many aspects

of public life (Anheier, 1997). Social economy is the second pillar of the German social sector representing the idea of an alternative between capitalism and socialism based on a commitment to mutual assistance and low return requirements allowing the non-profit organization to focus on the fulfilment of demand with prices set close to cost level. Cooperatives in the housing sector are a prominent example of this social economy (Anheier et al., 2002). The subsidiarity principle is the single most important economic principle giving personal responsibility priority to public support. Additionally, it states that societal problems should be dealt with at the lowest administrative level (Anheier et al., 2002). The

subsidiarity principle favored the development of six large non-statutory welfare organizations which carry out a significant amount of the social services in Germany. As a consequence, the overall level of activity in the social entrepreneurship arena has been rather limited compared to e.g., Anglo-Saxon countries.

However, there are various recent trends promoting the development of social entrepreneurship: On the demand side of social service provision, the financial crisis has increased the number of beneficiaries in need, resulting from economic restructuring, higher unemployment or losses in the financial markets. In addition, on the supply side, current budget restraints as a result of the financial crisis and low productivity gains in the social sector increasingly force social organizations to introduce more efficient and innovative methods. Another influencing factor constitutes the fact that the number of organizations in the social sector is growing and will therefore lead to increasing competition for financing. Furthermore, there is also a growing demand for socially responsible investments. The total market size in 13 main European countries amounts to over € 9 trillion (Eurosif, 2014) and there are clear signs that the supply side lacks social investment opportunities. This need for a transparent investment universe contributes to the consequence that non-profit organizations have to demonstrate increasingly their ability to work effectively and efficiently.

However, so far, there is no common agreed-on standard for evaluating and reporting social performance. A generally applied reporting standard in social entrepreneurship would serve several objectives that can be clustered in investment (external) aspects and organizational efficiency (internal) determinants: From an investment perspective, firstly, a common reporting system could increase the quality as well as quantity of investments in the social sector and thus lead to a more efficient capital allocation. Standardization could help social entrepreneurs in applying for funding and support more credibly, reporting to multiple funding organizations would become more efficient, enabling faster decision-making. Secondly, it would enable investors to compare to a certain degree investment opportunities in social ventures and aggregate these investments on a portfolio level. This would result in improved funding decisions and more strategic

communication with the funding recipients. Furthermore, it would contribute to a more transparent investment universe and hence to a more efficient capital allocation. From an internal perspective, standardization could encourage a deeper examination of the organization's logic model helping it to allocate resources to activities that yield the best results thus enhancing organizational efficiency.

The remaining paper is structured as follows: In a theoretical section, the foundations for reporting in social entrepreneurship are discussed. In the following, the Social Reporting Standard (SRS) is depicted as one tool to provide relevant information in a systematic way. The article closes with an illustration of practical implications as well as limitations and avenues for future research.

Theoretical foundations

Reporting objectives

It has been shown that existing theories are not entirely transferable to reporting in social entrepreneurship due to the primarily social objectives of social entrepreneurs. However, due to their long-term application and relevance for classic for-profit businesses, they are used as a theoretical starting point and will be adapted in order to apply them to the context of social entrepreneurship. As accounting provides the information communicated by reporting, this paper thus draws on classic accounting and reporting literature and theory.

Reporting can be understood as an instrument of information for external resource providers (for simplification the term investors will be used synonymously for all external resource providers). This information is economic information in the sense that it relates to the status and flow of scarce resources (Anthony, 1978). This so-called decision-usefulness paradigm assumes that resource allocation will be more efficient when rational economic decisions are made possible and is based on agency theory (Jensen & Meckling, 1976; Fama & Jensen, 1983; for agency theory see Eisenhardt, 1989; Hoskisson et al., 1999; for a general discussion of decision-usefulness and stewardship frameworks in reporting see Coy et al., 2001). Agency-problems arise in the case of interest divergence between actors

when decision making authority is delegated from one or more persons to another person. They exist in all types of organizations and lead to the implementation of control mechanisms such as reporting systems in order to reduce information asymmetries (Jensen & Meckling, 1976; Eisenhardt, 1989). In the case of the relationship between a social entrepreneur and investors who finance social ventures, intransparent markets lead to massive information asymmetries and possibly to a perceived divergence of goals between the actors. In this case, reporting can alleviate agency-problems by providing information and thus reducing information asymmetries.

