Policy Brief on Social Impact Measurement for Social Enterprises

Policies for Social Entrepreneurship
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Policies for Social Entrepreneurship
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Social impact measurement aims to assess the social value and impact produced by the activities or operations of any for-profit or non-profit organisation. Although any business can have a social impact, non-profit organisations and social enterprises are explicitly designed to create social value while addressing social challenges and are therefore expected to produce social impact. The analysis of both the academic literature and the laws and policies implemented to date highlights several key characteristics of social enterprises. Producing social impact is only one of the conditions (albeit an important one) required for an entity to be recognised as a social enterprise.

The legal forms of social enterprises in different countries show that they typically share certain features, such as operating in specific fields deemed of public interest by the state or the community, being constrained in the distribution of profits, and in most cases are bound by an asset-lock provision, and being required to have participative governance and democratic management. The profit distribution and participative governance criteria exist specifically to ensure that social enterprises achieve their mission of producing positive social impact. Regardless of whether they meet these criteria or not, social enterprises that seek funding are expected to measure their social impact. Traditional for-profit businesses should be expected to do so as well. This could ensure that investment funds finance traditional businesses or social enterprises with significant social impact.

It is worth mentioning that social impact measurement is a relatively new field, hence some experimentation might be needed to help structure it and create a measuring culture. Moreover, the very concept of social enterprises is still being defined in many countries.

This policy brief will present the fundamental issues and ongoing debates surrounding social impact measurement. It will also provide concrete examples of measurement methods, underline challenges related to social enterprises and conclude with a number of issues relevant to policymaking.

### WHAT IS SOCIAL IMPACT MEASUREMENT AND WHAT IS ITS PURPOSE?

There is no common language to date on social impact measurement. The field is rapidly evolving, with national and international debates taking place inside academia, institutions and communities of practice. Addressing this complex issue thus first requires understanding the definitions of social impact.

**What is social impact?**

The idea of social impact is strictly related to the social value produced by organisations (Bassi, 2013). The term ‘social impact’ — which may overlap with ‘social value creation’ (Emerson et al. 2000; Gentile, 2000) and ‘social return’ (Clark et al., 2004) — has many definitions and may also be linked with ‘social accounting’. Social impact(1) is usually defined in reference to four key elements (Clifford, 2014):

- the value created as a consequence of someone’s activity (Emerson et al., 2000);
- the value experienced by beneficiaries and all others affected (Kolodinsky et al., 2006);
- an impact that includes both positive and negative effects (Wainwright, 2002);

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(1) Some authors (Ebrahim and Rangan, 2010) use the term ‘societal impact’ instead of ‘social impact’, assuming that an organisation produces several types of impact (economic, political, social and cultural).
an impact that is judged against a benchmark of what the situation would have been without the proposed activity.

The Group of Experts of the European Commission on Social Entrepreneurship (GECES, 2014) features a subgroup focusing on social impact measurement. This subgroup produced a report (approved in June 2014) that refers to social impact as ‘the reflection of social outcomes as measurement, both long-term and short-term, adjusted for the effects achieved by others (alternative attribution), for effects that would have happened anyway (deadweight), for negative consequences (displacement) and for effects declining over time (drop off)’ (GECES, 2014).

While other definitions of social impact exist and numerous attempts have been made to find a common ground, ‘the lack of consensus on the definition of social impact and the best way to measure it hampers both the academic debate on social impact, as well as the usage of social impact methods’ (Maas and Liket, 2011). Nevertheless, the last couple of years have seen considerable headway and some initial consensus on definitions.

Why is it important to measure the social impact of social enterprises?

Social enterprises are a new type of business, characterised by an entrepreneurial approach to delivering activities that are aligned with an explicit social mission. Social enterprises are becoming central to the global economic system (Nicholls, 2006, 2009, 2010; Borzaga and Defourny, 2001; Galera and Borzaga, 2009; European Commission, 2013; OECD/European Union, 2013). Their complex nature, together with their growing number and influence around the world (Drayton, 2002; Bornstein, 2004; Harding, 2004; Nicholls, 2006, 2009; Nicholls and Young, 2008; Defourny and Nyssens, 2008; OECD 2009; OECD/EU 2013), makes understanding and measuring their social impact a priority for all stakeholders (i.e. public authorities, impact investors, services-users and social enterprises themselves).

Public authorities — which have been major funders of social enterprises, such as working integration social enterprises (WISEs) and social service enterprises — now have budgetary constraints and need to allocate their resources even more carefully than in the past.

In addition to ‘impact investors’, traditional financial institutions also seem prepared to invest in social enterprises, with the potential to develop viable markets in specific sectors. Still, they need to determine whether their investment will indeed produce a social impact in addition to financial returns.

Finally, social impact measurement can help social enterprises set realistic objectives, monitor and improve performance, prioritise decisions and access capital markets more competitively (Nichols, 2007).

Measuring social impact is important, but potentially arduous. The difficulty lies in the special nature of enterprises whose primary objective is to produce social value (OECD, 1999, Noya, 2009; Andreaus, 2006), but which must also create economic wealth in order to remain viable and sustainable. These two objectives are not mutually exclusive. Social enterprises can be considered not only ‘double bottom-line’ organisations (Dart et al., 2010), but also ‘triple bottom-line’ organisations, adding an environmental dimension to their social mission and expected financial returns. Therefore measuring their performance presents a number of challenges (Epstein and McFarlan, 2011; Dart et al., 2010; Dees and Economy, 2001; Dees, 1998a), as it cannot be done effectively by using traditional indicators (Austin et al., 2006).

A fundamental reason why traditional performance measurements used to evaluate for-profit businesses do not apply to social enterprises is that their mission affects multiple stakeholders (public authorities, private investors, internal stakeholders and external beneficiaries). Social enterprises should therefore ideally use a ‘multidirectional’ accountability system, focusing not only on the economic bottom line, but also on social outcomes. This system holds them accountable to their stakeholders and satisfies their sometimes competing claims while also considering any complexities in managing these relationships (Kanter and Summers, 1987).

Measuring the impact of social enterprises is not a new phenomenon. As the literature suggests (Nicholls, 2009, 2010), social enterprises have always been expected to measure their impact and align with the requirements applied to for-profit business (Mair and Marti, 2006; Andreaus, 2007). Some social enterprises already use social reporting and social accounting, together with other metrics (some of which appear below), to assess their social impact. What is new is the move towards social impact measurement, and notably towards a standardised, synthetic measurement process (Jany-Catrice, 2015).

Academic and non-academic views on social impact measurement

As the analysis of the academic literature demonstrates, there is neither a commonly agreed definition of social impact measurement nor a shared understanding of the overall aim of social impact measurement.

