

## Briefing Paper 66

### Social impact measurement as an entrepreneurial process

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#### Abstract

As third sector organisations grow in scale and scope, little is known about how they measure their social value and report their achievements. This paper draws on theoretical and empirical material to understand these processes.

Decisions over whether to measure, what to measure and how to measure are shown to be shaped by the objectives of the leadership, power relationships within organisations and, more importantly, with the stakeholders outside the organisation. Impact measurement can be seen as both a bureaucratic form of regulation that allows others to control an organisation through performance management or as a form of marketing for organisations with entrepreneurial skills. The lack of consistent approaches and the range of assumptions that need to be made in any social impact measurement process provides social entrepreneurs with 'room to manoeuvre' and a source of power to influence others. For many organisations, measurement of impact can therefore be a way of entrepreneurially creating opportunities.

#### Introduction

This paper sets out to explore the process of social impact assessment in charities, voluntary organisations, and social enterprises. The core questions relate to why organisations embark on social impact measurement exercises; what guides decisions regarding the way organisations choose to investigate their social impact and how they use the results. It argues that social impact assessment and reporting constitutes an essential

strategic tool for organisations in building and maintaining relations of different kinds between the organisation and surrounding stakeholders. Social impact reporting does not just invite for increased accountability and transparency, but can be used to gain and exert power in negotiations between stakeholders. Social impact measurement and reporting refers to a range of approaches that assess the outcomes and impact of activities. Examples of common approaches include cost benefit analyses, social return on investment (SROI), and Social Accounting and Auditing (SAA), as well as other approaches that record case studies.

While the results of social impact assessments feed into a process that gives support and meaning to decision making processes and the idea of 'evidence based policy', it also provides a tool for shaping preferences and organisational visibility and legitimacy (Power 2003; Tonkiss and Passey 1999). By looking at it in this way we can examine how the results and reporting of social impact assessment serves as a tool for communication and negotiation between organisations and their stakeholders.

Organisations may therefore see measuring social impact as a way to reach organisational objectives and to shape perceptions of what type of service providers they are in a mixed economy of welfare. While some research examines the role of external players in exerting power over organisations with regard to how they measure impact (Ebrahim, 2003), Nicholls (2009) refers to the spectrum of disclosure logics used by organisations in order to reach their different

mission objectives, stressing the role of organisational agency. Similarly, Teasdale (2010) discusses how organisations present different impressions to different audiences in what can be termed 'impression management'. This paper examines all of these dimensions by looking at the motivations for measuring social impact and the ways different stakeholders influence what is collected and presented.

## Methodology

To study how third sector organisations measure their impact, this paper examines the processes and motivation of charities and social enterprises operating in the UK. The data presented is drawn from a predominantly qualitative study that addresses the research questions concerning the processes of doing and using social impact measurement approaches. Starting with a sampling frame of 80 organisations, interviews were carried out with 40 third sector organisations, 32 of whom had carried out social impact measurement. Within this group more detailed information was collected from ten detailed case studies. This also involved analysis of their evaluation reports where available. A purposive sampling process was used to ensure a cross section of different sectors and sizes of organisations, with 10 cases explored in more detail.

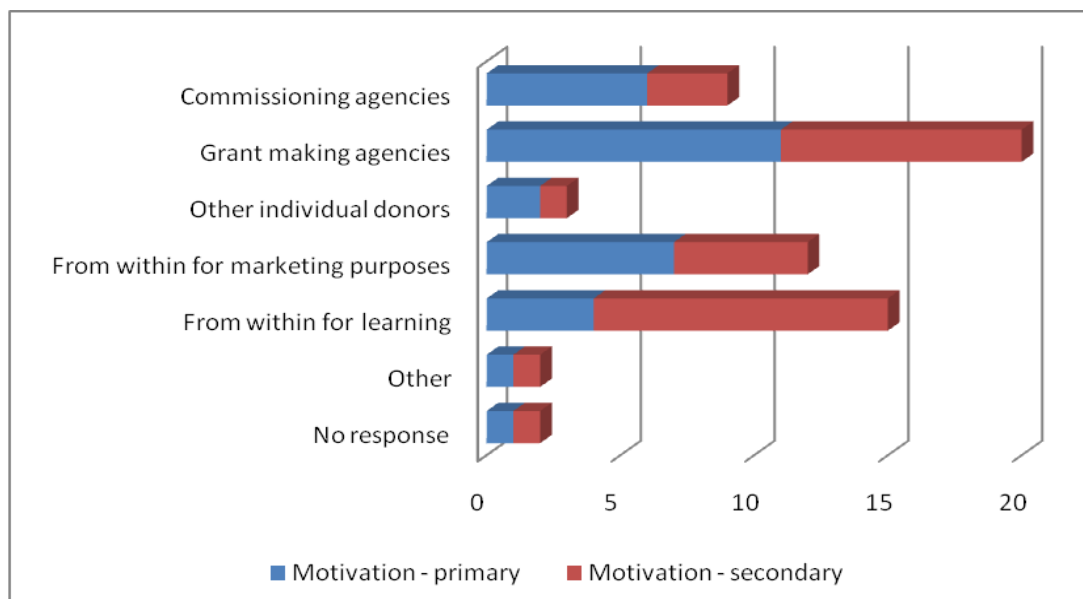
## Findings

### Motivations

The empirical material from the 32 organisations measuring impact found a range of different motivations. The primary and secondary motivations are presented in the figure below. The data shows that the reported motivations may be different to the actual triggers that initiated the social impact measuring exercise. In many cases organisations were wanting to measure but it was only when they were offered free services as part of a pilot project funded by the public sector or pro-bono support from a private company that they were able to do it. Others started measuring when they had a new chief executive or had pressure from a national office.

