Which social enterprises measure social impact and why? An empirical investigation of practice in the United Kingdom

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“Who, when, and possibly why social enterprises measure social impact:
An empirical investigation of the UK SE Sector”

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Social enterprises (SE’s) - organizations that pursue social missions using market mechanisms - face complex governance challenges. Because they produce both public and private goods, the value of the former being much harder to measure, the tendency is to cater to dominant traditional accounting paradigms that emphasize financial results and easily measured outcomes. This trend has been intensified by New Public Management (NPM) ideologies promoted in Europe and elsewhere as resources-constrained welfare systems increasingly rely on social enterprises and non-profit organizations to design and deliver public services (e.g. Powell et al, 2018; Defourny and Nyssens, 2010) .

Consequently, NPM-inspired social impact measurement schemes, such as SROI and SAA, have become an integral part of governmental regulatory approval processes in the allocation of contracts, grants, and other resources to social enterprises (Fazzi, 2012; Carmel and Harlock, 2008; Gibbon and Dey, 2011; Osborne, 2006; Hood and Dixon, 2013; Nicholls, 2007; Boyne, 2002; Cunningham et al, 2014; O’Dwyer, 2005). Moreover, for many proponents, social impact measurement/assessment is not a stand-alone process limited to the measurement of social outputs. On the contrary, these approaches can help SEs run more effectively, keeping operations aligned more closely to missions (e.g. McLoughlin et al, 2009; Maas and Liket, 2011; Barman, 2007). SEs that embrace social impact measurement may be more likely to create the participatory and deliberative processes that facilitate community discussions about the proposed social impacts of the organization and its activities (Esteves et al, 2012; Fazzi, 2012; Bagnoli and Megali, 2011; Ardvison and Lyon 2014).

While these measurement schemes are implemented in the name of greater accountability, transparency, and efficiency (Nicholls, 2007; McLoughlin et al, 2009; Defourny and Nyssens, 2010; Esteves et al, 2012; Julnes and Holzer, 2001; Millar and Hall, 2013), critics argue that NPM approaches to social impact measurement continue to promote one-dimensional focus on funder and investor perspectives, invariably prioritizing investing stakeholders over other stakeholders encouraging mission drift towards the objectives of outside resource providers (e.g. Pearce, 2009; Diefenbach, 2009; Ebrahim et al 2014; Powell and Osborne, 2018). When accountability schemes are perceived as being controlled by ‘outside’ stakeholders for purposes of comparisons with other competitors and/or to oversee performance management, they can have detrimental effects on SE organizational culture and staff morale (Christensen and Ebrahim, 2006; Hwang and Powell, 2009; Ebrahim, 2003, 2005). Consequently, and as the social enterprise model continues to spread, so is the realization that social accounting frameworks are not only inadequate for this hybrid organizational form, but are also damaging its development and future sustainability (e.g. O’Dwyer and Unerman 2007; O’Dwyer, 2005; Liston-Heyes et al 2018). These tensions suggests that there may be obstacles to the adoption of social impact measurement schemes beyond awareness and resource constraints.

Given the scale and scope of the debate, it is surprising to notice how few studies empirically examine social measurement in SEs. A notable exception is Mass and Grieco (2017) who use a recent worldwide sample of 3194 SEs from the Global Entrepreneurship Monitor data to study the actual practices of SEs involvement in impact measurement. They uncover a relationship between the nature of the SE mission and impact measurement. Bertotti et al (2011) also provide descriptive statistics focused on the UK health and social care sectors. Our proposed research extend these efforts by investigating predictors of social measurement among the 1508 UK-based SEs that feature in the State of Social Enterprise Survey 2017. Our particular focus is on the relationship between stakeholder pressures and social impact measurement.

More concretely, informed by the literature and guided by stakeholder and institutional theories, we construct a theoretical framework where SE characteristics, SE economic mission, SE fund providers, and SE stakeholders influence the organization's propensity to measure its social impact. This is achieved in the first two sections of the paper. Section 3 explains the data and the nested ordered and simple Probit regression approaches we use to test the hypotheses. Results are presented in Section 4 and discussed in Section 5. The paper ends with brief conclusions highlighting contributions to the academic and practitioner literatures and important caveats. It also emphasizes that while the results are based on UK data, the findings are generalizable to all countries where NPM-inspired social measurement schemes are used in the allocation of resources to social enterprises.

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