



The State of Social Entrepreneurship - Impact of Social Enterprises



SEFORIS

About SEFORIS: Social Enterprise as FORce for more Inclusive and Innovative Societies

SEFORIS is a flagship multi-disciplinary, multi-method international research project on social enterprise funded by the European Commission. Through the generation of robust evidence and internationally leading research, SEFORIS aims to better understand the role that social enterprises play in the EU and beyond in the development and evolutions of inclusive and innovative societies.

SEFORIS will investigate key processes through which social enterprises deliver inclusion and innovation (spanning a range of domains, from organisation and governance, over financing and innovation to behavioural change) as well as the contexts in which social enterprises thrive. In terms of methodology, we will start from policy and social enterprise practitioner questions and challenges together with critically scrutinizing existing academic literature. We use this first step to develop theoretical frameworks that then serve as a basis for thinking systematically about innovation and inclusion processes in context. This is followed by field and lab experimentation with social enterprises and in-depth case studies to expand and enrich our understanding of social enterprises. Unique longitudinal survey data will be collected across 9 distinct countries to test new (and at times counterintuitive) hypotheses to reach novel insights and generalizable conclusions. We engage policy makers and social enterprises throughout the research process to ensure that our research is relevant for them and can inform their practice.

The SEFORIS partnership

SEFORIS is a consortium of 12 organisations from 10 countries including Belgium, China, Germany, Hungary, Portugal, Romania, Russia, Spain, Sweden, and the UK.

Academic partners and research institutes:

KU Leuven (Belgium), Hertie School of Governance (Germany), Autonomous University of Barcelona (UAB, Spain), University of Aveiro (Portugal), Centre for Economic and Financial Research (CEFIR, Russia), Stockholm School of Economics (Sweden), Aston Business School (United Kingdom)

Social entrepreneur support and financing organisations

Oksigen Lab (Belgium), i-propeller (Belgium), Non-Profit Incubator (NPI, China), Nonprofit Enterprise and Self-sustainability Team (NESsT, Hungary & Romania), and The Foundation for Social Entrepreneurs - UnLtd (United Kingdom)

Advisors

Organisation for Economic Co-operation and Development (OECD, France), Harvard Business School (HBS, USA) and the European Venture Philanthropy Association (EVPA, Belgium)

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1. Belgium - Impact of social enterprises

“Just like civil society may demand companies to be transparent, to show good governance and to be effective in reaching their goals, may the rest of the world, companies included, demand the same from civil society.”

- Lucie Evers, social entrepreneur (Column on MVOVlaanderen.be)

Impact measurement: does this take place?¹

- 80% of the social enterprises interviewed reported that they have at least one indicator in place to track their social impact.
- Most of the interviewees expressed high interest in strengthening their approach to impact measurement.

