Sustainable Development Impact Indicators for SSE

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Summary of sections relevant for SSE

Prepared by SSEDs partnership

a) The social accounting, reporting and auditing processes

The entire field of **social accounting, reporting and auditing**, is a good example of this long tradition. Social accounting, reporting and auditing (SARA) has generated a great deal of literature and practices, rooted in the accounting profession, rather than a specific method or initiative. The common goals are to understand the impact of the organization on multiple stakeholders and to broaden the framework of conventional accounting.

Current initiatives in the field of SARA include social reporting standards, a set of outcomes-oriented reporting guidelines for non-profit organizations, based in Germany (Social Reporting Standard 2014), and the Social Audit Network, a network of practitioners of social accounting and audit in the social economy and voluntary sectors in the UK (Social Audit Network 2011).

b) Utilité sociale (France)

In France, the **evaluation of utilité sociale (social usefulness)** also has a long tradition. The evaluation of utilité sociale does not refer to a specific method but rather to an approach to the assessment of "**social value**".

An important feature of utilité sociale is its resolutely constructivist stance. Social value is constructed and collectively defined by actors, rather than assessed from an external and "objective" point of view. Stakeholders are not merely consulted or included in the discussion; they determine what has social value. Utilité sociale evaluation is therefore a political project (Gadrey 2005), designed to identify the added value SSE contributes to its community compared to conventional private sector activities (Branger et al. 2014).

In practice, evaluation of utilité sociale, like many other initiatives, applies standard qualitative methods to assess the goals of the organization and the value various stakeholders attribute to the services it provides (Duclos 2007).

Although some criteria and indicators relating to economic, environmental, social, political and societal dimensions can be provided as examples (Gadrey 2004), there are no specific sets of indicators involved in the evaluation of utilité sociale. The evaluation process requires these to be tailor-made, based on deliberation with relevant stakeholders.

c) Social Balance (Spain)

SSE networks in Spain are currently developing their own tool, the **Balance Social**.

The “**Balance Social**” is an evaluation tool mostly applied to SSE organizations in Spain. It was initially designed by the Xarxa d’Economia Solidària (XES) around 2007 (Alquézar Crusellas and Suriñach Padilla 2019). First designed in Catalonian, it is becoming increasingly popular in Spain and was translated to Spanish, Basque and Galician. In 2018, about 200 enterprises in Catalunya and 450 in all Spain were using it (XES 2019).

The basic version of the questionnaire covers around 50 indicators divided in various sections such as financial aspects, democracy, environmental sustainability, social commitment and labor conditions. The complete version covers the same sections but contains about 100 indicators (XES 2018, 8). The main questionnaire is completed each year by the enterprises themselves and additional, shorter, questionnaires are separately filled in by key stakeholders such as workers, customers and volunteers, thus guaranteeing their voice and external perspective is included (REAS 2019).

The main incentives for SSE organizations to participate is that organizations who respect a minimum threshold in each dimension gain access to the Mercado Social, an online market place which references various products and services sold by SSE organizations.

All questionnaires must be completed on a centralized online platform, allowing the progressive constitution of a database about SSE organizations’ practices and impact. For Catalunya, the aggregated data is presented annually in a report online. Although this tool’s purpose is not to inform SSE’s contribution to the SDGs, the data could potentially be used to make some connections in a near future.

d) Cooperative Performance Indicators (COOP INDEX)

The cooperative world, in particular, has relied on this framework to assess its performance and adherence to essential principles.

COOP INDEX is a tool used to diagnose worker co-operatives for their participatory practices and adherence to co-operative identity

Coops are advised to assess the level of effective adherence to these principles through questionnaires and audits and then report on the results to their members and the general public.

Sample indicators for the co-operative principles (Source: Sustainability Solutions Group (2016, 20). Reproduced with permission.