However, it is possible that there is an interest alignment to maximize social impact between the social entrepreneurs and their financiers. In this case, agency theory is not applicable, instead stewardship theory has to be taken into consideration (Arthurs & Busenitz, 2003). Stewardship theory postulates congruence of goals between actors and puts the focus of reporting systems on the accountability of management (Donaldson & Davis, 1991, Davis et al., 1997; Coy et al., 2001). It can be concluded that decision-usefulness and stewardship objectives of reporting are not mutually exclusive. Rather the relationship between an investor (the principal) and the social entrepreneur (the agent & the steward) evolves over time from an agency (precontractual) to a stewardship relationship (postcontractual; Van Slyke, 2007).

Hence, reporting is no end in itself, but in a teleological sense a means of information procurement for decision-making of potential and present investors as well as the social entrepreneur's accountability towards his current investors. In order to provide useful information, this formal account should conform to certain fundamental qualitative characteristics. Irrespective of different national accounting and reporting systems, four qualitative characteristics can be identified as essential (in Germany they are called "Grundsätze ordnungsgemäßer Rechnungslegung", see Moxter, 2003; IASB, 2006, in the US for instance they are explained in the Statements of Financial Accounting Concepts (SFAC), Financial Accounting Standard Board, 1980). The primary qualities of reporting information are relevance and reliability. Relevance of information is fundamental for decisions meaning that a complete

overview has to be provided allowing either to predict the outcome of decisions or to confirm expectations. In addition, information must be available at the moment the decision is made in order to be relevant. Reliability of information is generated by verifiable, faithfully represented facts that are free of bias.

Secondary reporting characteristics are comparability and consistency. Comparability of information comprises the possibility of intertemporal and intersubjective verifiability of data. This implies a consistency of method and certain standardization. All reporting information is subject to constraints imposed by cost and materiality. These two quantitative characteristics ensure that the benefits exceed the cost of reporting and that only material information is included (Financial Accounting Standards Board, 1980). In practice, no reporting standard will be able to fulfil all four requirements equally as there will always be a trade-off between them (for example the most relevant information also provides the least reliable information). Nevertheless, they provide the general foundation for specific practical recommendations. It is necessary to judge their relative importance and to decide what alternative on balance is most consistent with them (Anthony, 1978).

Users and their information needs

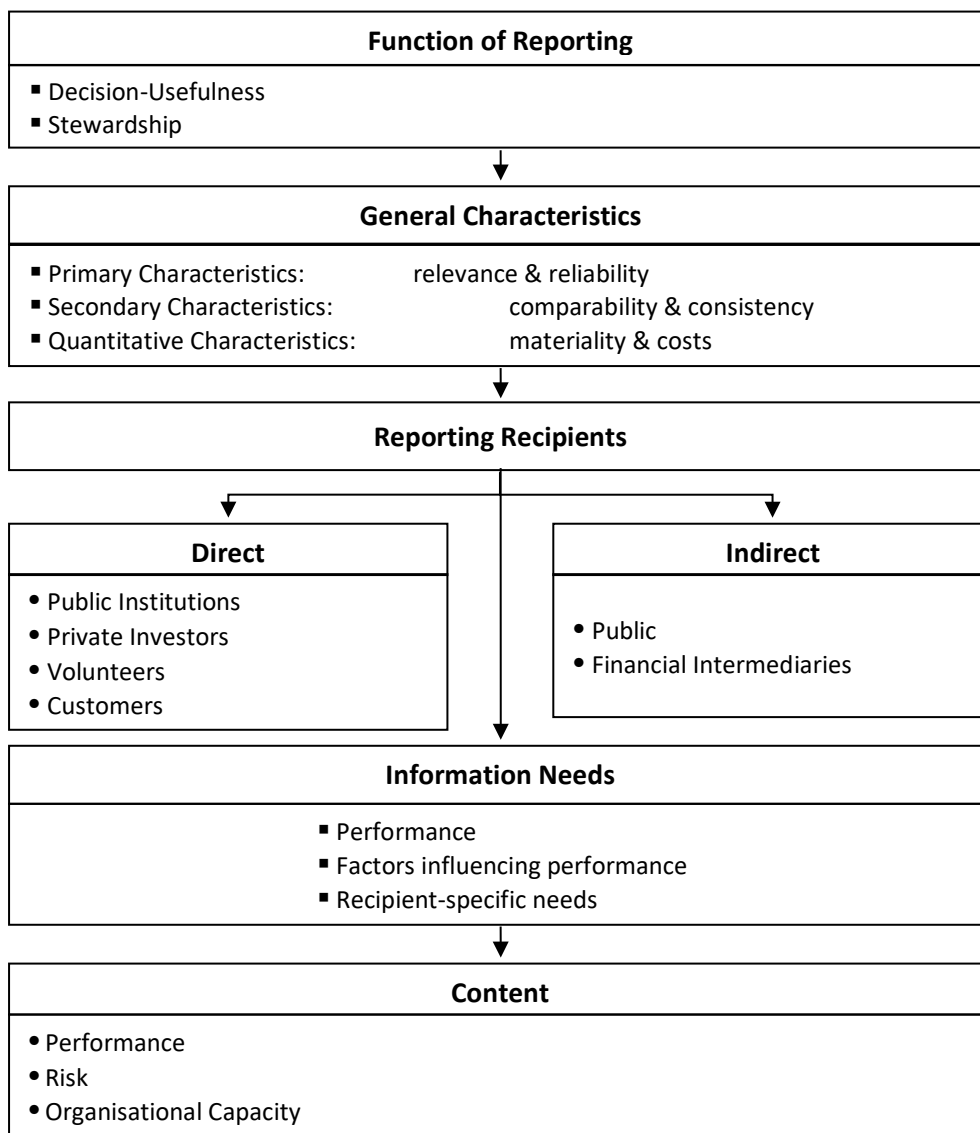
For a reporting in social entrepreneurship, several recipients can be identified: firstly, direct recipients with primary interest include public administration, private investors, volunteers and customers. Indirect recipients with derivative interest in reporting information comprise constituents and financial intermediaries.