Impact results and dimensions¹

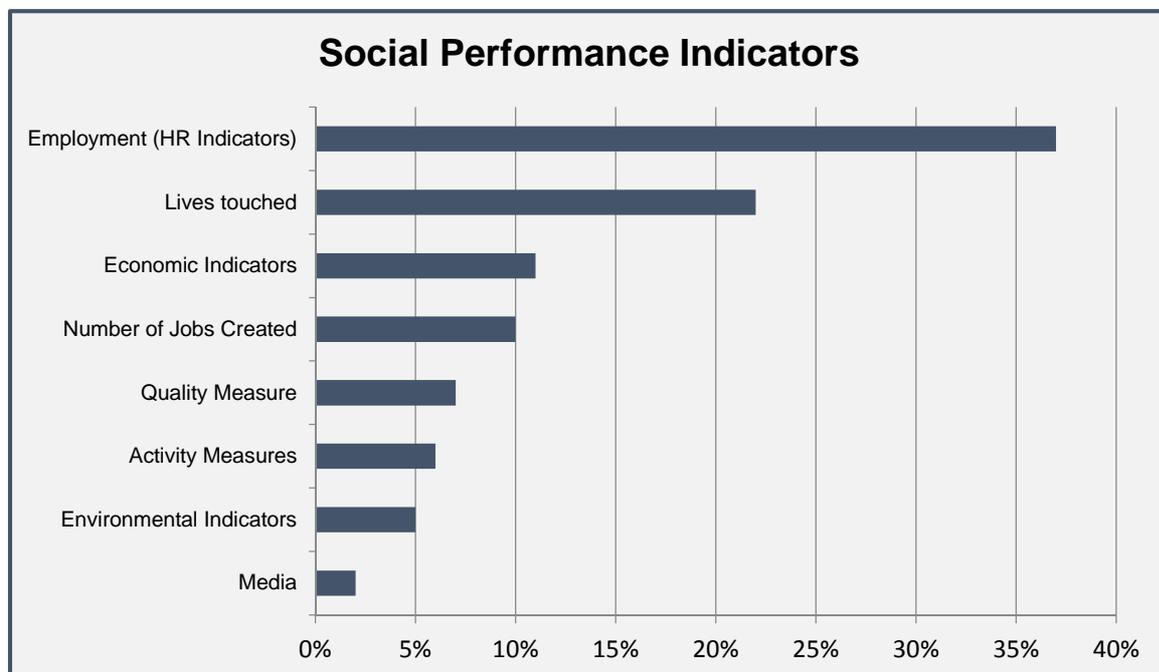


Figure 1: Overview of the relative weight of different social impact metrics. N=164 indicators in total, 63 respondents. See Annex for explanation of the Main Social Performance Indicators.

- The highest share of indicators mentioned was employment-related. This is notably consistent with the earlier findings that many enterprises deploy the employment model (as operational model) and undertake activities linked to training and job creation for deprived and disabled individuals in Belgium.
- Interestingly, we observed some uncertainties amongst the respondents regarding the scope of social impact to be taken into account. While some showed a very advanced thinking on social impact measurement, in general, we note two trends:

¹ Huysentruyt, M., Kint, A., and Weymiens, S. 2013. "Mapping of social enterprises in Belgium." i-propeller with support of the King Baudoin Foundation.

- Lack of in-depth and tailored indicators to capture the entire social impact of the organization
- Dissociation of the social performance indicators and the social mission (for ex. Only HR indicators expressed as social performance by an environmentally oriented social enterprise).

Trends and developments related to social impact

The first Social Impact Bond in Belgium was launched in April 2014. This new Social Impact Bond brings together actors from the public sector (Actiris, the Brussels agency for employment), a non-profit (Duo for a Job) and social investors (gathered by Kois Invest) in a quest for a common objective: the reduction of unemployment among young migrants in Brussels. Brussels-based 'Duo for a Job' has been selected to serve that objective and will benefit from the capital raised via this new financing mechanism. Duo for a Job's innovation is a new approach to professional insertion of migrants: migrant jobseekers are 'matched' with experienced local retirees, and the so-called 'duos' work together during a period of six months to connect the migrant to local networks and help him/her find a professional opportunity. Simultaneously, more experimentation with new social impact-driven financial instruments is well underway (see for instance, the Oksigen Accelerator), and various initiatives are undertaken to raise awareness about the value of social impact measurement amongst social entrepreneurial initiatives.

2. China - Impact of social enterprises

Impact measurement: does this take place?

- In China, there is no impact assessment system of independent third-party assessment agency for evaluating the social impact of social enterprises. Instead, the impact assessment of social enterprises comes from social enterprises' own records and assessments.²
- According to the report "China Social Enterprise Report 2012", Half of the respondents have a monitoring and evaluation system in place to assess their quality and impacts.³

Impact results and dimensions⁴

- The lack of impact measurement results in a lack of information about how many beneficiaries benefit from their social mission: 25% of social entrepreneurs do not know how many of their targeted beneficiaries have actually benefitted from the social enterprise making it difficult to create a compelling case for social impact.