Co-operative Principle	Sample indicators
1. Voluntary and Open Membership	• Number of members • Diversity (age, sex, race, ethnicity, educational background, etc.) of members • Diversity of the board
2. Democratic Member Control	• Percent of members that voted in the board election • Number of resolutions put forward by members
3. Member Economic Participation	• Percent of capital provided by members • Percent of total capital that is indivisible • Indicator of member loyalty
4. Autonomy and Independence	• Percent of assets owned by outside investors
5. Education, Training and Information	• Percent of revenues expended on education, training and information • Number of participants by category (members, public, youth, directors) in programs run by the co-operative
6. Co-operation among Co-operatives	• Percent of revenues and expenses associated with other co-operatives
7. Concern for Community	• GHG emissions per member • % of revenue allocated for community-based organisations • Weight of food donated to community food banks • Number of community organizations supported

Potential indicators are also explored in a report by Co-operatives UK (2013, p. 21-26). According to them, a shortlist of essential non-financial indicators should include: the members profile (number of members), the satisfaction rate in a member survey, the amount of trade with members as a percentage of sales or incomes and the satisfaction rate in a consumer/user survey.

e) Sustainable livelihoods framework

It offers interesting insights for assessing poverty reduction related strategies.

The sustainable livelihoods framework is meant to be a "holistic, asset-based framework for understanding poverty and the work of poverty reduction" developed in the 1990s by Chambers & Conway (1992) and adapted by UK's Department for International Development (DFID).

It was specifically designed to assess the progress and results of an intervention aimed at reducing poverty and developing "human capital". It is people-centered and makes connections between the specific resources an individual has (micro) and the larger context in which he or she lives (macro) (GLOPP 2008).

The notion of livelihood is directly connected to the idea of sustainability: a livelihood comprises the capabilities, assets and activities required for a means of living. A livelihood is sustainable when it can cope with and recover from stresses and shocks and maintain or enhance its capabilities and assets both now and in the future, while not undermining the natural resource base (DFID 1999).

Key elements of the Sustainable livelihoods framework (SLF) are depicted in Figure 4 and include:

• vulnerability context—characteristics and risks within the person's environment;

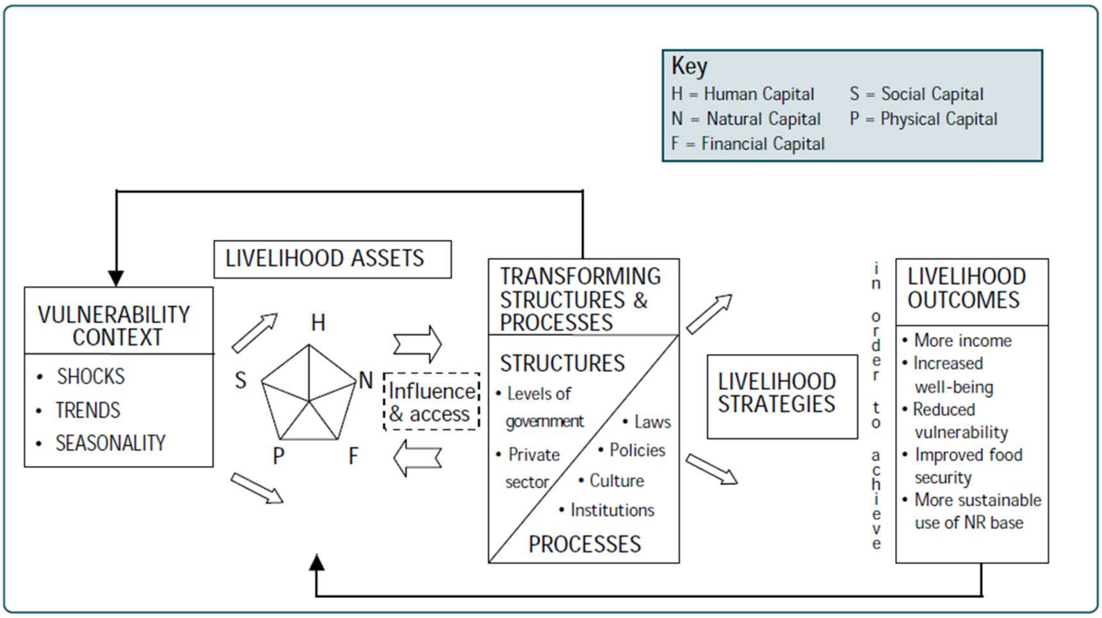
• livelihood assets—the person's specific assets categorized under human, social, natural, physical and financial capital;

• policies, institutions and processes influencing the person's context and assets;

• livelihood strategies—activities undertaken by the person to achieve their livelihood goals;

• livelihood outcomes—the results of these activities such as increase in income, well-being, food security, etc.