(4) In 2012, the European Commission created a group of experts on social entrepreneurship to study ‘the opportunity, development, setting up and implementation of all the actions mentioned in the Social Business Initiative, or further development of social entrepreneurship and social economy’, http://ec.europa.eu/internal_market/social_business/expert-group/index_en.htm


(6) Also considering the literature on social accounting.
Accounting and measuring for social enterprises relies on three main approaches (Manetti, 2014; Nicholls, 2009; Mook et al., 2003; Palmer and Vinten, 1998; SIAA, 2014).

- **Positivist**: accounting builds a picture of the real world by adopting rational and objective value measurements (Whittington, 1986; Watts and Zimmerman, 1979).

- **Critical**: accounting is grounded in the principles of democracy and accountability and plays a role between (and within) organisations and society (Lehman, 1992). In this perspective, organisations are accountable to a wide range of stakeholders affected by their activities (Gray et al., 1996).

- **Interpretive**: accounting serves as a symbolic mediator between various social groups and a tool for dialogue between companies and their stakeholders to stimulate social change (Ryan et al., 1992; Gray, 2002).

It follows that arriving at a universal definition of social impact measurement is difficult, since ‘these three conceptualisations correspond to different strategic objectives for social entrepreneurs: positivist reporting practices aim to enhance operational performance and drive innovation; critical theorist practices support resource acquisition; interpretive reporting builds and maintains organisational legitimacy’ (Nicholls, 2009; Suchman, 1995).

Moreover, the academic literature highlights a number of different methods adopted by public actors, social enterprises and private funders to measure their social impacts (5).

The existing debate regarding social impact measurement revolves around two main approaches. The ‘one-size-fits-all’ approach considers indiscriminately applying a defined set of indicators (including economic and social indicators) to all social enterprises regardless of their size, sector, country, governance mechanisms, etc. (Pearce, 1993; Arvidson et al., 2013). The second approach, which has garnered greater consensus, considers adopting different metrics to capture the differences among social enterprises. It entails identifying the most appropriate social impact measurement tools for each specific case (Emerson, 2003; Nicholls, 2009).

Recent studies (Maas and Liket, 2011; Schaltegger et al., 2000; Clark et al., 2004) have proposed classifying social impact measurement according to different analytical criteria, assuming variables such as purpose/scope, time frame and orientation as key determinants for the most appropriate social impact measurement metric. Some authors (Mullins et al., 2010; Wilkes and Mullins, 2012; Harlock, 2013) advocate providing a toolkit that can be adapted to the diverse outcomes of social enterprises’ activities and stakeholders rather than seeking the ‘holy grail’ of a single tool, in other words the one-size-fits-all approach.

The European Commission’s GECES subgroup advocates this approach. It has agreed on a set of guidelines for social impact measurement ‘to measure the socio-economic benefits created by social enterprises’ (GECES, 2014). It bases these guidelines on the criteria for obtaining the European Social Entrepreneurship Fund passport (6) and participating in the programme for employment and social innovation (7).

GECES (2014) clearly states that ‘no single set of indicators can be devised top-down to measure social impact in all cases’. The report provides a number of reasons why a unique set of indicators or unique measurement may not be appropriate, for example that ‘the variety of the social impacts sought by social enterprises is very great and no single methodology can capture all kinds of impacts fairly or objectively’.

GECES also advocates adopting a measuring process rather than imposing specific metrics or indicators. It defines the following five-stage process for all social impact measurements: 1) identify objectives; 2) identify stakeholders; 3) set relevant measurements; 4) measure, validate and value; 5) report, learn and improve. It further suggests a framework based on developing a matrix of expected outcomes and sub-outcomes, each featuring potential indicators and explaining their most suitable applications. The report adds that there is ‘freedom as to which indicator to use, in order for the measurement to remain appropriate to the intervention and stakeholders’ needs’ (GECES, 2014).

Created within the framework of the G8 summit of June 2013 aiming to facilitate impact investing, the social impact investment taskforce (SIIT) has also recently joined the debate on social impact measurement. Its impact measurement working group (IMWG) was created to define guidelines for ‘current and future impact investors’, based on the premise that ‘impact can only be measured if data is collected, examined and reported in an efficient manner’ and that it is critical ‘to harness the power and capital of private markets for public good’ (GECES, 2014) (8).}

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(5) Among these are quantitative synthetic metrics, for example social return on investment, whose calculation requires accessing numerous data (and which is criticised for monetising concepts that are difficult to express in monetary terms). Other complex methodologies, for example SAA, involve a mix of narrative and quantitative disclosures (Gibbon and Day, 2011). For a more comprehensive overview of the most applied methods, see, for instance, Maas and Liket (2011), who provide a list of 30 methods and describe their characteristics; Mulgan (2010), who describes 10 other ways to measure social value; the Rockefeller Foundation, which provides a catalogue of 24 different approaches to measuring social impact; and the European Economic and Social Committee (Opinion, 2013, p. 7), which lists several methodologies developed from the social enterprise perspective.

(6) The European Social Entrepreneurship Fund passport, created by Regulation (EU) No 346/2013 of the European Parliament and of the Council of 17 April 2013, is a new legislation creating a label for funds investing in social-sector organisations, such as social enterprises. European Union-based funds meeting the criteria set by the European regulation can receive and bear the EUSEF label. The explicit focus of eligible funds will need to be the production of a measureable and positive social impact.


(8) “These include governments, foundations, corporates and individuals who are acting in their capacity as investors seeking to invest with impact” (p. 3).
The IMWG (2014) notes that defining ‘impact’ depends on the goal and societal challenges an organisation aims to tackle. It expands the GECES definition of social impact (see earlier) to include environmental objectives. It also refers to the notion of an ‘impact value chain’ (also mentioned by the GECES sub-group) to clearly identify the causal link between the planned work (inputs and activities) and the intended results (outputs, outcomes and impact).

The IMWG divides the impact measurement process into four phases (‘plan’, ‘do’, ‘assess’ and ‘review’) built around seven steps (goal setting, framework development and metric selection, data collection and storage, validation, data analysis, data reporting and data-driven investment management). It underlines the need to involve stakeholders throughout the process to ensure ‘effective impact measurement’. It considers an impact measurement convention (defined as ‘a standardised impact measurement and reporting system that enhances the availability of impact data’) crucial to enhancing the impact investment (IMWG, 2014).[9]

The stakeholder-based approach to social impact measurement

Both the work of the GECES and the academic debate show that a ‘stakeholder-based approach’ to social impact measurement for social enterprises might be effective (Edwards and Hulme, 1996; Najam, 1996; Christensen and Ebrahim, 2006; Williams and Taylor, 2013). Social enterprises operate in different sectors; they have a wide range of stakeholders with different information needs and expectations of the social enterprises’ achievements, as well as varying explicit demands for accountability and social impact metrics.

