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Social impact measurement in social entrepreneurial organizations

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Abstract: We live in a world where accountability has become an institution and where what gets measured gets valued due to the increasing demands of stakeholders. The purpose of the hereby paper is to address change and the impact of change upon society. Whether the change is caused by social innovation, social entrepreneurial organizations or social responsibility actions, it translates into a modification in the status quo of the society. Thus, the discourse of our paper revolves around social value, social problem, social entrepreneurship and it connects them to the social impact they generate by presenting the methods used to measure this impact and their basic assumptions, who applies the methods and what are their effects. The methods for measuring the social impact found in the literature lean on quantifying everything in money and they also tend to overlook the importance of the psychological impact a company might have over its target clients. Furthermore, social impact is measured from the perspective of the companies and of the investors, neglecting the customers who are the target of the impact. Also findings reveal that there is no proper legislation to regulate this field and no specialized control bodies to oversee the activity of the third sector regarding social impact. We propose three principles underpinning our own social impact measurement model (sustainability, added value and scalability (spillovers).

Keywords: Social impact, social change, social entrepreneurship, measurement, social value, social problem.

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Introduction

Social entrepreneurship is the action of a social entrepreneur with a social mission that recognises a social *problem* and addresses it by means of *social innovation* and in terms of creating *social impact* and social value by benefiting both the business (sustainability) and society (scalability). For a better understanding of why we need to measure the social impact that is created through social entrepreneurship we will present the following key concepts: social problem, social innovation and social impact.

To begin with, social problems are not easily definable despite being the starting point of every social entrepreneur's initiative. Some may be self-evident, like poverty, illnesses or violence. But others may be less obvious and need time

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to take shape or to be accurately articulated, like discrimination, social injustice, and social discrepancies. We think that understanding societal needs requires interest, attention, patience (time), empathy and emotional intelligence. Bornstein (2003) discovered most of the stories on how to change the world through various discussions with regular people, while making use of his interest and empathy to define the ideas depicted in his work.

Moving on to innovation, it has become one of the most popular words of this decade, mostly because technological advancements and the survival in a competitive environment are based almost solely on it. The areas of study connected to the concept cover the business environment to information technologies. Innovation may occur or be sought out in different fields: social, technological, business, environmental, financial. The type of innovation that is relevant to our study is social innovation which together with social entrepreneurship addresses the problems of today's society. Even though social innovation does not represent a new idea, it only recently developed into a standalone concept that addresses the societal needs triggered by the problems of the society that are to be solved through innovative ideas. Innovation cannot be referred to without also taking into account the impact it brings upon society (be it positive or negative), the way society changes its course and its habits and shapes its future.

In this light, it is difficult to assess and quantify which social problem affects us more severely or is more stringent to be solved, and the questions arise: which solution can have a greater impact, how is its outcome measured or who are the target groups of its impact? When we bring into discussion the phrase "greater impact", we underline the necessity of measuring things because measurement allows us to compare and arrange them in an order that is more functional and provides a clearer understanding of categories. Social impact is probably the most volatile term in the entire field of social study, as measuring impact assumes there should be a correlation between the proposed objectives and the actual results. However, each social entrepreneurial organization and each social innovation action target objectives differently, based on cultural context, understanding of the social problem to be addressed, the social value that is to be created as well as the ethical issues involved.

Thus, is it possible to design a "one size fits all" social impact measurement suitable for all social objectives proposed, even though they might differ greatly in scale? The main question addressed by the present paper is "why measure and how to measure social impact?" taking into account all the factors that have been previously presented.

Definitions of relevant concepts

Social innovation and social entrepreneurship

Ambiguity governs the field of social innovation in terms of a commonly agreed upon definition of the concept. Though there have been many articles written on it, researchers seem to have failed to create a common definition. This fact can also be put on the expense that the phenomenon of social innovation is complex. One should take into account the following different elements when describing social innovation: which is the social challenge identified, who are the target people confronting with it, ethical concerns, value (also including economic value), how long will the impact last, when and how will it be measured.

The main condition a social innovation should fulfil is to imperatively stress the social value attained. Most social innovations distinguish themselves by virtue of their orientation towards social goals and values, even though many of them succeeded in establishing themselves commercially, like the example of the Charity Bank in UK.