Concerning user needs, recipients of a reporting in social entrepreneurship need information for an optimal allocation of their resources – this is information about performance and all factors that influence performance namely risk and organizational capacity. Performance information is any data that allows the investor to assess how well the social entrepreneur is doing regarding the effective and efficient use of resources to achieve results over a given time period (Berman, 2006; Twersky & Blair, 2002).

Another aspect that has to be included in a reporting system is risk as it influences performance. Taking on risk is a core element of entrepreneurial acting (Knight, 1921; Cantillon, 1931; Hebert & Link, 1989; it also applies to social entrepreneurs, see Brinckerhoff, 2000; Mort et al., 2003). Risk assessment and its management (avoidance, transfer, assumption, reduction) entail various benefits from the perspective of the social entrepreneur (Henson & Larson, 1990; Herman, 2005). Most importantly, once assessed, social entrepreneurs can protect themselves better against risks. From an investor's perspective, investment choices can be optimized according to individual 'risk & return' preferences.

A second factor influencing a social entrepreneur's performance is the organizational capacity of the venture defined as its ability to survive, to successfully apply its skills and resources in order to pursue its goals and satisfy its stakeholders' expectations (Honadle, 1986; Horton et al., 2003). The concept encompasses organizational resources, structures and processes and covers topics such as governance, financial management, human resource management and information technology. Organizational capacity hence constitutes a prerequisite for achieving results.

Table 1: Determinants of a Reporting in Social Entrepreneurship



Source: Own illustration

A framework for reporting in social entrepreneurship

Existing practices

Traditional reporting involving the mere gathering of financial indicators is insufficient in the case of social entrepreneurs. For one thing, the possibility of generating earned-income at all depends on which social problem the social entrepreneurs are addressing (Dees, 1998; Foster & Bradach, 2005). Furthermore, reaching monetary goals is only of secondary importance for social entrepreneurs, they rather aspire to achieving positive and sustainable social change (Brinckerhoff, 2000; Kramer, 2005; Nicholls, 2005).

Realizing the necessity of assessing a social venture, a variety of methods and tools comprising useful indicators has been developed (Clark et al., 2004). However, these existing methods are mostly context-specific, e.g. intended to solve a particular problem in one organization and thus aimed either at certain types of ventures – non-profit or for-profit – or different audiences, applicable at a certain investment stage, or intended for a certain function (e.g. for exit, scaling or management operations; see The Rockefeller Foundation & The Goldman Sachs Foundation, 2003; Armstrong, 2006). Furthermore, a distinction exists regarding the definition of outcome and impact between Anglo-Saxon and continental European stakeholders.