Figure 4: Sustainable livelihoods framework



Considering SLF's ambition is to evaluate the transformative capacity of enterprises, organizations and community-based initiatives to address structural challenges of poverty, social exclusion, gender and/or racial discrimination, it is potentially relevant to assess SSE's contribution to SDGs, especially, though not only, SDG #1 "No poverty". It is a comprehensive way to take stock of physical, human, social and personal changes through access to enabling programs offered by SSE organizations that provide business training for marginalized people, for example.

f) Other Methods and Initiatives

We have identified a few noteworthy approaches that are relevant to the SSE.

• **Outcome mapping** is a method for tracking behavioural changes in development programs. It was developed in Canada (Smutylo 2005) and now appears to be reasonably influential in the field of international development. Outcome mapping official website provides a wide range of useful resources and identifies a thriving community of practice. https://www.outcomemapping.ca/

• **Participatory evaluation** is "an approach that involves the stakeholders of a programme or policy in the evaluation process" (Sette 2018). Most methods in the field of SSE now take for granted that stakeholders should be involved at every step of the evaluation rather than only used as a primary source of information.

• **Developmental evaluation** is another approach to evaluation oriented towards learning and generating quick feedback in innovative and uncertain contexts (Gamble 2008; Patton 2016). An increasing number of actors in the philanthropic world promote the use of this method.

• The notion of **collective impact** is also a popular trend in the philanthropic world. It involves shared measurement between multiple organizations targeting a common goal. It was first developed by Kramer, Parkhurst & Vaidyanathan (2009) and has been continuously updated since (Cabaj 2017; Cabaj and Weaver 2016; Handley, Sabri, and Kazimirski 2016). It is considered an important innovation as it invites foundations to collaborate in addressing complex issues that can be better assessed collectively.

g) Recommendations from GECES on Social Impact Measurement process

Seeing the multiplication of initiatives and growing interest in impact measurement in the field of SSE, the European Commission's Expert Group on Social Enterprise (GECES) mandated, in 2012, a sub-group to develop a methodology for measuring the social impact of activities by social enterprises (GECES Sub-group on Impact Measurement 2014).

The report of the subgroup includes the following recommendations for Social Impact Measurement in SSE:

• "… one could not devise a rigid set of indicators in a top-down and 'one-size-fits-all' fashion to measure social impact in all cases"

• It is, however, possible to recommend a common process consisting of 5 broad steps (see original source for details): <u>1. Setting objectives; 2. Analyzing stakeholders; 3. Measuring results; 4. Verifying & valuing impact and 5 Monitoring and reporting.</u>

• "All reporting of measurement whether privately between a social enterprise and its investors, or in wider public reporting, should include appropriate and proportionate evidence supporting each material point"

Conclusions

1. Measuring impact as a burden for SSE organizations

As outlined in the introduction, the interest in the assessment of social performance and impact is rooted in several trends.

• <u>Governments, under financial constraints and inspired by new public management, increasingly want to allocate funds efficiently and generate measurable and tangible results.</u> They therefore ask the organizations they partner with for this type of information, potentially making it a condition of funding.

• Foundations and impact investors, inspired by a similar trend, also want the best "value for money" and seek impact and performance data to maximise the social impact of their investments. Increasingly, small donors and the general public are also sensitive to those issues.

• Corporations, social enterprises and eventually SSE increasingly see either a necessity to conform to these expectations or a market advantage in becoming a leader in the field.