Put differently, the concept can be defined as "new ideas that work in meeting social goals" (Mulgan et al., 2010, p. 8). The social innovation field covers microcredit and cooperatives, Wikipedia and the Open University, companies that empower minorities and holistic hospices, it is omnipresent. Moreover, these initiatives create long-term impact and modify the behaviour of several social groups, in a way that can create value.

Social innovation can be implemented or put into practice through various organisms, out of which the most adequate and numerous ones are the social entrepreneurial organizations. But what is social entrepreneurship? Social entrepreneurship is a ''simple term with a complex range of meanings'' (Trexler, 2008, p. 65). The lack of a unified understanding of the concept (Zahra et al., 2009) is one of the major barriers to the advancement of scholarly research on the subject.

First, with regards to 'social', the relative positioning of the social and the economic imperative continues to cause debates in defining social entrepreneurship (Perrini, 2006). For example, some scholars say the social mission is the sole driver of the social venture, while others perceive the social mission to be additional and secondary to commercial drivers (Mair and Marti, 2006). In the literature, there have been identified three characteristics that seem to stand out when talking about social entrepreneurship: the necessity of a *social character*, the obligation of the *innovative character* and the role of the *economic value*.

For the first characteristic, scholars (Thompson, 2002; Sullivan Mort et al., 2003; Peredo and McLean, 2006; Mair and Schoen, 2007; Certo and Miller, 2008) seem to agree on the fact that social entrepreneurial entities must have a straightforward and embedded social objective. It is interesting to analyse the definition that the term *social* bears in this context, for it refers to social entrepreneurs as being those that create products and services which are meant to satisfy basic human needs that are currently not addressed by any economic or social institution. One main clear-cut that can be made between regular entrepreneurs and the social ones is that the latter assigns a higher weight (priority) to creating social value, while creating economic value is seen as a means of achieving the social value creation and a "necessary condition to ensure financial viability" (Mair and Marti, 2006, p. 38). Leadbeater (2001, p. 2) states that "[s]ocial entrepreneurs identify under-utilised resources – people, buildings, equipment – and find ways of putting them to use to satisfy unmet social needs" while, Păunescu et al. (2013, pp. 57-58) refer to social entrepreneurship as being "an innovative process which occurs in social mission-driven organizations aimed to generate creative new solutions for society needs remained unsolved, by using a limited pool of resources, which will lead to social transformation and value creation". Boschee and McClurg (2003) define the social entrepreneur as "*any person, in any sector, who uses earned income strategies to pursue a social objective"* (p. 4), and a social entrepreneur differs from a traditional entrepreneur in two important ways – the italicized section is used to uphold the *social* characteristic:

Table 1. *Distinctions: traditional vs. social entrepreneurship*

Entrepreneurial characteristic	Traditional entrepreneur	Social entrepreneur
Link to social problem	*Efforts indirectly attached to social problems – they act in a socially responsible manner*	*Earned income strategies are tied directly to their mission*
Performance	Measured by financial results	Double-bottom line: a virtual blend of financial and social returns

Source: *built based on Boschee and McClurg (2003).*

On the other hand, Dees (1998), for example, argues that just as the purpose of a for-profit firm is to create superior value for its customers, the primary mission of the social entrepreneur is to create superior *social value* for its clients.

For the second characteristic, the literature seems to have a different approach. Specifically, the successful pursuit of a social entrepreneur's mission requires an innovative delivery of products and services (Mair and Marti, 2006; Peredo and McLean 2006). But this affirmation is rather discriminatory and exclusive, leaving outside the scope of social entrepreneurship individuals and organisations that are not actively engaged in creating innovative solutions to complex societal issues. OECD (2011, p. 21) regards social innovation as "innovative responses to unsolved social problems and needs, which have not been successfully tackled by the State or the market", and all the social entrepreneurs it presents in this report are being characterized by (social) innovation.

Last but not least, several researchers argue that in order to be considered social entrepreneurship, the process has to follow or be exposed to the logic of the market (Peredo and McLean, 2006). While some scholars and policymakers attach crucial importance to the requirement of earned income for a person to be a social entrepreneur (Boschee and McClurg, 2003; Austin et al., 2006; Dorado, 2006), others define social entrepreneurship more narrowly, as *economically sustainable* ventures that generate social value (Dees, 1998; Robinson, 2006), regardless of where the revenue comes from. Hence, we can remark that this is the characteristic which currently seems to receive the least consensus from the researchers. The hereby paper sustains the opinion of Boschee and McClurg (2003) who posit that for a venture to be called a social entrepreneur, it necessarily needs to be self-sufficient and self-sustainable.