All these methods are not flexible enough to reflect the innovative solutions of social entrepreneurs and so far did not meet social investors' needs for a transparent and well-documented base for their investment decision. This highly fragmented and inconsistent status of evaluation practice and lack of standardization arises out of several theoretical, methodical and practical challenges, the most critical ones being the strong heterogeneity of social entrepreneurial organizations, the difficult proof of causality and attribution as well as the qualitative and highly subjective nature of the effects (Bell-Rose, 2004; Kramer, 2005; Wei-Skillern et al., 2007).

The Social Reporting Standard (SRS)

On the basis of the above mentioned considerations, the so-called Social Reporting Standard (SRS) has been

developed in Germany in 2009 as an open civic society initiative inviting all interested parties to engage and contribute. Like traditional reporting standards, SRS does not rate the reported information, but rather aims to establish a common language and information structure and provide an easy-to-use framework for non-profits. However, contrary to traditional reporting standards with a focus on operating performance and financial return, SRS comprises multidimensional information on performance and its influencing factors as well as the effectiveness of the organization.

The following parameters are used within this framework:

- **Performance:** This constitutes the equivalent of performance figures for traditional entrepreneurs and contains information that allows the funder or investor to assess the non-profit's effectiveness at efficiently using resources to achieve its social objectives. Regarding these results, the impact value chain distinguishes outputs, outcomes and impacts in relation to set goals as measures of effectiveness. Efficiency, the other component of performance, is defined as ratio of outputs to inputs. Financial performance has to be considered as well in order to demonstrate the financial sustainability of the organization, even though such information plays a subordinate role to societal objectives.
- **Organizational capacity:** A comprehensive presentation of typical organizational elements, such as a strategy, personnel, financials, as well as partners and networks, is crucial for audiences to gain a thorough understanding of the organization and its ability to achieve social impact in the long run.
- **Risk** is an important part of the overall presentation. It helps both parties – the investor as well as the social entrepreneur – to understand the risk of the operations and to develop a certain understanding for the social mission. Whereas traditional businesses take risks on their own behalf (or on behalf of their shareholders), non-profits have the additional risk factor on behalf of the constituents their organization serves. It is therefore even more important for non-profits to account for and disclose these risks in a reporting framework. Such

risk assessment and management (avoidance, transfer, assumption, and reduction) affords better protection for the non-profits and helps funders make better choices according to their individual risk appetite.

SRS hence outlines five sections (A-E) that guide its users in establishing a comprehensive picture of their organization in a single document. For all users, the requirements are the same and should be applied consistently over time. In order to guarantee completeness of information, the reports established

according to SRS should include all items addressed in the guideline or state the reasons for not doing so (so-called principle of 'comply or explain'). In each section, step-by-step instructions specify the required information and offer examples on how to collect and prepare the information. Sections not requiring annual updates (e.g., organizational structure) are highlighted in order to improve efficiency for repeat users. Social Enterprises can use SRS to report on one or on several activities, on the entire organization, or on multiple organizations offering joint programs.

Table 2: Structure of the Social Reporting Standard

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Introduction		4	
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PART A			
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1.2 Reporting cycle		6	
1.3 SRS compliance		6	
1.4 Format and structure of the report		6	
1.5 Contact persons		6	
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5.1 Organisational structure		16	
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PART E			
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7.4 Management report		23	
About the initiators of SRS		24	

Source: Social Reporting Initiative e.V. (2012).

Implication and limitations

Current Status of Implementation

Currently, roughly 200 social enterprises in Europe are known to have so far implemented the SRS, the actual number of users might be higher. Although, some social entrepreneurs were initially discouraged by the prospect of spending two working days on the implementation of the standards, the benefits are clearly outweighing the costs. The benefits for the social entrepreneurs are manifold. The implementation helps the social entrepreneurs to better understand their operations and forces them to formulate their concepts about target group, market

and product in a precise way. Additionally, SRS allows the social entrepreneur to set up milestones and can be used for internal monitoring as a tool for self-evaluation or advancement of the method.

Limitations

The model of the SRS and its application entail naturally some limitations: First of all, SRS does not require a quantitative assessment of societal impact in its guidelines. Although this might not be sufficient for a variety of financial investors, this decision was taken deliberately given the lack of an agreed-upon common measurement framework, in order to enable as many social enterprises as possible to use the

standard. This might hinder absolute comparability between organizations, SRS nevertheless, suggest a standardized terminology and presentation of information as a first step towards increased comparability. Furthermore, the presentation of social performance, associated risks and underlying organizations capacity requires a certain degree of knowledge and expertise on the part of the report reader. So far, the capability of interpreting impact information still remains rather limited on behalf of funding entities. In addition, reporting constitutes only one part of performance management, other relevant steps, such as planning or monitoring are also crucial in supporting organizations on the path toward impact-oriented performance management.