The stakeholder-based approach suggests selecting the metric to satisfy the information needs of the specific (principal) stakeholder with an interest in measuring the social impact of a given social enterprise.

As the case studies below show, a single metric cannot capture all the impact relevant to a social enterprise’s different stakeholders. A variety of metrics is therefore necessary to meet their demands for social impact measurement (Harlock, 2013).

Because each stakeholder has a different objective, each social enterprise should be allowed to choose the most appropriate metric to respond to the needs of its main stakeholder(s). This choice should stem from an ongoing dialogue with the different stakeholders engaging with the social enterprise, rather than from a unilateral decision by the social enterprise. It should flow organically from the relational system encompassing all the stakeholders. The opportunity to select the most appropriate metric in agreement with the stakeholder(s) for which it will be used complies with the framework process set by the GECES. It also prevents social impact measurement from becoming a further burden for social enterprises, as it means producing a single consolidated report based on the needs of the main stakeholders.

To summarise, the metrics used to measure the social impact of social enterprises should be linked to the scope of the measurement, depending on stakeholders’ needs (Zappalà and Lyons, 2009).

[9] The SIIT refers to a standardised system (approach) and reporting, but not to a standardised methodology, aligning in this respect with the GECES view.

[10] This can be linked to the decision-based approach taken by both the SIIT and the GECES, which considers the decisions to be taken by the stakeholders and drives what they want and need to know.
MEASURING THE SOCIAL IMPACT OF SOCIAL ENTERPRISES: A FEW EXAMPLES

In keeping with the stakeholder-based approach, the case studies below illustrate how different metrics — namely cost-benefit analysis, rating and social accounting and auditing (SAA) —, decided by the social enterprise itself or agreed on by the social enterprises and the concerned stakeholders, meet the information needs of different stakeholders — namely public investors, private investors and the community.

In the first case, on WISEs, the public investor primarily needs to understand (or the social enterprise needs to show) the net cost or net benefit of subsidising WISEs compared to other policies, in other words providing unemployment subsidies and other types of benefits. The cost-benefit approach presented in Case 1 is therefore appropriate for satisfying the information needs of public investors.

The second case, on a French social enterprise offering services for people with disabilities, presents a different methodology and approach. Here, private investors need to understand the social performance of the social enterprise in order to measure their investment’s social and financial impact?

The last case, on a leisure centre operated by a social enterprise, covers the information needs of the stakeholder ‘community’, in other words the individuals whose health and wellbeing the centre aims to improve. Here, the information needs of both the community and the social enterprise revolve around satisfying the stakeholders benefiting from the services.

Taken together, these case studies demonstrate that while the metrics used in each situation are the most appropriate for measuring social impact in that specific situation, they might not represent the best choice in other situations. Hence, the choice of the metric must rest on the specific information needs and objectives of each stakeholder.

Table 1. Synopsis of the case studies

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Information need</th>
<th>Methodology</th>
<th>Case study</th>
</tr>
</thead>
<tbody>
<tr>
<td>Public investor</td>
<td>Understand and select the more efficient allocation of public funds</td>
<td>Cost-benefit analysis</td>
<td>WISEs (Italy)</td>
</tr>
<tr>
<td>Private investor</td>
<td>Evaluate the return on investment</td>
<td>Rating</td>
<td>Phitech (France)</td>
</tr>
<tr>
<td>Community</td>
<td>Understand the satisfaction level of the beneficiaries of the social enterprise’s activities</td>
<td>SAA</td>
<td>Jesmond Community Leisure (JCL) (United Kingdom)</td>
</tr>
</tbody>
</table>

The metrics listed in Table 1 to measure the social impact of the different social enterprises are not, by definition, ‘all good or all bad’. Firstly, none of them can respond to all the information needs of all the stakeholders. Secondly, the stakeholders could occasionally have different information needs. For example, the public investor could be interested in determining whether the social enterprise is effectively reaching its mission, rather than whether public money is being spent in the most effective way.

Metrics like the SAA would be better suited to this scenario than the cost-benefit analysis. Finally, the metric used in each case is an effective means of measuring social impact as defined by the stakeholder’s need that it intends to answer.

The same social enterprise could therefore, in theory, use the three methodologies outlined above to deal with different stakeholders’ demands for accountability.
CASE 1 – MEASURING THE SOCIAL IMPACT OF WISEs: A COST-BENEFIT ANALYSIS

Context

Due to the imperfect labour market and public policies, the number of disadvantaged people looking for employment continues to increase. Regulatory policies and ‘quota systems’ have achieved only partial results, owing to a number of factors: ordinary firms are effectively able to employ only a low number of disadvantaged persons; compensatory policies, which cover part of the firms’ costs, have become too costly for the government, and sheltered employment rarely provides real — and decent — jobs. New solutions are therefore needed to provide job opportunities to vulnerable people. Social enterprises have in recent years provided an alternative solution to these problems.

Strengthening a public policy supporting social enterprises requires developing a metric to measure the efficiency and efficacy of their work-integration practices.

Objectives and main targets of the cost-benefit analysis for WISEs

The metric presented here applies to WISEs. It helps demonstrate the net benefit produced by their activity for the government/public administrations and disadvantaged workers. Public administrations are interested in social impact measurement in order to understand the net cost or benefit of WISEs and evaluate the outcomes of the integration process. Furthermore, they must employ metrics that can suggest the most efficient approach for supporting WISEs. The metric presented below has been implemented by 10 social enterprises (employing 194 disadvantaged workers), in cooperation with the local employment agency (a public body) and Euricse (a research centre) in Italy’s Trento province.

The case: 10 WISEs in Trento province, Italy

The WISEs that were surveyed operate principally in the green maintenance, manufacturing and laundry sectors. Their employees experience a wide range of disadvantages, including mental illness, physical disabilities and drug and alcohol addiction.

Euricse investigated these WISEs over a period of 6 years. The service providers contributed data on wages, subsidies received and workers’ health situation. The analytic model that Euricse used is an evolution/adaptation of traditional cost-benefit analysis. In addition to the monetary costs (subsidies paid to the social enterprises) and benefits (unemployment and other subsidies that would be paid to the same workers if unemployed), it also considers benefits to the public administration — in other words the cost reduction stemming from the disadvantaged workers’ decreased use of public health and social services that can be directly connected to their work experience.