Social problems

The reason why social problems exist is most of the times considered self-evident, mostly blamed on the inefficiency or failures, but the truth is that many of the causes of social problems are left unexplored, as well as their solutions and the agents who are to be involved in the mending process. Thus, social problems are "more ambiguous in nature; they are more connected to other problems; more likely to react in unpredictable non-linear ways; and more likely to produce unintended consequences" (Burns et al., 2006, p. 8).

Because social problems are ambiguous and complex, there are multiple studies that describe them within the context and the culture they were created in, so as to understand and fully experience their interconnections. However, no matter the variety of complex problems that require being tackled with, many of these social problems are left unsolved. That is why one of the main quests of the 21st century is to find novel solutions to social problems through social innovation. This is mostly because social innovation is focused on social problems and creating social value. Moreover, it " can be a product, production process, or technology…but it can also be a principle, an idea, a piece of legislation, a social movement, an intervention, or some combination of them" (Phills et al., 2008, p. 39).

Social problems bring together the entire community, starting with each individual and spreading to the entire civil society, organizations, governments and networks. For a long time now the issues of the society were considered to be the responsibility of the civil society, more specifically, of the NGOs to solve them and take action.

> *In a world of one-dimensional people, the natural workings of the free market do not address social problems at all. Instead, the free market has a built-in tendency to create social and environmental problems. […]When the economic system creates barriers that reduce the opportunities available to the poor, as today's system does, then income disparities actually increase rather than shrink.* (Yunus, 2010, p. 203)

Non-profit organizations have created and developed an image of innovativeness and leadership in social problems alleviation. But even though they may set new ground rules and force policy makers to take into account several other actions for solving problems, they are neither the sole remedy nor should they be considered as such. The need to address social problems lies in the hands of all social actors, starting from the government, public institutions, educational facilities and private companies.

Most developed nations have been trying to devise a plan for addressing the most urgent social needs of the 21st century, mostly at national levels. Because we can easily acknowledge that many nations are confronted with issues of the healthcare systems and illnesses, lack of basic resources, violence and corruption, poor access to education, discrimination and environmental changes, such a plan appears to be the only logical step to be followed. Thus, the United Nations have developed the eight Millennium Development Goals (MDGs) – which range from diminishing poverty to providing universal primary education, all within the target date of 2015. This Millennium Declaration was adopted in 2005 by a number of 192 states. There is a clear need for political leaders to take concerted action, as improvements in the lives of the poor have been unacceptably slow and some hard-won gains are being eroded by the climate, food and economic crises, as the UN Secretary-General Ban Ki-Moon stressed. However, five years before the 2015 deadline, the 2010 report presented by the United Nations stated that although there has been clear progress towards implementing the Millennium Development Goals, their overall success is still far from assured.

Social Value

If understanding the concepts of social entrepreneurship and social problems is rather difficult, so is the understanding of value. The entrepreneurship literature has largely adopted the economists' stance such that value is expressed through exchange and market transaction (Bruyat and Julien, 2001). Lumley (2013) makes the case saying that businesses (in general) deliver services/products to the customers and the customers pay them for what they receive. This customer willingness is used to measure the value that the customer perceives on that particular product/service, without any need for measuring anything else – ergo businesses get a measure of impact through the market meaning that their transactions create their data and their revenues (direct link between data and revenue), whereas for charities this is not the case; furthermore, he defines social enterprises as being the entities which fuse together the business and the charity, delivering social impact in a way that is linked to generating revenue. Kirzner (1973) for example, refers to the arbitrary judgment of value by a consumer to distinguish production costs from selling costs. Similarly, von Mises (1949/1996) notes the subjectivity surrounding value and the role of preferences and trade-offs in its determination.

There are, however, other forms of value, like social, natural, cultural or creative. Because value creation can simultaneously refer to content and process, understanding value implies holism rather than particularization (Lepak et al., 2007), and thus requires understanding of the evaluation of value as well as the processes involved in creating it.