Outlook

The Social Reporting Standard can be the base for various strings of further research. For example, by focusing on longitudinal studies, the information provided through the SRS could increase the knowledge on success factors or causalities of

different concepts to solve a given societal problem. Furthermore, it could be interesting to analyze the use of the reported data by external and internal parties. For instance, regarding funders, a crucial question remains whether they indeed appreciate and are capable to assess additional impact information. Internally, it could be interesting to further understand the use of impact data in strategically managing social enterprises. These questions could be addressed either using an inductive case study approach or applying innovative experimental methods.

The aim of the SRS as described in the present paper is not to be universally applicable but rather to offer a valid method to structure and systematize information in the complex social sector. With the necessary practical experience, the standard could be further improved and also adapted for other countries or the entire social sector.

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Distinguishing Game Changers from Boastful Charlatans: Which Social Enterprises Measure their Impact?

Karen Maas

Impact Centre Erasmus, Erasmus University Rotterdam, The Netherlands
Email: maas@ese.eur.nl

Cecilia Grieco

LUMSA University Department of Human Studies, Rome, Italy
Email: c.grieco@lumsa.it

Abstract

Social Entrepreneurship (SE) is a beautiful and growing vehicle in society to tackle social problems in innovative ways. Unfortunately, existing research has failed to address to what extent SEs are truly living up to their promises. In result, surprisingly little is known about the actual success of SEs in creating social impact. Even more elementary, we do not know whether SEs are measuring and monitoring their social impact. Using a worldwide sample of 3,194 SEs from the Global Entrepreneurship Monitor (GEM) data this study provides unique insights, as it represents the first global and harmonized assessment of the practice of impact measurement of SEs. We find that about 33% of the SEs in our sample do measure their impact. Furthermore, the results show a significant positive relation between economic mission, size and innovativeness of the SE and impact measurement. The relation between social mission and impact measurement show a significant negative result. These results can be seen as a starting point in investigating the actual practice of SEs involvement in impact measurement and opens up interesting avenues for future research.

Keywords: Social Entrepreneurs, Social Entrepreneurship, Impact Measurement, Performance measurement

Introduction

Social Entrepreneurship (SE) is supposed to change the world. One of the most famous examples of a social enterprise is the Grameen bank, a microfinance banking system that provide unsecured credit to the poor. Muhammed Yunus (2009) the founder of the Grameen Bank, received the Nobel Peace Prize for his pioneering microfinance activities in 2006. Many other examples of impressive SEs can be found, yet, there is still a lack of consensus about what SE really is and what the impacts of SEs on societies are.

Despite the divergent perspectives on the exact definition of SE, there are several commonalities across the definitions of SE. These key features are:

1) social mission (e.g. Certo and Miller 2008;), 2) innovativeness (e.g. Mair and Marti, 2006; Austin et al., 2006a), and 3) market orientation (e.g. Wallace, 1999).

Many SEs say to strive at solving various social dilemmas – in the economic, social and environmental domains. Yet, one crucial prerequisite for SEs is to develop capabilities to measure and monitor these societal values (Maas and Boons, 2010). The reason for this is twofold. On the one hand, if SEs truly aim to positively impact society, then the strategic relevance of social impact needs to be converted into operational implementation activities, and the measurement and management of social impact

performance and improvements becomes crucial (Maas and Liket, 2011). On the other hand, given the public interest in social impact, impact is closely related to transparency, accountability (Gray, 2010) and legitimacy which is seen to require some form of external validation. Moreover, one would also expect that - given investor' interest in SEs -, SEs are increasingly required to be transparent and accountable for the claims they make about the social impact that they aspire to have.

Surprisingly little is known about the actual success of SEs in creating social impact and measuring the impact that SEs create is among the most important challenges for SEs (Ney et al., 2014). However, even more elementary, we do not know whether SEs actually are involved in measuring and monitoring their social impact. This research is the first effort to increase our knowledge about the extent to which SEs report to measure their impact, and increase our understanding of what determines whether SEs measure their impact.

The aim of this study, therefore, is to add to the body of theoretical and anecdotal suggestions by providing an empirical analysis of the extent to which SEs perceive to measure their impact. In this study the Global Enterprise Monitor (GEM), world's largest data collecting effort on regular entrepreneurial activity is used to analyse whether SEs report that they measure their impact. With data about 3,194 SEs the authors attempt to identify and explain their motives for doing so by examining the relationship between impact measurement and SEs self-reported emphasis on social mission, innovativeness and market orientation.