The metric

Euricse used a metric combining cost-benefit analysis and well-being indexes to evaluate the efficiency of the work-integration process. The metric compares different public policies supporting WISEs and performs a cost-benefit analysis in two parts: 1) cost and benefits at organisational level; 2) cost and benefits for each disadvantaged person employed. It then studies the outcomes of the integration process, especially employment opportunities achieved after training in WISEs, and the results of the questionnaires on the disadvantaged workers’ wellbeing.

The process

The process for applying the cost-benefit analysis entailed several steps. For 6 years, data were collected on:

- the economic and financial situation of each WISE and the personal situation of the individuals employed in the reference year;
- the changes in demand for local public bodies’ welfare services from each disadvantaged person employed by the WISE;

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(11) Informational asymmetries and rigidities, as well as costs and inefficiencies in public policies.
(12) Public administrations can either support unemployed disadvantaged people by providing income subsidies and social benefits, or financial contributions and fiscal benefits (for example tax exemptions).
(13) According to the Italian law on WISEs, 30% of the total workforce must be disadvantaged individuals.
(14) Production value and profits in order to calculate tax benefits and taxes paid.
(15) Salaries, subsidies, type of disadvantage, taxes paid, employment situation after the training period, etc.
• the amount of economic benefits and disability pension the disadvantaged persons would receive if they were unemployed.

The analysis also required interviewing vulnerable workers to assess their perceptions on their job, their wellbeing and the cooperative.

Outcomes

The results are organised around short-term outcomes — calculated as the average net benefit for the first 3 years of the work-integration process —, and long-term outcomes — calculated as the net benefits in the following years, in other words when the WISE no longer receives any contributions for the worker or when the worker is employed by a conventional enterprise after training at the WISE\(^{(16)}\).

Strengths and weakness of the metric

**Strengths**

This metric enables comparing the direct financial expenditure for work integration with the direct and indirect savings (related to the reduced use of welfare services by the disadvantaged workers working at the WISE). The integration of the cost-benefit analysis with information on wellbeing helps to demonstrate the impact of the WISE in terms of both efficiency for the public administration and effectiveness for the disadvantaged employees. It also helps to evaluate the risks of trade-offs within the two dimensions.

The model can be applied to different countries, analytical contexts and policies. However, it should factor in the specific tax benefits and characteristics of local WISEs and social/labour policies.

**Weaknesses**

The metric requires collecting large amounts of data from different actors and is therefore costly and time-consuming — even more so when the public administration and/or WISEs do not have formal instruments to account for evolutions in their costs and benefits and data needs to be collected from other sources. Cost-benefit analysis is also quite complex, which is why research institutes or external professional actors find it easier to manage than WISEs alone.

Finally, the model does not consider other externalities generated by WISEs, such as the social capital produced, the reduced social risks and the increased quality of life of the disadvantaged persons’ families.

Conclusions

This case investigated the efficiency of Italian WISEs through a comprehensive cost-benefit analysis. The analysis also included the guaranteed cost savings for the public sector, stemming from disadvantaged workers’ decreased use of healthcare and social services. It demonstrated that WISEs do indeed represent an efficient solution for work integration, with a net benefit from employing vulnerable people. However, a complete cost-benefit analysis to evaluate the social impact of WISEs requires taking numerous other factors into consideration.

\(^{(16)}\) Net benefit per year per person = EUR 5,200 on average; net benefit in the long run (the working life of the disadvantaged worker) = EUR 61,000 per person on average; level of life satisfaction achieved by disadvantaged workers in social cooperatives = 7.2 on a scale from 1 to 10.
CASE 2 – MEASURING THE SOCIAL IMPACT OF A SOCIAL ENTERPRISE PROVIDING SERVICES: A RATING APPROACH

Context

Private and public investors that finance a social enterprise require detailed, concrete information on its social performance. They want to assess whether their funding helps social enterprises increase their social impact.

A rating approach, such as that developed by Le comptoir de l’innovation (CDI)(17) presented here, enables private and public investors to obtain and compare readable data on social impact. They can then determine which social business is more efficient and where their funding will be most useful.

As a private fund specialised in impact investing, the CDI needs to measure its impact and compare the efficiency and performance of different social businesses. Its methodology rests on the assumption that a social business must simultaneously attain financial profitability and social impact, both of which are evaluated through the CDI ratings.

Objectives and main targets of a rating approach for social enterprises

CDI Ratings is a tool designed to be adapted to the diverse characteristics of social businesses and their sectors. It selects the financial and extra-financial measurable criteria, both qualitative and quantitative, according to each legal form (private company, association, cooperative, charity, health care mutual, etc.) in 16 sectors (health, economic inclusion, education, fair trade, etc.).

The analysis of the criteria results in the allocation of a financial and extra-financial grade from AAA to D, along the lines of major rating agencies. This makes the grades both comparable and legible, especially for the public and private investors who mainly use the metric. The investors pay for one or several ratings. They can also pay to have the whole methodology adapted to their financial and extra-financial objectives. The CDI team adapts the criteria — and their weight in the final grade — to each investor’s objectives and investment strategy so that it may be used as part of the investment process. The CDI ratings provide a clear view of the companies’ social and financial performance. The results are comparable across two entities since they have both a financial and an extra-financial grade. The ratings allow investors to compare social businesses in the same sector and to determine which one is more efficient.

The case: Phitech, France

Created in 2003, Phitech is a French private limited company based in Nancy. It develops a range of innovative solutions to improve visually and hearing-impaired people’s access to buildings and transports.

The main equipment developed by Phitech is the Actitam sound beacon. The system guides visually and hearing-impaired people in public buildings and transports by providing them with spoken versions of all the visual information displayed on screens thanks to loudspeakers and individual devices, such as telephones and remote controls.

The company raised EUR 600,000 in 2013. The CDI used the CDI ratings and the specific criteria for the disabled sector during Phitech’s due diligence process for private investors. The whole process lasted three months, during which the management team of the CDI and the Phitech team worked together with private investors bearing the costs. Phitech agreed to provide the information needed, and the CDI team organised the data collection and its audit.

The metric

Based on 300 weighted sectoral criteria, the financial analysis covers all economic and financial matters, including market dynamics and the company’s operations, revenues and financial structure. The criteria differ for each sector and cover the diverse legal forms of social businesses (association under control or not under control, cooperative or private company).

The extra-financial analysis also comprises 300 weighted criteria and their indicators. The analysis of the environmental and/or social impact is sector-specific and measures the structure’s performance, efficiency, relevance and innovation. An analysis of the human resources policy (job quality, working conditions, etc.) and governance completes the picture.