When done for the purpose of understanding, improving, communicating and eventually maximizing impact, social impact assessment can be desirable for SSE organizations, their stakeholders and society.

When these practices are imposed upon SSE organizations, they can become counterproductive. The imposition of such practices could be the result of a lack of knowledge or comprehension of the realities of social and environmental challenges, namely the importance of underlying local contexts. There is also a deep cultural divide that informs the pressure by investors and funders of civil society enterprises and organizations to professionalize their practices by importing certain management techniques. It also ensues from the misunderstanding that money, management and measurement, though necessary, are not sufficient to solve deeply rooted social and environmental issues. The tendency to privatize the public good, often at the cost of not exploring innovative partnerships between the private, public and growing number of businesses with a social purpose, whatever form they take, also presents a risk.

As expectations increase, the burden becomes greater for every social purpose organization and especially for the smaller ones that do not have the resources to carry out the assessments required.

This brings up the question of "who will pay?" In the philanthropic world, foundations fund evaluation. In the public sector, governments also fund evaluation. But in social finance and impact investing, SSE organizations are required to submit complex reports to satisfy their investors, without access to dedicated funds.

2. Standardization, flexibility and transformative capacity

Another persistent issue relates to the trade-off between standardization and flexibility. A previous UNRISD publication (Saïd, Ladd, and Yi 2018) already highlighted that:

[social accounting and auditing, logical frameworks, and social return on investment all] face a **common challenge**: the trade-off or tension between standardization and comparability, on the one hand, and representation of the uniqueness/diversity of SSE organizations, on the other. The issues involved here are similar to those for other types of impact measurement for meso- and micro-level analysis: the more indicators reflect the diversity of SSE, the less they are comparable. Resolving this tension demands a new and innovative methodological solution.

This so-called tension between flexibility and standardization must be unpacked in at least two areas. The first one relates to the **diversity in sectors of activity.** Since SSE is active in almost every sector of activity, the issue of comparability between organizations from different sectors is posed in the same terms as it would for any organization, be it SSE or not. SSE organizations, however, do have some common features such as having a participative democratic governance and a strict limitation on the profit distributed to investors. What is needed here is the capacity to factor in the variety of forms and sectors with the commonality of transformative features of the SSE.

The other issue relates to the **danger of confusing an SSE organization with what it is not**, that is a standard private profit-maximizing commercial enterprise, or a standard non-profit non-commercial organization. Hence the need to build the case for better understanding and documenting how SSE organizations work, produce, take decisions, include stakeholders, mobilize resources, distribute wealth and so forth. It is from this conceptualization that we hope to build relevant tools for the SSE.

This means that beyond the perceived trade-off between flexibility and standardization, there is a growing recognition that **both standardized and flexible or customized measures are necessary to reflect cross-cutting objectives and the specificities of SSE**. Combining these is a challenge that must be met so as not to burden SSE enterprises with the need to fit into criteria that do not apply to their mandate, mission, functions, etc. Of course, this raises the issue of comparability. It may be more relevant to focus on **transformative capacity**, and not only on direct outputs/outcomes. Attention needs to be paid to **temporality** (different time horizons) and **context (both geographical and institutional)**, for such comparisons to be made. The growing pressure on SSE enterprises and social purpose organizations more generally to demonstrate social impact, is not applied to the private sector and its voluntary compliance. The sense of urgency to produce evidence of impact falls heavily on non-profit organizations, social purpose business, the SSE. This is not a level playing field.

Do existing impact indicators evaluate the transformative capacity of enterprises and organizations? Are they adequate? Are they able to measure "authentic change" (Reisman et al. 2015, 8)? Does standardization risk embedding externally imposed criteria into organizations and their practices, at the expense of their agility and promptness in responding to emerging needs and aspirations? The initiatives covered in this brief overview, including perspectives from the accounting, evaluation, cooperative and finance worlds, have evolved to **address diversity** and, until recently, have not been subject to pressure for conformity. But the rapid growth of SSE, social enterprise and impact investing is implicitly imposing conformity, raising the tension between the transformative objectives of social purpose organizations and the inherent conservatism of funders and investors.