Theoretical Background

Social Entrepreneurship

Entrepreneurship has long been related to the creation of both economic and social value. However, empirical studies on the actual social value creation of specific entrepreneurs or actions of enterprises are extremely scarce (Mair and Martí, 2006;). As Tobias et al. (2013) put it: "We have a fragmented understanding of the processes through which entrepreneurs may help produce social change and at the same time create economic wealth."

Scholarly attention to the topic of social impact is, however, not commensurate with its importance (Maas and Liket, 2011; Salazar et al., 2012; Tobias et al., 2013). Fields such as business ethics, Corporate Social Responsibility (CSR) and SE are preoccupied with internal organizational processes such as motivations, governance and financial benefits (Husted and Salazar, 2006; Zahra et al., 2009). They have tended to neglect the impact of firms on society. Although scarce, there are some examples of empirical literature of the impact of the actions of social enterprises on society (e.g. Tobias et al., 2013). Research has focused, for example, on the relationship between social entrepreneurship and communities.

Previous research propose that the warm glow of aiming for social value is stronger than the need for validation of their expectations (Baron, 2007) and that this also holds in the case of SE (Hoogendoorn, 2011). The importance that has been given to the social mission of SEs has left researchers and managers puzzling over how SE performance, and the related impact SEs have on society, can be measured (Ney et al., 2014). However, without measurement the expected positive impact of firms on society remains dubious (Salazar et al., 2012).

Impact measurement

In general, performance measurement is necessary to support continuous improvement processes in SMEs. This is equally the case for SEs (Austen et al., 2006b). However, there are several constraints that limits the use of performance measurement by SMEs, e.g. lack of financial and human resources, and short-term strategic planning. Performance measurement helps the company set future objectives and plan any necessary improvement processes (Maas et al., 2016).

Current practice in performance measurement tends to focus on measuring only a part of the total impact that organizations have on society. While generally accepted principles of financial accounting are established to measure and report on economic impact on an organizational level, comparable standards for measuring the impact upon the society have yet to be developed. This lack of common practice, methods and standards results in companies measuring only business impact and financial results even when social goals are the

primary drivers for operational choices (Salazar et al., 2012). Only by measuring the impact of these activities on the business and society can it be determined whether SEs have achieved the desired goals. And it is only through such measurements that improvements to results can be made strategically.

Although specific definitions of impact vary, it is generally used to describe the ultimate net social value contributed to, or change made in, society as a result of the actions. Thereby, impact comprises the effects at the final level of the causal chain that connect the action to the eventual impact on society (Maas and Liket, 2011). This causal chain, also referred to as the 'impact value chain', distinguishes between the resources used for an action (*input*); the action itself (also referred to as *project or activity or intervention*); the immediate quantitative synthesis of the action (*output*); the direct changes in people, organizations, natural and physical environments, and social systems and institutions (*outcome*), along with highest order effects of the action (*impact*).

Existing literature on impact, unfortunately, mostly focuses on the definition of impact measurement rather than explaining how SEs go about measuring their impact and what the drivers are for impact measurement.

Conceptual Framework

Because SEs use business models to achieve social goals, they are accountable to a complex range of stakeholders. As Nicholls (2005) explained, a number of pressures are driving the new agenda around improved accountability of SEs. For example, many major donors, particularly foundations, are now asking SEs to provide detailed evidence on what they spend their money on, how they learn from their mistakes and successes, what impacts they have achieved and in what ways they have achieved their mission.

Based on performance measurement and management accounting theory one would expect that several drivers on the firm level influence impact measurement. In accounting and SE literature several studies attempt to identify influential factors on the impact measurement behaviour of SEs, such as relative emphasis on social mission (Mair and Marti,

2006; Nicholls, 2005), self-perceived innovativeness (Chell et al., 2010; Nicolls, 2007), and degree of market orientation (Liu et al., 2013). As a result, we hypothesize that social goals are positively related to impact measurement, innovativeness, and market orientation.

H1: Social entrepreneurs who report to prioritize social goals over economic or environmental goals are more likely to measure their impact.

H2. Social entrepreneurs who report to be highly innovative in their products or process

H3: Social entrepreneurs who report to be highly market oriented are less likely to measure their impact.