At the end of the analysis, each social enterprise obtains:

- 10 financial grades based on the financial model and the 300 criteria;

(17) The CDI is a French private limited company and social enterprise created in 2010 to support social entrepreneurship in France and abroad by founding social enterprises and evaluating and measuring their results. For more information, see: http://www.lecomptoirdelinnovation.com
• 10 extra-financial grades based on the social model and the 300 criteria.

This whole process allows each enterprise to obtain an extra-financial grade (AAA, AA, A, BBB, BB, B, CCC, CC, C or D) comparable to a financial grade and to other grades of social businesses in the same sector, highlighting each enterprise's strengths and weaknesses.

These criteria include the following:

<table>
<thead>
<tr>
<th>Financial analysis</th>
<th>Disability criteria</th>
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<tr>
<td>Market positioning</td>
<td>• Evolution of market share</td>
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<td>• Price competitiveness: price compared to a technological classical product/price compared to other solutions for the disabled</td>
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<td>• Product competitiveness: quality compared to a standard technological product compared to other solutions for the disabled</td>
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<td>Operational costs</td>
<td>• Evolution of operational costs</td>
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<td>• Operational costs/total revenues</td>
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<td>• Purchasing cost</td>
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<th>Extra-financial analysis</th>
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<tr>
<td>Adequacy of the solution</td>
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<tr>
<td>• Processes developed to adapt product to client needs</td>
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<td>• Possible adaptations to user profiles</td>
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<tr>
<td>• Number of accessible contents developed</td>
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<tr>
<td>• Simplicity and interactivity of product or service</td>
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<td>• Price of service or product (affordability)</td>
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<td>Social performance</td>
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<td>• User profile</td>
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<td>• Number of beneficiaries</td>
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<td>• Number of beneficiaries with minimum wages</td>
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<td>• Number of beneficiaries among a panel seeing an improvement in their quality of life thanks to the product or service</td>
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<tr>
<td>Social innovation</td>
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<tr>
<td>• Degree of social innovation of the product or service</td>
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<td>• Innovation in the type of users addressed</td>
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<td>• Innovation in the problem tackled</td>
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**Strengths and weaknesses**

**Strengths**

This metric is precise, pragmatic and well-tailored. Thanks to sectoral indicators, the data can be collected and analysed and the results are easy to read. This metric is also complete because it takes into account not only the enterprise's social impact, but also its financial performance, which needs to be measured to ensure that the social impact will last in the long term.

**Weaknesses**

The CDI ratings metric measures the performance of a social enterprise and targets its results to potential funders. It cannot measure savings to society resulting from the action of a social enterprise. Rather, its goal is to measure the efficiency of the funding.

**Conclusions**

Measuring social impact is essential to private or public investors intending to finance a social project. To measure the social efficiency of both their funding and their portfolio, public investors rely on financial and extra-financial criteria. This enables them to compare finance and follow the performances of the most efficient social enterprises. The CDI rating methodology measures financial and extra-financial performances based on sectoral criteria. The methodology measures a project’s performance and provides tools to evaluate it in real time. It cannot, however, measure the money saved by society due to the enterprise’s activities.
CASE 3 – MEASURING THE SOCIAL IMPACT OF A COMMUNITY-BASED SOCIAL ENTERPRISE: THE SAA APPROACH

Context

The case presents a community-based social enterprise providing leisure services in the United Kingdom. Leisure service facilities can help improve the health and wellbeing of all community members, regardless of their status. Using leisure services can enhance individuals’ lives through increased activity (for example, swimming, gym sessions or yoga classes) and social interaction with others. As a result, the health and wellbeing benefits could reduce the need for medical intervention, thus creating cost savings for the UK government’s National Health Service.

The social benefit of providing leisure services is difficult to capture and measure since the information is at the level of the individual person. Community-based leisure service providers must also account for their impact on communities, since the country’s national performance indicators for cultural and leisure services do not include measurements for social issues. The leisure organisation called JCL (18) found that financial accounting information did not provide the level of social information it required. To address this information gap, JCL decided to develop its own social reporting system using social accounting.

SAA is a useful framework that can help social enterprises prove, improve and account for the difference they are making. The process of developing and reporting through social accounts helps an organisation plan and manage its activity and demonstrate its achievements. The organisational account provides a logical and flexible framework that allows it to use existing documentation and reporting systems to develop a full view of its social, environmental and economic performance and impact. The method provides the information essential for planning future actions, improving performance and building accountability to all the organisation’s stakeholders.

Objectives and main targets of the SAA for a community-based social enterprise

The purpose of JCL is to provide better and accessible community facilities so as to improve the health, happiness and social welfare of all members of the community. A key aspect of its work is to increase sports and leisure participation among the public and under-represented groups (teenagers and the elderly, for example). Its mission is closely aligned with its two main values: the belief in the power of sports and leisure-related activities to enhance the lives of all members of the community, regardless of their state of health or disability, and the belief in the ability of local communities to meet local needs.

The main stakeholders benefiting from the use of social accounting are the customers, since the process provides a better understanding of the way in which using the facilities can improve their health and wellbeing. Other key stakeholders in the social accounting process are the staff and volunteers, as well as the wider community.

The case: JCL, United Kingdom

JCL is an award-winning social enterprise offering a full range of sporting and physical activities for everyone. The facility was closed down in 1991 due to local government funding cuts and reopened in 1992 as a company limited by guarantee with charitable status. The current facilities provide a full range of water activities, two fitness suites, a multi-purpose dance and activity room, a massage and therapy room and a poolside sauna and steam. JCL provides other activities outside the building, including a running club and seated-exercise activities delivered in care homes for the elderly.

The metric

JCL decided to identify and demonstrate its impact through social measurement techniques using the social audit network framework (19). A social account helps a social enterprise understand its impact on people, resources and the planet. It also helps manage the organisation and improve its effectiveness. Any organisation of any size or scale, whether voluntary, public or private, can use a social account. The social accounting framework uses key principles to underpin its process, ensure effective verification and deliver continuous improvement. JCL has used social accounting since 2004 and it is now an integral part of its organisational information system. Social accounts are important in that they provide stakeholders with a method of recording and understanding the value and benefit of the facilities, as well as help to identify areas that could improve the stakeholder experience.

JCL developed its social accounts through a multi-stage process, which involved identifying the organisation’s objectives and values, scoping the social audit with a map of the

(18) http://www.jesmondcommunityleisure.co.uk
(19) www.socialauditnetwork.org.uk
stakeholders, consulting the stakeholders and identifying realistic data-gathering methods, implementing the social accounting plan and writing, reviewing and publishing the accounts.