That said, the difficulty to design standardized indicators as well as their limitations, is increasingly recognized. A much more likely scenario, in the field of standardization of impact measurement, is therefore at the level of process. The IMP has begun to address these issues by advising all its users to answer basic questions about the what, who and how much in a systematic way. The GECES sub-group also made basic recommendations about the key steps and reporting formats, while admitting there is no "one size fits all" and that the principle of proportionality as encapsulated in the expression "comply or explain" must be respected.

3. Impact vs other types of activities, outputs and outcomes in reporting

We also note that despite the insistence on the key term "impact" (social impact, impact investing, impact economy and so forth), most experiences, as much in the SSE as in the impact investing sector, aim to generate desirable social and environmental outcomes or impacts but more often assess and report on how the organizations operate: activities, outputs, responsible behaviour, etc. That is not necessarily a flaw. **It is indeed very difficult to prove direct causality between one's actions and a specific impact**. However, this certainly introduces some confusion.

Contrary to the rising wave of concern with impact and the concomitant increase in available measurement tools and a focus on consequences – both positive and negative, there is also a **growing interest, mostly in the SSE field, for performance evaluation approaches that are process or value oriented.** These initiatives, although not yet articulated into fully operational indicator systems, provide important ideas for an alternative and we would add, essential, approach to fully capture the role of SSEs in reaching SDG societal goals.

4. Financing SSE: Learning from past experiences

The recognition of the contribution of SSE to the 2030 SDGs is growing. The pioneering work of institutions engaged in social finance committed to the transformation of the lives of people and communities and their endogenous assessment tools provide invaluable examples for today's concern with social impact indicators. There is, however, a tendency to overlook what has existed, what has worked, how these can be adapted today, and so on.

As impact investing, for example, and the wide-ranging hybrid enterprises captured by the term "social enterprise" grow and assume a greater presence and role in the economy and in society, in both the north and the south, pressure to evaluate their activities should yield to pressure to better understand their diversity and complexity. Even those initially championing impact investing by foundations now argue for a combination of donations and investing. The need for credit enhancements without which organizations and enterprises cannot leverage capital and decrease their vulnerability remains, thus nuancing the trend by foundations to increase the use of their mission related investing portfolios, for example, to replace donations. Situations often require a combination of both.

The call for "private capital for social good" is fuelling the impact investment market and the demand for social impact measurement, onboarding private investors, foundations, pension funds, etc. This is occurring in both the north and the south. In some cases, pay for performance or evidence-based funding is driving government decisions to co-finance initiatives and programs with private partners that demonstrate or promise impact. While this conforms with government retrenchment more generally, in fact, it does not necessarily result in a reduction in public spending in the short run, as it entails high transaction costs (Pandey et al. 2018), nor in the long run, as increase in performance is not maintained once financial incentives disappear (Campbell et al. 2009). Instead of investing in the public good, governments repay the initial investment, reward private investors with attractive rates of return and assume the many overhead and management costs associated with the pay for performance initiative. This raises many issues beyond the scope of this paper and will be developed in subsequent research. What is important to note, however, is **the transfer of public commitment to private interests and the concomitant need for evaluation tools and indicators that comply with investor expectations, which can lead to negative side-effects on service providers, operations and outcomes** (Edmiston & Nicholls 2018).

5. Further Research

This brief paper presents a "state of the art" of sustainable development impact indicators for the SSE. We present a selection of indicators that have been used in non-profit organizations and community-based enterprises committed to transforming the lives of men and women and communities and are or may be applied to the SSE. **To date, none of the indicators systems developed by the SSE sector have managed to impose themselves as standards worldwide. Most of them remain culturally or geographically limited in their use.**

While the surge of impact indicators in recent years corresponds with the emergence and growth of social enterprises, social entrepreneurship and impact investing, it also corresponds with the rapidly growing recognition of the transformative capacity of SSE, in both the north and the south. SSE is a variegated landscape ranging from the informal, popular or solidarity economy to collectively owned enterprises producing goods and services in all sectors. We cannot draw a line that would suggest a clear demarcation of market and non-market activity in the SSE. Too often, SSE is narrowly associated with social service provision or work insertion, missing its vision and mission to democratize the economy.