Method

The aforementioned hypotheses have been tested using the Global Entrepreneurship Monitor (GEM) dataset. In 2009, additional questions were added so that the entity of SE activities within the analyzed sample could be assessed. The 2009 GEM questionnaire was administered to more than 180,000 individuals in more than 50 countries all over the world. The entire sample was asked about their actual current or potential involvement in any kind of activity, organization or initiative that has a particularly social, environmental or community objective. In total, 8,774 individuals answered positively (less than 5% of the whole sample) and they were almost equally divided into actual owners and potential start-ups of social enterprises. For the purpose of the analyses we focused our attention on the actual owners of SEs (N=3,894). Due to missing data 700 SEs dropped out, our final sample consists of 3,194 SEs.

We used logistic regression to provide an estimate coefficient corresponding to each category of independent variables, indicating the probability that the dependent variable will change based on the knowledge of the independent variables. Impact measurement has been used as the dependent variable in our analysis.

One specific question (GEM 6B16) from the GEM questionnaire asks about intentions and actual practices related to impact measurements. The question states "Are you indeed measuring or planning to measure the impact along these three categories (economic value, societal value, environmental value)"

allows three different answers: “Yes, currently measuring” (N=1,048), “Yes, planning to measure in the future” (N=629), “No: Not currently measuring or planning to measure” (N=1,517). We are interested in the actual behaviour of social entrepreneurs. We considered those who answered (b) and (c) as not carrying out any processes of impact measurement and we reformulated this question as a dichotomous one.

Three independent variables were included in the model:

- a. The importance given to social goals: information on these variables was drawn from GEM question 6B15, where organizations were asked to allocate a total of 100 points across economic value, societal value and environmental value, as it pertains to their goals. The average of percentage values given to each kind of goals has been considered as an indication of how much social goals are valued compared to other goals organizations strive for.
- b. The level of innovation in social enterprises' activities: information on these variables was drawn from GEM questions 6B17-6B22, where organizations were asked about the extent to which they perceive themselves as innovative concerning the (1) type of products and services, (2) way of producing, (3) delivering or (4) promoting them, (5) addressed target

market. All these questions have been merged into a new single variable (minimum score zero, maximum score five), measuring the overall innovativeness of interviewed SEs.

- c. The market orientation: information on this variable was drawn from GEM question 6B14, where organization were asked to indicate the percentage of their total income that comes from the sale of products and services.

Also, we control for several variables to test the model: the age of the organizations (based on the first year the activity provided services to others or received external funding), the firm size (based on the number of employees), country specification (based on location) and the related GDP per capita in 2009 (retrieved from The World Bank database). Next to that we control for innovativeness.

Results

Descriptive statistics show the extent to which SEs claim to measure their social impact and how this attitude changes on the basis of the independent variables. The data shown in table 1 suggests that there are no big differences in the percentage of the value SEs allocate to economic, social and environmental goals between those who claim to measure impact and those who do not measure impact.

Table 1: Descriptive statistics

Impact measurement	Stats	Economic goals	Social goals	Environmental goals	Innovativeness	Market orientation
<i>No: not currently measuring or planning to measure</i>	mean	26%	58%	18%	15%	60%
	sd	27.6	31.4	18.0	16.6	49.2
<i>Yes: currently measuring</i>	mean	30%	54%	19%	22%	56%
	sd	27.8	29.5	18.3	18.6	35.7

The correlation matrix showed high and significant correlation between % Social goals (model 1), % Economic goals (model 2) and % Environmental goals (model 3). This showed a potential existence

of multi-collinearity between the independent variables that could adversely affect the model. The expected multi-collinearity is also confirmed by V.I.F. (>50) and condition indexes analysis. To exclude all

threats of multi-collinearity it has been decided to run the analysis separately for % Social goals, % Economic goals and % Environmental goals. Logistic regression is needed to move beyond a simple

descriptive and most of all to understand the validity of the overall model. The regression results are shown in table 2.