JCL further enhanced the social accounting methodology by developing, along with three other leisure service providers, a generic ‘toolkit’ based on social accounting. The toolkit’s purpose was to guide other leisure service organisations wishing to report on their social impact.

The process

The key principles underlying the process serve to clarify purpose, define scope, democratically engage stakeholders, determine materiality, make comparisons, enhance transparency, verify the accounts and embed the process.

Each section featured specific stakeholder information by activity, outcomes and indicators, supplemented by any available benchmarking or national indicator information. JCL based the four-part framework within the toolkit on customers, people, the local community and a demonstration of public benefit. It selected the indicators relevant to its purpose, identified the missing information and began collecting data.

Strengths and weaknesses

Strengths

Over a number of years, the extensive experience of JCL with SAA has enabled the organisation to focus more on its stakeholders’ needs. The method has become embedded within the organisation and provides useful management information. The social accounting system has resource implications in terms of both costs and time, arguably justified by the value of the information gained.

The regular consultation with stakeholders through producing social accounts has enabled JCL to become more responsive and democratic. Communicating with stakeholders is central to understanding its impact and helps it change and improve where necessary.

Weaknesses

One weakness of reporting for social impact lies in the limitations in data collection. JCL has only partial information to demonstrate outcomes at the individual level and can never claim that the outcomes and impacts resulting from a particular intervention can be attributed solely to that particular project. For example, while an individual may derive improved health and wellbeing benefits from participating in an activity class, this change could also be attributed to other factors.

Conclusions

Social accounting is important to JCL in that it enables it to provide documentation on its impact and value to both its stakeholders and the local community. The social reporting process has been embedded in its operational and strategic processes for over 8 years, and the social accounts have become a key part of the management information and annual reporting cycle. The information contained in the accounts helps JCL both improve and prove what it does. Its mission, values and objectives are central to its purpose as a social enterprise. Social reporting allows JCL to articulate them clearly and regularly to its stakeholders.

JCL is a community enterprise whose main purpose is to meet community needs for leisure services. The organisation, however, must also operate as a successful trading company in order to be sustainable and capable both of meeting these objectives and fostering local employment. Understanding the organisation’s impact requires capturing and recording the activities and experience of the people who work at JCL and use its facilities. Reporting on social measures is an ongoing and evolving process that is fundamental to the culture of JCL.
WHAT ARE THE CHALLENGES TO MEASURING THE SOCIAL IMPACT OF SOCIAL ENTERPRISES?

The work of practitioners and academics, combined with the analysis of concrete experiences, has led to an emerging set of overarching principles on social impact measurement. These principles generally focus on the importance of bottom-up initiatives designed to capture social change based on the needs and activities of social enterprises (European Economic and Social Committee, 2013). Despite this progress, a number of conceptual and practical challenges remain, as outlined below.

**Conceptual challenges include ensuring that:**
- measurement is a tool for achieving greater impact, rather than focusing on accountability and reporting;
- the private, public and social sectors have an equal voice so as to carve out a true hybrid space;
- guidelines do not restrict innovation in the social sector;
- difficulties in measuring social impact do not discourage funding interventions in areas that are harder to measure but socially important.

**Practical challenges include ensuring that:**
- social impact requirements are not overly burdensome for social enterprises;
- social enterprises have adequate resources and capacities to measure impact, and measuring is proportionate;
- the needs of both the stakeholders and the social enterprise are aligned.

### Conceptual challenges for social impact measurement

**How to ensure that social impact measurement remains a core tool for achieving even greater impact for the benefit of society, rather than being reduced to a mere reporting tool?**

In very general terms, the goal of social impact measurement is to understand, manage and improve the process of creating social impact with the goal of maximising or optimising it (relative to available resources) for social enterprises and their stakeholders (Hehenberger, Harling and Scholten, 2013).

Embedding social impact measurement in the everyday work of social enterprises and their funders should first and foremost aim to trigger a cultural shift. More precisely, rather than just another ‘layer of bureaucracy’ or ‘box-ticking exercise’, metrics should become a useful tool that the entire organisation uses to understand, analyse, communicate and learn about its impact. Furthermore, adopting a bottom-up approach to social impact measurement helps ensure that the driver of the decisions on how to implement the social impact measurement process and select appropriate indicators is the social enterprise itself (Pritchard, Ni Ógaín and Lumley, 2012). Ideally, social impact measurement should serve to identify and implement ways to enhance a social enterprise’s operations. This means integrating impact metrics into core decision-making processes and tools (for example existing performance management dashboards and executive-team agenda items), as well as clarifying the linkages between impact metrics and management decisions to optimise data-driven decision-making.

Arguably, this cultural shift will be easier to effect in large social enterprises with the human and financial resources needed to manage social impact. Small social enterprises may struggle to remain viable on the market since they lack these required resources. Both types of social enterprises, however, should progressively learn to embed social impact measurement in their business culture. They will need guidance and resources in order to do so.

One of the roles of the European institutions, as well as of other public and private institutions and international organisations, such as the OECD, is to monitor and provide such guidance, as well as ensure that a culture of social impact measurement gradually takes root in the management of social enterprises.

Another way of ensuring that social impact measurement is not a mere reporting tool, but actually promotes greater social impact, is to align the objectives of stakeholders and social
enterprises (for more details on how to match the needs of social enterprises and investors, see the section on practical challenges).

**How to ensure that social impact measurement policy reflects the best approaches of all sectors (private, public and civil society), rather than borrowing too heavily from the private sector?**

Social impact measurement is about carving out a new area building on experience and best practice from all sectors (private, public or civil society) and about developing in a hybrid space (Battilana et al., 2012). As a consequence, all voices need to be heard and all areas of expertise tapped.

Until now, the private sector has focused on measuring economic and financial impact, while the public sector has developed techniques to measure the impact of public policies, and social enterprises and non-profit organisations have developed techniques to measure their social impact — mainly, but not exclusively, through social reports.

For an overall approach, the extensive experience of national policy departments, academic institutions and development finance institutions (such as the United Nations development programme(20), which have been working on measuring the impact of their activities for many years, should be tapped.

**How to ensure that guidelines on social impact measurement do not restrict social innovation, in other words that social enterprises develop in a box that fits the guidelines?**

Providing rigid guidelines in social impact measurement raises the concern that social enterprises will develop to fit more neatly into these guidelines, thereby stifling innovation in the social sector. Furthermore, although the set of guidelines that have emerged benefit from a bottom-up rather than top-down approach, they cannot apply to every type of social enterprise or sector. In fact, the standard currently emerging from the ongoing debate in the international arena is not a set impact measurement methodology. It rather recommends a number of steps or components that constitute best practice while allowing for a variety of methodologies. Social enterprises and social impact investors therefore have the flexibility to choose whether or not they will adopt these guidelines.