Social impact

There is no universally acknowledged definition of the term social impact. Social impact, according to businessdictionary.com, is the net effect of an activity on a community and the well-being of individuals and families. However, for the Centre for Social Impact in Australia, social impact means outcomes-led adaptive thinking and action taken by businesses, government, social purpose organization and knowledge creators that contribute to creating a positive, meaningful and sustainable change for the benefit of society and particularly those at disadvantage as a result of systemic, long-term problems.

By social impact we understand the positive shifts (changes) in the status quo of people (affected by a specific social problem) as a consequence of an action, activity, process, project and even policy undertaken by individuals, companies, NGOs, governments and so on. The impact can be positive or negative, intentional or unintentional, immediate and direct, or it can manifest later over time and reach out to different persons, persons who were not even included in the target, but who indirectly benefit from the impact. We may refer to this phenomenon as the spillovers of social impact.

Measuring social impact – findings from practice and theory

Third sector organisations have been growing now more than ever, and next to public sector agencies, investors, funders, governments and even commercial companies, they have become more preoccupied with making positive changes happen for society, understanding and quantifying the amount of change produced while focusing on the outcomes of their activities. According to Ormiston and Seymour (2011), the social entrepreneurs appear to be utilizing measures that relate to the growth of the venture (for example the number of beneficiaries) rather than the achievement of the formal social mission. Therefore, they refer to this disconnect between mission, objectives, and impact measurement as the *'mission measurement paradox'* (p. 8).

Figure 1. *Understanding value creation in social entrepreneurship: The importance of aligning mission, strategy and impact measurement*

Source: Ormiston and Seymour (2011, p. 8).

This is a natural mistake when thinking that in normal businesses, growth is associated with an added value, which stands for accomplished objectives. The commercial business activity has broadly utilized measures of impact (performance measurement) including: accounting profit, cash flow, earnings per share, dividend yield (Young and Yang, 2011) and economic value added (EVA) (Kaplan, 1983). To the extent that social entrepreneurs may create a substantial level of economic value, they can also use these measures, but this should be second to the measures used to evaluate social impact.

Our literature review generated a number of tools already developed for measuring social impact, most of which connect to the already existent tools in business and economy. We continue by presenting a summary of their explanation and application:

Social return on investment (first developed by REDF), has become increasingly popular within the non-profit world. This approach applies methods from the social impact tradition but using the language of rates of return. The benefit of SROI helps stakeholders to recognise all of the potential benefits a project or program might have, including wider economic benefit and social returns. There are many variants in use around the world. The European Union's EQUAL Programme strongly encouraged the use of measures to assess social and economic outcomes. For example, as part of EQUAL, Finland developed the 'SYTA method' for assessing social enterprise activities. However, REDF and others have retreated from the original claim that SROI could create single number measures, describing them instead as processes for discussion between stakeholders.

When talking about the SROI, one must think almost like in business, but taking into account the social part. Why do we need to measure social outputs, outcomes and impact? We pose that measuring the social impact is the same with measuring the extent to which one business managed to accomplish a specific objective, it helps establish corrective measures and know where the business is at a certain moment in time. In this respect, we strongly encourage social entrepreneurs to establish social objectives that are specific, measurable, achievable, relevant/realistic and time-related. When it comes to measuring social impact, it is very important to bear in mind the following key terms: Inputs → Outputs → Outcomes → Impact. Before going any further, let us have straight in mind the definitions of each of the above presented terms: *Inputs* (£51,000) **-** resources invested in the activity; *Outputs* (110 clients) **-** the direct and tangible products from the activity, i.e., people trained, trees planted, products sold; *Outcomes* (direct 19 clients gained long-term employment minus indirect 15% in re-offending) **-** changes to people resulting from the activity, i.e., a new job, increased income, improved stability in life; *Impact* (17 clients) equals Outcomes less an estimate of what would have happened anyway (Measuring Social Impact, 2004, p. 3). This measuring issue is crucial, because, in the end, what gets measured gets valued. It is really interesting how researchers managed to calculate the SROI ratio for the Get Out to Work entity (that trains and helps unemployed persons find jobs and get hired). The ratio accounted for 10.5:1 – meaning that for every £1 invested, £10.50 is created in benefit for society (for the full example, please see Measuring Social Impact, 2004). SROI can be used by private enterprises, social businesses, investors and commissioning services. The impact in this case is measured in terms of money, but is money the only measure of things? What happens to the self-confidence the clients got, and their self-reliance and their regained human dignity? This is also a social impact that contributes to bettering the society. These elements should be measured from the perspective of the clients and added up to the social impact delivered by the company. This method can be improved if used jointly with the Rickter scale which is a tool for monitoring different aspects of a client's life such as stress, health, confidence. This method can be administered periodically.