The relationship to commissioners was an important motivation for organisations currently delivering public services as well as those looking to enter this field. Where there is competition for contracts, third sector organisations can use social impact measures as additional information to demonstrate their added value and the wider social benefits that they can bring. Pressure from grant making agencies was the most common motivating factor (stated by 19 of the 32 interviewees), and this can be both through requiring social impact measurement evidence in applications as well as requiring organisations to collect impact measures once they have received funding.

**Figure 1. Motivations to measure impact**



(N= 32, based on a sample of organisations responding to a requests sent out through regional networks)

## Measuring in practice

The process of measuring varied considerably from those organisations collecting limited quantities of data themselves to those who had large investments in external evaluations. Those preferring to keep the assessments of impact in house, were found to be doing so due to the cost of evaluations and the concern over letting people into the organisation.

The analysis shows that there are specific tensions between some of the organisations and their funders, and also within organisations regarding how impact assessments are carried out. First, resistance against social impact evaluations is based on a feeling that it is being imposed on organisations from outside (either by funders or by national offices of federations), and organisations and staff have an inherent opposition to this intrusion on their work. Secondly several interviewees reported that while senior managers support measuring impact, there is internal resistance among staff to engage in, and contribute to, comprehensive assessment exercises. In some cases staff have refused to comply with requests to fill in reports with data. In other cases, staff have suggested alternative ways of assessing their own work.

The data collection process is highly varied and depends on the objectives of the organisation. However, in contrast to conventional financial accounting, the indicators of social impact can be highly subjective. The selection of suitable indicators is a particular challenge for those cases that are using social return on investment (SROI) approaches which try to monetise the impact.

## Using the results

The cases also show there is much discretion in terms of how the data or the social accounts are used. While some are concerned about over-reporting leading to a loss of trust, others were using the information collected by external agencies in a less critical way to support their marketing. The use of financial measures such as ratios of the amount invested to the social benefit generated (e.g. a £5 benefit for each £1 spent) were seen as being particularly powerful messages. These organisations acknowledged that there are judgments that can influence the results but wanted to present the results simply for marketing purposes while leaving details of the assumptions underlying the analysis in detailed reports.

Three of the case study organisations reported concerns over other organisations inflating their results. This was found to be a source of greater anxiety when organisations are operating in a more competitive environment with the threat of other organisations winning contracts by reporting larger social impacts. This leads to increased suspicion over the authenticity of results and the desire by some organisations to develop auditing procedures which can assess what is written in reports and what is omitted.

## Discussion

In terms of motivations for measuring, proving to others is shown to be more important than internal learning and improvement. In a competitive environment, organisations are using this information for comparative purposes despite the methods used warning against such comparisons when different methods have been used (Arvidson et al., 2010). However, organisations are not only trying to demonstrate impact to an external audience; the case study analysis also shows how social impact assessment results are being used internally to influence trustees and motivate staff.

There is also evidence that organisations can use the results selectively to present different stories to different audiences, what Teasdale refers to as impression management (Teasdale, 2010). The move to these forms of legitimacy making, do reflect the changing nature of trust between those providing resources and those delivering. While in the past, assessments may have been made based on accepting that all charities have a social impact, or through personally visiting organisations to make assessments, there is now a shift to complementing personalised trust with more institutionalised trust based on formalised measurement. Measuring impact may be a way of building and enhancing trust, but it is also closely interlinked with exerting control by funders.

However, organisations interviewed showed that they are not powerless and can create the opportunity to shape their environment. The range of assumptions that need to be made in any social impact measurement process provides organisations with 'room to manoeuvre' which can be an important source of power to influence others and as a form of resistance to those traditionally considered more powerful. This flexibility allows them discretion at several points of the measuring process.

Firstly, there can be a choice of who carries out the impact assessment. Secondly judgements can be made with the identification of indicators. Thirdly there are further opportunities for discretion in the collection and analysis of data by deciding on which stakeholders are consulted, what data is collected, and by which methods. Finally, there is discretion in the presentation of results.

## Conclusion

This paper has shown that measuring impact is a tool for third sector organisations to influence others and there are a range of strategies that they can develop. The process of social impact measurement requires discretion on behalf of those who carry out the process: choice regarding indicators, methods for data collection, judgments regarding what can be defined as success and failure, and finally using discretion at the point of disclosure of results. This process can be viewed as providing 'room for manoeuvre' for organisations, giving them opportunities to reverse what initially may be seen as an imposed activity, controlled by specific outside stakeholders.

In this way the process of measuring impact can be seen as a socially entrepreneurial process, with efforts to create opportunities and win scarce resources needed to make a social impact. This trend is accelerating as the boundaries between the third sector and private sector become increasingly blurred and organisations find

themselves, competing in a market place for contracts or philanthropy. Organisations may consider social impact measurement as a means to satisfy powerful players in these markets, or use social accounting as a way of taking control. This study shows how organisations are crafting how they present social values to influence others. At the same time there is a movement to develop auditing procedures to ensure that the approaches to measure impact maintain their legitimacy and to combat the suspicion of inflated measures.

Despite considerable interest from funders and public policy towards social impact measurement, there is still considerable diversity within the third sector with regard to its take up and approaches. In part this is due to the different motivations of organisations but also due to the competition between different approaches to assessing impact (such as social accounting, social return on investment, cost benefit analysis and a wide range of other labels). This can create considerable confusion. As funders and public sector commissioners put more emphasis on outcomes and impact, more attention will be given to the rigorous methods of measurement that are being developed. With these changes it will be important to understand how the activities of organisations are shaped by the demands for measurement. It will also be necessary to understand how organisations will be using such methods to demonstrate their differences, shape their environments and influence others.

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