One way to help social enterprises develop social impact measurement metrics without restricting social innovation is to offer tools that strengthen flexibility while providing guidance. One such tool is a library of indicators for each social outcome, which the GECES report (2014) calls a ‘framework’. Big Society Capital in the United Kingdom has developed the ‘outcomes matrix’, while a number of European countries have devised the open-source ‘global value exchange’(21) library of indicators, as well as other sector-specific initiatives. The objective of these libraries is not to impose two or three ‘key indicators’ that each social enterprise must measure in a top-down, one-size-fits-all approach. Instead, each library within different social outcome areas (pre-school education or women’s empowerment, for example) can provide examples of indicators that other social enterprises have found helpful. The library could become a reference that helps social enterprises choose relevant and appropriate indicators once they have defined the elements they wish to measure.

While a library of indicators should further decrease the resources associated with complying with the guidelines, selecting indicators included in the library should not be mandatory. The decision should rather be driven by the social enterprise and contingent on the specifics of the problem it wishes to address, as well as its analysis and understanding of what it wants/needs to measure. This library should remain open to revisions based on experience and updated with new indicators stemming from experimentations of social impact metrics.

**How to ensure that difficulties in measuring impact do not discourage funding interventions in areas that are harder to measure, but still socially important?**

Some social enterprises operate in areas where the social impact measurement is more complex and where evidence of outcomes takes longer to materialise. In such cases, guidelines may drive social enterprises to select easier cohorts of beneficiaries for their services. In this scenario, while they are achieving targets on paper, they are actually underperforming on outcomes, a practice known as ‘cherry-picking’ (GECES, 2014).

The challenge is therefore to ensure that public authorities, philanthropists and social impact investors finance not only social enterprises evidencing tangible outcomes, but also those focusing on intangible outcomes.

Social impact investors fall into two categories: those who need to raise funds themselves, opting to support sectors that demonstrate more tangible impact, and those who prefer to tackle more entrenched and complex problems with less concrete outcomes. The key risk is that there may be too few funders of the latter category and that many new and innovative interventions, as well as harder-to-solve problems, will not be considered fundable. This suggests that private investors may not be in a position to finance the full range of the investment requirements of the social enterprises, and also that public and philanthropic investors are always needed.

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(21) www.globalvaluexchange.org
One means of supporting the more difficult issues related to advocacy and policy change is to set up interim goals (‘informed outputs’) leading to the long-term objective. Thus, the impact measurement performed by the social enterprise and social investor should focus on interim goals while keeping in mind the long-term objective.

Minimising the risk of lower funding for social enterprises involved in hard-to-tackle areas can be achieved by ensuring that the social impact measurement guidelines do not apply only to the social enterprise, but also to the social impact investor. Understanding what social change a social impact investor wants to achieve and how to achieve it (through the investment process) is just as important as encouraging impact measurement at the level of the social enterprise to ensure an impact-centric approach across its activities.

**Practical challenges**

**How to avoid overburdening social enterprises with heavy social impact measurement requirements, in other words how to practise proportionality?**

Fundamentally, social impact measurement should be viewed as a potential source of value creation rather than simply as a mechanism for accountability (Edens and Lall, 2014). Good social impact measurement must balance the needs of stakeholders with the obligation not to waste generally limited resources on inconsequential measurement (GECES, 2014). The principle of proportionality helps achieve this goal.

This principle of proportionality applies to both the external stakeholder receiving information and the social impact targeted or achieved. It also concerns the social enterprise itself, since it will make decisions based on the social impact achieved.

In both senses, the social enterprise must consult with relevant stakeholders before deciding whether it will measure a particular aspect of its work, what methodology it will use and the level of detail required (GECES, 2014). In the context of a stakeholder-based approach to impact measurement, that consultation should itself be subject to the social enterprise’s judgement on proportionality. The GECES report details the aspects that a social enterprise should consider when applying proportionality, including what is likely to change as a result of a certain measurement, whether this relates to a relevant outcome and to a stakeholder whose interests and engagement matter, the relevant timescales for measurement and the sustained interest of the stakeholders (GECES, 2014).

Further discussion around proportionality would clearly be useful, and the European Commission and other institutions could provide particular value-added through additional research and guidance.

**How to ensure that social enterprises have adequate resources and capacities to measure impact?**

The issue of resources is closely related to that of proportionality. While some large social enterprises may have the resources to devote to social impact measurement, the majority do not. Moreover, since resources are a real problem for most social enterprises (and a real concern for small and early-stage social enterprises), budget and staffing plans should include impact measurement.

Organisations often begin to measure their social impact because they are required to do so by funders. They subsequently gain an understanding of the measurement’s usefulness in improving services (Pritchard, Ni Ógaín and Lumley, 2012). The concern, however, is that too few funders are willing to support social enterprises in measuring their impact.

To address the issue of scarce resources, the first solution is to avoid imposing any rigid metrics/indicator and instead helping social enterprises develop their own metrics by providing targeted funds and sharing evidence and best practices. The second solution is to ask stakeholders who request specific measurements to bear the related costs.

The European Commission could also play a leading role in facilitating the environment for social impact measurement, for example by providing specific grants.

Finally, the European-level knowledge centre proposed by the GECES could be the natural resource on social impact measurement, providing practical help and guidance.

**How to align the needs of investors and social enterprises?**

Aligning the needs of private investors and social enterprises is an important new field that needs to be developed by many social enterprises, particularly those that are active in sectors reliant on human (rather than financial) capital and have never worked with private funders. Investors need to understand the constraints and objectives of social enterprises to help them effectively increase their social impact.

Progress is being made in this field and the bottom-up approach should — in theory — ensure that the process and results are relevant to the social enterprise. Additionally, encouraging investors to think about their theory of change during the due diligence process (22) and how it compares to the social enterprise’s theory of change can generate dialogue around potential differences. Ideally, aligning the objectives of both the investor and the social enterprise takes place before the money is invested to avoid social impact measurement

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(22) GECES (2014) defines the theory of change as ‘(the means (or causal chain) by which activities achieve outcomes, and uses resources (inputs) in doing that, taking into account variables in the service delivery and the freedom of service-users to choose. It forms both a plan as to how the outcome is to be achieved and an explanation of how it has occurred (explained after the event).’
issues later on in the investment cycle (Hehenberger, Harling and Scholten, 2013). However, the power dynamics between funders and social enterprises mean that this process will remain a challenge.