Triple bottom line **-** The phrase "triple bottom line" was first coined in 1994 by John Elkington, the founder of a British consultancy called SustainAbility. His argument was that companies should be preparing three different (and quite separate) bottom lines. One is the traditional measure of corporate profit – the "bottom line" of the profit and loss account. The second is the bottom line of a company's "people account" – a measure in some shape or form of how socially responsible an organisation has been throughout its operations. The third is the bottom line of the company's "planet" account – a measure of how environmentally responsible it has been. The triple bottom line (TBL) thus consists of three Ps: profit, people and planet. It aims to measure the financial, social and environmental performance of the corporation over a period of time. Triple bottom line is sometimes referred to as *blended value* – blended value methods (associated with Jed Emerson) try to combine social, financial and environmental value in ways that make sense to prospective investors/impact investors and philanthropists.

Social Enterprise Balanced scorecards **-** are a performance measurement tool for assessing whether operational activities are aligned with broader strategic objectives. They place the social goals of the organization at the top of the strategy, aligning social and economic interests while ensuring financial sustainability. In a study performed by Somers (2004) in the UK, SEBS were found to have the potential to communicate performance to internal and external stakeholders and present an opportunity to build credibility among investors, funders, customers, and stakeholders. Also, they were used in small and medium enterprises and in social purpose organisations.

Life satisfaction measures are a particularly interesting new set of approaches (led by Professor Paul Dolan) which compare public policy and social actions by estimating the extra income people would need to achieve an equivalent gain in life satisfaction. One imaginative study of a regeneration scheme, for example, showed that modest investments in home safety – which cost about 3 per cent as much as home repairs – generated four times as much value in terms of life satisfaction.

Social reporting – underlines the idea of the real differences made by the behaviour of the company both inside and outside the business community. Social Reporting Standards – are the only nationally recognized and shared accountability standards by academics and experts and are applied as scientific. The social report is a stand-alone document providing qualitative and quantitative information on impacts of operations. The social report should be prepared by all companies. It has to be drawn-up on a regular basis, usually at the end of the year and it has to be public. It contains calculation of added value and a so-called social account which presents a qualitative and quantitative description of the company's results in relation to its commitments and the impact on each individual stakeholder.

Social accounting and social auditing (first used in India) – This is an approach developed by the Social Audit Network. It looks to provide a process for accounting for an organization's social, environmental and economic impact. The process is similar to the one we have been through previously – defining mission/vision and aims, identifying stakeholders, choosing whom to collect data from, asking questions and collating the results. The social accounting method then puts these results into a report. An auditor then inspects the report. This measure may prove to be futile unless there is legislation put in place to make social auditing a compulsory activity for every organization that claims to have social impact.

The Social Footprint Measurement - is a context-based approach to measurement and reporting that expresses the social sustainability performance of an organization. It helps to fully operationalize the triple bottom line. It is committed to a quantitative and context-based approach to sustainability. At the core of this measurement tool there is the anthro capital (human, social and constructed capital). For the impact on natural capital, the quotients which are used should be expressed in terms of maximum and they should be less or equal to 1 in order for the impact to be sustainable, while for the social bottom line they should be expressed in terms of minimums (equal or greater than 1) because anthro capital can be produced at will. Once again the metrics revolve around money and they are the ratio between the nominator (what actually is) and the denominator (a standard, what ought to be). Besides this financial metric, there is a non-financial anthro capital expressed in human capital (health, knowledge, skills), social capital (networks of people) and constructed capital (tools, technologies, roads, utilities, infrastructure) (McElroy, 2014).