Mapping the SSE internationally reveals the numerous initiatives, organizations, enterprises committed to social, environmental and economic transformation, to capacity building of people and communities to achieve these goals. **It is committed to democratic governance and participatory decision making. We noted early in this paper that existing metrics do not address issues of ownership or governance.** Even what we referred to as resistance or counter-movements to existing social impact measurement methodologies that offer promise in the drive to design better tools with and not for communities, do not explicitly examine these issues. The literature refers to both collectively and privately owned entities, without exploring the impact of ownership. As pressure mounts to comply with the need to demonstrate social impact, the SSE will actively join in the conversation to assure that ownership and democratic governance are at the forefront of its capacity to more effectively meet SDG goals and contribute to building transformative capacity.

The companion "state of the art" paper by Peter Utting and Kelly O'Neill raises important theoretical questions that apply to this paper as well (Utting and O'Neill forthcoming). We will develop a conceptual framework in further research. We briefly note some key thinkers and ideas that are critical to our thinking and that should be analyzed in future research.

Nobel laureate Elinor Ostrom's extensive research of common pool resources across regions in the north and in the south and over time, concludes that these resources are best governed collectively by communities. Her eight institutional design principles and polycentricity, or multiple, nested centers of decision making with some degree of autonomy, is powerful testimony to the effectiveness and efficiency of the collective management of common pool resources (SSE) and also to the need for adaptability and flexible institutional arrangements between levels of government, social actors and communities.

The work of **Karl Polanyi** is a key theoretical reference for SSE, in particular, his concept of fictitious commodities, processes of re-embedding the economy in society and earlier writings on economic democracy. Collective ownership of resources, social and solidarity finance and cooperatives are forms of "decommodification", transferring private ownership of land, labour and money to communities and cooperatives. Today this would include the collective enterprises that make up the SSE and hybrid social purpose organizations re-embedding the economy in society. As the digital economy becomes increasingly privatized and "commodified", platform cooperativism is an important illustration of decommodification, in the Polanyian sense.

Many authors and organizations proposing new methodologies to better capture social phenomena in the impact and evaluation literature are drawing on complexity theory and design thinking (human centered design) and post-disciplinary approaches more generally.

In a recent article, **Alex Nicolls** brings Habermas and Foucault together to develop a "general theory of social impact accounting". Combining Habermas' belief in the transformative capacity of dialogue to bring about consensus in society and Foucault's analysis of power through new discourse, provides a strong case for creating spaces for dialogue, listening, learning, adaptation to better understand social impact (Nicholls 2018).

Amartya Sen's capabilities approach, to which we referred earlier, is essential to social impact analysis and the need to address capabilities and functioning before assuming that interventions or projects will work.

These are a few very brief comments on the theoretical work that lies ahead.

6. A Final Word

In 2015 **Jed Emerson**, recalled that it was not until the establishment of the Environmental Protection Agency in 1970 that business and non-profit organizations developed metrics to track environmental impact and that it will likely take 20 years to develop new frameworks of evaluation in response to the relatively new need for social metrics. In his recent reflective book **The Purpose of Capital**, published three years later, Emerson writes:

Maybe we should shut up and listen to the world, to its various and diverse human and non-human communities and history of experience. Maybe we need to create greater space to hear from those whose lives we seek to impact? (Emerson 2018, 4)

Learning from the past and improving existing social impact metrics is **a process that must be undertaken collaboratively between stakeholders**. This is still an evolving field, but it will unlikely lead to homogenous, standardized measurement tools. Should this be the goal? Indeed, how innovations in social impact measurement will be played out varies in different contexts, but **the understanding that the co-design of tools to improve the capacity of the SSE to achieve social impact is a sine qua non in assuring the usefulness of these tools for the SSE itself and for potential investors and governments.**