To address the challenges discussed above, further research and eventual policy guidance from the European Commission and other organisations, such as the OECD, could be of particular interest in order to:

1) ensure all sectors have equal voice in the debate on social impact measurement and welcome development financial institutions to the discussion table;
2) support and value the existing metrics that proved satisfactory to their users;
3) support developing an outcomes matrix with an accompanying open-source library of indicators for social enterprises;
4) monitor sectors and social enterprises receiving public funds and funds from the social-investment market to ensure that new and innovative interventions, as well as harder-to-solve problems, still receive funding;
   • if not, explore the possibility of using public funding to fill the gaps, combined with active public policy to foster social innovation;
5) conduct additional research and offer policy guidance on proportionality, aggregation and differentiation;
6) create a facilitating environment for social impact measurement by:
   • making funding available through specific grants for social impact measurement;
   • building a European-level knowledge centre to provide practical help and guidance;
7) provide a freely accessible database, perhaps within the remit of the European-level knowledge centre, to collect and group impact studies on multiple intervention areas.

CONCLUSIONS

A number of issues around social impact measurement are particularly relevant to policymakers.

Firstly, measuring social impact can help increase stakeholder and public awareness of the relevance of social enterprises, prevent behaviours not aligned with the enterprises’ stated mission and justify potentially favourable treatment by the public sector given their proven contribution to solving social problems. That said, social impact measurement cannot be used as a criterion for identifying social enterprises. In fact, social enterprises that do not seek funds, or are not requested by their funders to measure their impact, can still be identified as such if they meet the criteria set by the social business initiative (whose general definition of social enterprises does not mention social impact measurement).

Consequently, the policy considerations presented in this brief should not be seen as a way to promote the development of social enterprises themselves, but rather the development of social impact measurement as such. This does not diminish the importance of encouraging the adoption of impact measurement practices. Rather, it requires that their implementation goes hand in hand with the formal recognition and regulation of social enterprises, a general objective pursued by the European Commission and several Member States.

Secondly, measuring social impact requires not only specialist skills, but also time, money and effort (as demonstrated by the case studies presented above). This is particularly true in the absence of easy-to-use, largely shared tools and metrics co-constructed with the social enterprises themselves.

Time is needed not only to implement the various steps of the measurement process, but also to identify and gather the necessary data, carry out the analysis and report and disseminate the results. Establishing the causal relationships needed to truly assess the impact of an organisation is one of the most challenging tasks in social science and requires ad hoc specialist skills. The complexity increases when, in addition to evaluating the effectiveness of a specific initiative or organisation, it is necessary to compare the impact of different measures or establish the equivalent of treatment and control groups to determine how the outcomes might differ.

Social enterprises, particularly small ones, do not have (and are unlikely to ever have) the resources to pay for staff devoted exclusively to impact measurement activities or to acquire the necessary competences on the market. Social enterprises operate in labour-intensive sectors with reduced profit margins, whether their activities are funded by the public sector or through providing services to consumers.

Given these high costs, potential distortions could be introduced in the market if social enterprises were the only entities required to measure and report their social impact. If the same requirements do not apply to public agencies or traditional enterprises, these organisations will have a clear advantage (in terms of lower costs) compared to the social enterprises with which they compete.

For all these reasons, it would be fair to apply the same requirements for social impact measurement to all the types of organisations producing the same services (keeping proportionality
as a criterion) and to devise ways to compensate them for the additional costs they would have to bear. Given the complexity of designing effective social measurement tools, it would probably be wiser to promote metrics for impact analyses that are widely shared, easy to implement and require minimal staff time.

It might be interesting to launch and support projects at the European level that are aiming to develop models of social impact measurement targeting the more common activities, such as work integration, childcare or services for people with disabilities. Rather than develop new indicators (since some already exist), these projects should aim to design methods of data collection and analysis so that organisations’ impact can be measured and compared homogeneously. The methods should be made available to social enterprises, together with the other previously mentioned supports (the indicator library, for example). They should be built so as to satisfy different stakeholders, including public and private investors and the social enterprises themselves.

A third important element that should be considered is the mandatory nature of social impact measurement. The analysis of the literature on the subject shows that even when corporate social disclosure is mandatory, many companies do not comply with the legal requirements (Criado-Jimenez et al., 2008; Adams et al., 1995; Larrinaga et al., 2002; Day and Woodward, 2004; Llena et al., 2007).

Some authors (Hess and Dunfee, 2007) believe that not only should disclosure be mandatory, but it should also be presented in a ‘single standardised format established by a government body, but including sufficient flexibility to be relevant to all firms’. This parallels the Italian government’s approach to ‘accredited’ social enterprises (Andreaus and Costa, 2014). A mandatory and standardised disclosure obliges companies to follow the same format and disclose the same information. In reality, however, only a relatively small number of social enterprises in Italy comply with the regulation (Andreaus and Costa, 2014; Anner, 2014).

Policymakers should bear in mind this example of the relative inefficiency of mandating measurement if they want to support a true shift towards an effective social impact measurement culture. Given that mandatory disclosure does not seem overly effective and that social impact measurement is still an evolving field — similarly to social enterprises themselves — policymakers should not only support the use of proven existing metrics, but also provide incentives (at least in the short term) to experiment with voluntary bottom-up metrics.

They can use several approaches:

- fund research and experimentation on metrics and methodologies, particularly more innovative approaches and approaches targeting more common activities;

- include the adoption of social impact measurement metrics among the criteria used by the public administration to provide funds to social service providers, both public and private and for-profit and non-profit (especially through public procurement and when renewing existing contracts);

- publish research and experimentation in an easily accessible space;

- create a library of indicators and metrics.


Mullins, D. et al. (2010), Social investment performance management toolkit for housing organisations, University of Birmingham.


UNDP (2009), Handbook on planning, monitoring and evaluating for development results, United Nations Development Programme, New York.


This policy brief on social impact measurement for social enterprises was produced by the OECD and the European Commission. It presents the issues and ongoing debates surrounding social impact measurement and provides concrete examples of measurement methods. It highlights the concept of proportional measurement, in other words balancing up the costs and benefits of the measuring process. The policy brief also looks at guidance and resources for use by social enterprises and how to create a more widespread culture of measurement among stakeholders despite their often limited human and financial resources.
The OECD programme on local economic and employment development (LEED) has advised governments and communities since 1982 on how to respond to economic change and tackle complex problems in a fast-changing world. Its mission is to contribute to the creation of more and better quality jobs through more effective policy implementation, innovative practices, stronger capacities and integrated strategies at the local level. LEED draws on a comparative analysis of experience from the five continents in fostering economic growth, employment and inclusion. For more information on the LEED Programme, please visit www.oecd.org/cfe/leed