Corporate social performance - is "a construct that emphasizes a company's responsibilities to multiple stakeholders, such as employees and the community at large, in addition to its traditional responsibilities to economic shareholders" (Turban and Greening 1996, p. 658). CSP has a qualitative nature and it mostly relays on soft measures related to management practices. It may include labour right protection and the transparency of social and environmental performance reporting (Chen and Delmas, 2010).

GPS for social impact – developed by practitioners – it uses the analogy of the Global Positioning System which combines the signals from multiple satellites to triangulate a fairly precise estimate of one's position on the face of the Earth. It uses longitude, latitude and elevation, therefore the impact information has three primary dimensions: type of the impact – the *nature* of the impact(s) on each person or organization; *scale* of impact – the number of people or organizations affected; and the *depth* of the impact – the amount or intensity of change experienced, per type of impact, per person affected (McCreless and Trelstad, 2012). This method seems rather broad and imprecise in measuring the social impact, but it presents itself as a promising one.

Principles proposed for social impact measurement

The current paper advocates that social impact can be individualized and assessed according to the nature of each social initiative and correlated with the objectives targeted within this process, by also taking into consideration the soft outcomes (skills, competences, psychological improvements) that result from the activities of the specific entities. It is critical for the objectives to be clearly articulated and for the actions that the company undertakes to be correlated with the impact. This process should be based on logic models: resources/inputs-activity-outputs-outcomes-impacts. When constructing the logic model, one should start with the impact in mind, reading the model backwards. We advance the following additive principles on which social impact measurement should rely: normative stakeholder utilitarianism principle, Pareto principle and common social impact principle which incorporates the two previously mentioned principles.

1. The normative stakeholder utilitarianism principle – represents the of blending utilitarian assumptions with normative stakeholder theory – assumes that social impact can be measured taking into account the greater good (solution of the social problem) for the greater number of stakeholders (who should be paid attention to and whose problem is solved through the social action implemented) because their interests have intrinsic value. According to Donaldson and Preston (1995), stakeholders' interests next to moral obligations to them should be at the core of corporate strategy.

Even though we are aware of the limitations of this method, it can represent a both a qualitative and a quantitative method with high applicability for social entrepreneurial projects that address social problems which affect numerous persons. Thus, projects that have a high social impact using this method are projects that change the existent situation of the social problems for as many persons as possible, and the impact is to be measured on a short-term period – preferably 1-2 years.

2. *Pareto principle* **–** which can be used in terms of measuring the efficiency of the social oriented organisation, but also as a means of identifying which are the 20% of activities/causes that are accountable for the 80% of the results/effects. Part of the limitations of this method is the clear definition of objectives and the way they can be correlated with the results.

3. *The principle of common* social impact* in which we claim that social impact is proportional with the number of sources acting on it and that social entrepreneurial organisations are not isolated but they are part of a complex system in which some other agents (similar entities, the state, NGOs, academia – or other stakeholders) may try to seek a similar social impact. By means of this principle we advocate for measuring as an aggregate function the common social impact that is brought by social entities (sources) on the targets bearing in mind that almost 20% of the cumulated activities are responsible for 80% of the results.

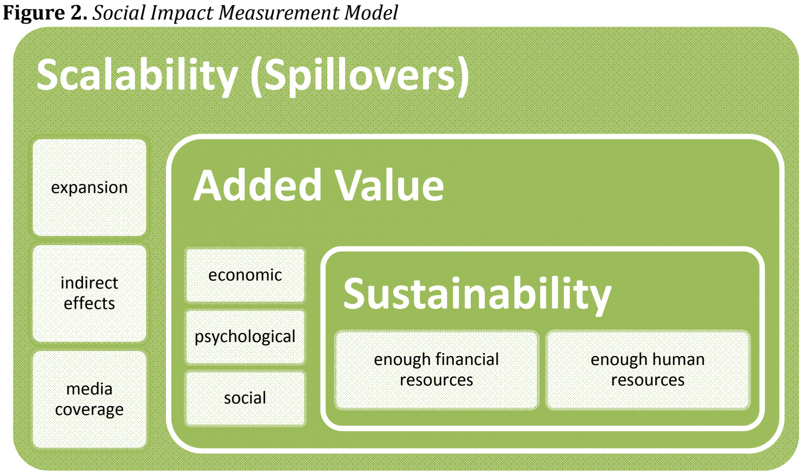
*it can also be referred to or calculated as individual social impact being a particular case where the number of sources exerting impact is equal to 1.