Table 2: Result of Logistic regression analysis

Independent variables	Impact measurement Model (1)		Impact measurement (Model 2)		Impact measurement Model (3)	
	<i>B (SE)</i>	<i>Exp B</i>	<i>B (SE)</i>	<i>Exp B</i>	<i>B (SE)</i>	<i>Exp B</i>
% Social goals	-.005* (.003)	.995				
% Economic goals			.005* (.003)	1.005		
% Environmental goals					-.003 (.005)	.997
% Sale	-.0004 (.002)	.999	-.000 (.002)	.999	.000 (.002)	1.000
Age	-.003 (.003)	.997	-.003 (.003)	.997	-.004 (.003)	.996
Size	.092* (.049)	1.096	.097** (.049)	1.101	.074 (.051)	1.076
Innovativeness	.231*** (.047)	1.260	.238*** (.047)	1.269	.211*** (.049)	1.23
GDP per capita 2009	-.006 (.009)	.994	-.007 (.009)	.993	-.011 (.009)	.989
Ref = Africa						
Asia	-1.97* (1.17)	.139	-1.946* -1.171	.143	-1.756 (1.164)	.173
Europe	-.011 (.582)	.989	.065 (.582)	1.068	.304 (.586)	1.355
Latin America	-.092 (.547)	.912	-.025 (.546)	.975	.061 (.546)	1.063
Middle East/North Africa	-.342 (.635)	.710	-.247 (.634)	.781	-.050 (.635)	.952
North America	-.671 (.852) (2.023)	.5112	-.581 (.852) (2.029)	.559	-.345 (.851) (2.033)	.708
Log Likelihood chi-square	47.06***		48.69***		32.99***	
Pseudo R ²	0.05		0,05		0,04	
Pearson's goodness-of-fit	p = .39		p = .38		p = 0.37	
Hit-rate	66.88%		67.14%		65.19%	

*** represents P-value<=0.01, ** represents 0.01<P-value<=0.05 and * represents 0.05<P-value <=0.1.

Social goals have a negative significant effect on impact measurement (-.005, $p < 0.10$). As a result, hypothesis 1 is rejected. However, economic goals are positively significantly related to impact measurement (.005, $p < 0.10$). No significant results are found for environmental goals. The results show that innovativeness in all models is positively

and significantly related to impact measurement (respectively for model 1: .231, $p < 0.01$, model 2: .238, $p < 0.01$, model 3: .211, $p < 0.01$). So the more innovative SEs are, the more they will measure their impact. As a result, hypothesis 2 is accepted. No significant results are found for market orientation and impact measurement. As a result, hypothesis 3

is rejected. Finally, we also find a positive significant effect of the control variable size of SEs on impact measurement for model 1 and 2 (respectively for model 1: .092, $p < 0.10$, model 2: .097, $p < 0.05$). The larger the size of a SE, the higher the probability that impact is measured. GDP per capita and region do not have a significant effect on the dependent variable, except for Asia in model 1 and 2 showing a significant negative effect on impact measurement.

Conclusion

Four main conclusions can be drawn on the basis of our results. The first conclusion is that there is no significant relation between social goals and the practice of impact measurement. This could be explained by several reasons. Firstly, impact measurement is a relatively new field of analysis (e.g. Maas and Liket, 2011). SEs are just starting to work on impact measurement and perhaps it will require more time to fully understand and integrate impact measurement within managerial practice. Secondly, although the disconnection between social aims and impact measurement may initially seem contradictory, it draws our attention to the *warm glow* feeling of working in the non-profit sector. In line with previous scholars (Hoogendoorn, 2011), our results seem to show that the warm glow of aiming for social value is stronger than the need for validation of their expectations.

The second conclusion is that innovativeness is significantly correlated with impact measurement. The more SEs say that they wish to be innovative in their products/services, or in the ways in which they produce, deliver, promote them, the more they

measure their impact. This could be a confirmation of the claim that SEs should measure social value to innovate (Nicholls, 2007, p. 5).

The third conclusion is based on the relation between market orientation and impact measurement. Although the descriptive analysis shows a clear difference between impact measurement of SEs that are more market oriented and of SEs that are less market oriented, the logistic regression does not show any significant results. In light of the trend for more accountability from SEs (Nicholls, 2005), this result is quite surprising. Although the social impact of social activities can only be improved through careful evaluation and measurement (Salazar et al., 2012), it might be that investors and donors are not interested in the social impact of their investments or gifts.

The fourth conclusion is that the size of the organization has a significant impact on impact measurement. This could be explained by institutional theory, with the argument being that large organizations are more subject to legitimacy concerns because of their visibility (Meyer and Rowan, 1977). Accounting literature shows that larger organizations are in general more willing to use sophisticated accounting methods (e.g. Guilding et al., 2000). The age of the organization does not seem to have any effect on impact measurement. Kramer's analysis (2005) underlines the relation between life cycle stage and the necessity of measuring social impact. This might be an interesting avenue for future research.

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