This principle was developed starting from *Social Impact Theory* developed by Latané in 1981. It consists of three rules: the first one states that social impact results through the action of social forces: strength of the source of impact, immediacy of the event and the number of sources exerting the impact; the second rule states that the amount of impact is positively related with the number of sources (tends to increase) the most significant change occurs when we transition from 0 sources to 1 source; the third rule refers to the number of the target which also influences the social impact meaning – as a result of scaling up, the more targets there are, the less impact each target gets – we explain this process as following: in the beginning the organization concentrates all its efforts on a specific number of persons – intensive social impact, and as it enlarges the target number the efforts allocated to each individual drop – extensive social impact. Therefore the social impact is defined as a function of strength (influence, power, [psychological effects] or intensity the target perceives that the source has,), immediacy (how recent is the assessment correlated with the moment when the action took place) and number of people (the number of sources acting on the target).

Model proposed for social impact measurement

By combining the information withdrawn from the literature review and the one from these three principles we reached the conclusion that the measurement of social impact should rely both on soft and hard methods. We have devised a social impact measurement model (Figure 2) which comprises three categories of elements that should help in measuring the social impact: sustainability, added value and scalability (spillovers). In terms of *sustainability* (should be calculated or at least predicted for a medium to long term period, 5-7 years), one should identify the sources used to finance the entity and its activities (such as own earnings, donations – on the condition that they are perpetual, we are to evaluate who makes the donations, how much do they donate and their willingness to continue donating – investments, structural funds, competitions) while having enough human resources. *Added value* refers the psychological effects, social effects, economic effects, environmental and political factors (if the main activity of the company relates to political issues). *Scalability* (or *spillovers*) measures the potential of expansion, the indirect effects, media coverage (social awareness) or even regulatory changes.

Figure 2. *Social Impact Measurement Model*



Source: Authors' own contribution.

To better understand this model we will use the means of example by presenting all the three categories in a concrete case: Proiect Mozaic SRL founded in 2012. The entity is the first factory in Romania that produces ceramic mosaic. It currently runs under the principles of a social business and it is an authorised sheltered unit, having 13 employees out of which 10 come from foster care centres or have different types of disabilities – it tackles the problem of social and professional reintegration. They work seven hours a day, four days a week.

In terms of sustainability, the entity was funded until September 2013 through European Social Funds, through financial resources lent by the administrator to the company and finally by selling ceramic mosaics (30% of the total revenue recorded). They have not registered yet any profits. The human resources seem pleased, proud and willing to be working in the future in the social enterprise. There have not been registered any resignations so far, and when the company made public its intention to expand activities and add more members to the team, they got a number of 15 candidates on the pending list. Presently the health of the employees has not been negatively altered compared to the first day they came to work. All these being identified, we conclude this sheltered unit is sustainable.

Regarding the added value the following questions should be asked both from the perspective of the employees and of the employer (whenever the case): are these persons better integrated in their groups of friends/ colleagues?, have their stress levels dropped or improved?, are they happier?, have they become more open-minded?, have their levels of confidence/self-confidence increased?, has their dignity been restored?, are they now independent?, can they manage to work in a different company?. The answer to these questions should be an indicator of the social impact a company has. The employees have travelled the distance from being socially assisted persons (beneficiaries of social aids) to becoming the main actors actively engaged in sustaining the development of their local community and contributing to shifting the mentalities related to the work performed by vulnerable groups.

As per scalability we measure the potential of the business to expand: they plan to diversify their portfolio by including new lines of products which will lead to hiring new employees; the media (especially online) has been constantly writing about Proiect Mozaic ever since it was launched: www.wall-street.ro, www.businesswoman.ro, www.businessmagazine.ro, www.csrmedia.ro, www.romanialibera.ro, www.incomemagazine.ro, and the list may continue. Also here we measure the social networks of the employees and the number of persons that they interact with in order to get an approximate indicator of potential indirect beneficiaries; how many of them would recommend their company. In the same manner we should measure the networks of the entity because: different types of collaborations between social organisations and companies may increase social impact according to the insight provided by Mitra (Crisan) and Borza (2011) and entities addressing the same target might act as another source next to Proiect Mozaic by contributing to an increase in social impact according to the common social impact principle.

The model we present is viable for it takes into consideration the soft aspects (psychological effects) of the social impact that organisations have on their target customers/beneficiaries, it is layered meaning that it starts from some basic additive principles and assumptions based on the literature. It can be easily adapted according to the specificities of each company and it embeds, to the best of our knowledge, for the first time the idea of common social impact measurement.

Conclusions

Creating a universal way of measuring social impact, one that is recognizable anywhere in the world, means that the different aches that different regions are faced with, which fall within the same category, such as for example poverty or hunger, can be measured with the same tools.

What can be a barrier in this respect is that we would expect the areas that have a prevalence of poverty, to register a greater social impact when talking about social entrepreneurial actions and also, a higher degree of entrepreneurship. The paradox is that they do not and the explanation can be found in the pyramid of Maslow. According to GEM when people must pay more attention to survival, they would thus find themselves in a context where payoffs favour regular entrepreneurship above social entrepreneurship. In conclusion, regions that are most affected by structural inequality, of gaps within the system and lack of solutions providers, are the areas where the social impact cannot be measured, though it would be the most visible.

Another important issue beside how to measure social impact is *WHEN*. Because the mission of all social entrepreneurial organizations is formulated as a social objective or cause, it is only natural that their strategy pursues a medium or long-term basis. If they were to follow them on a short term strategy, other state organizations would have probably tackled with them. Thus, what is important here is when or after how long do organizations begin to measure the results of their actions.

According to Meldrum et al. (2012) it is of an utmost importance to identify what changes need to be measured in order for us to be able to tell the story of the changes brought in the lives of the target *clients*. This measurement is a four-step process in which aims are turned into indicators which are to be descriptors recorded at the start and at the end of the change process. The way values, vision, mission, aims and objectives are defined, because no matter the activity which is to be pursued, it will be guided by all these five elements, especially values – because these changes are difficult to be measured, they will be referred to as "soft outcomes". The process consists of the following:

1. What is the change?,
2. Whom is to be asked?
3. What questions are to be asked in order to identify the change?
4. Measuring the "distance travelled". The authors say that the software Social Impact Tracker seems to be the ideal solution in this case.

We believe that the need to measure the social impact is a result of both internal and external demands in order to be able to improve the performance of companies, governments or NGO's and to show how to make investment decisions that maximize these impacts. It is surreal to seek for a uniquely and commonly used method of measuring social impact, but we posit for the existence of internationally acknowledged standards that may regulate this field. According to the Impact Measurement Roadmap, organisations will get to develop a performance measurement system for gathering, analysing and communicating the results and taking the required actions in order to improve those impacts, after having previously defined the impacts expected to result from the organisation's actions and choosing the appropriate metrics (Epstein and Yuthas, 2014). We also acknowledge that certain stakeholders (e.g. investors, public authorities, society) will want homogenous methods for assessing the social impact in order for them to more easily compare between companies, but on the other hand there are the social organisations themselves that should have a say in this matter. Moreover, the stakeholders should also be involved because companies need to understand what outcomes the stakeholders are going to experience as a consequence of the actions undertaken.

A downfall of the presented measures is that they all quantify the impact in money, disregarding the psychological impact that a social business might have on the vulnerable groups it addresses such as restoring their dignity or increasing their confidence.

So far we could not find any evidence of legislation or a regulating body in the field of measuring social impact. There are no systematic processes for gathering and analysing information about impacts (Epstein and Yuthas, 2014). However, there are several private initiatives in this respect (we mention Social Enterprise Mark that claims to be the only UK body to independently prove a business or an organization puts its profits towards social or environmental good; and Centre for Social Impact in Australia takes the responsibility for developing in the near future a theory of change for each of the elements in their framework including measurable indicators of improvement).

We share the opinion of Nicholls (2014), who affirms that any approach to measuring social impact that does not include a transfer of power to stakeholders is just marketing; stakeholders must have real power to enforce accountability and benefit from social returns. If we were to compare the financial mechanism with the mechanism in social impact we find: no legislation, no compulsory standard reporting and no compulsory social audit. We need a control key in this field so that we know where we are heading, any company that claims to have the least social impact will have to support the statement by presenting social accounts that concord with the perspective of those affected; therefore we need public policy to regulate this field.

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