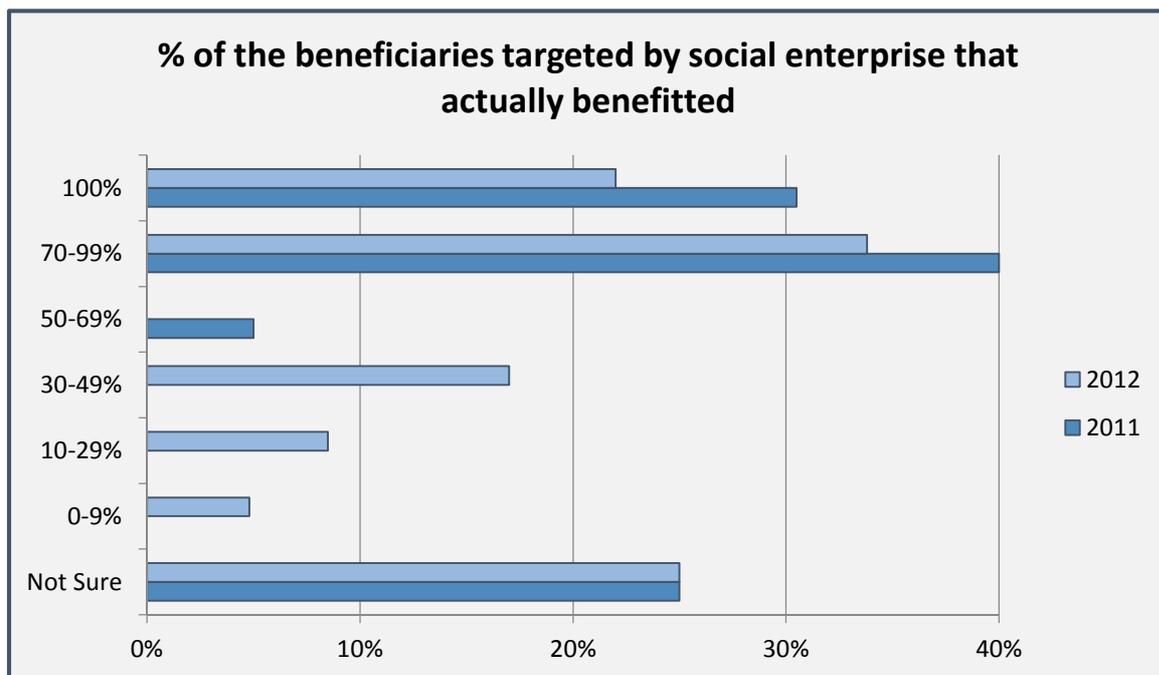


Figure 1: % of targeted beneficiaries (China Social Enterprise Report 2012)

- The impact measurement tools mostly used include Social Return on Investment (26%) and Cost- Benefit Analysis (22%). Yet social entrepreneurs in China are faced with a variety of challenges in implementing monitoring and evaluation systems, particularly about deciding upon and getting the right data for measurement and having the financial resources to invest into evaluations.

² United Bank of Switzerland(UBS).2013."2013 China Social Enterprise and Impact Investment Report". Accessed April 26, 2014. <http://www.serc-china.org/index.php/news/542-0814-.p42>.

³ Andrea Lane. 2012. "China Social Enterprise Report 2012". Foundation for Youth Social Entrepreneurship.P21.

⁴ Andrea Lane. 2012. "China Social Enterprise Report 2012". Foundation for Youth Social Entrepreneurship.P21.

Trends and developments related to social impact

- Along with overseas foundations demands and government purchase of public services, more and more social enterprises have awakened to the of importance of impact measurement.
- On the one hand, support organizations like NPI offer professional skills to do the impact assessment; on the other hand, social enterprises put more attention on how to do the social impact work to meet the requirements of the others and gain legitimacy.

3. Germany - Impact of social enterprises

Impact measurement

The measurement of social innovation continues to be a major issue in the discussions about Social Entrepreneurship in Germany. There are current efforts to develop measurement options for social innovation that are expected to be operational in two or three years' time⁵.

Impact measurement is closely connected with investment problems as social investors have difficulties to evaluate potential social or ecological impact of their investments. Some social entrepreneurs in Germany have therefore developed own measurement scales. While particularly policy makers, investors and the scientific community emphasizes the need to develop and standardize measurement of social innovations some social entrepreneurs emphasize that exaggerated reporting and documentation needs may affect their capacity to focus in generating social impact⁶.

Impact results and dimensions

Prominent in the German discussions about social innovation and social enterprises is the problem of scaling social innovation and thus the question of how many people can be reached. The discussion about scaling is driven by many foundations active in the field of social entrepreneurship such as the Vodafone Foundation, Bertelsmann Stiftung or Ashoka⁷ and is also prominent in the scientific discourse⁸. This implies that the number of people reached is perceived as an important indicator of success of social enterprises. While earlier initiatives were centered on lighthouse-projects as exemplary initiatives that have a mostly local impact current discussions are concerned with the question how impact generated (such as job creation, health improvement, education etc) can be implemented on a larger scale.

Trends and developments related to social impact

Impact measurement is also a prominent issue in recent discussions about social impact bonds. As to our knowledge, there are not yet operative Social Impact Bonds in Germany. However, the appropriateness of social impact bonds in the German context is strongly debated. Success of social impact bonds will strongly depend of the willingness of public actors to embrace this form of investment⁹.

⁵ Scheuerle, Thomas, Gunnar Glänzel, Rüdiger Knust, and Volker Then. 2013a. Social Entrepreneurship in Deutschland - Potentiale und Wachstumsprobleme. Centre for Social Investment, CSI: Heidelberg.

⁶ Ibid.

⁷ See for instance: Bundesministerium für Familie Senioren Frauen und Jugend. 2013. Multistakeholder-konferenz zur Förderung und Verbreitung von sozialen Innovationen in Deutschland, Berlin. *Bertelsmann Stiftung*. 2013. Skalierung sozialer Wirkung Handbuch zu Strategien und Erfolgsfaktoren von Sozialunternehmen, Gütersloh.

⁸ Jansen, Stephan A., Rolf G. Heinze and Markus Beckmann, eds. 2013. Sozialunternehmen in Deutschland. Springer: Wiesbaden

⁹ Glaser, Christoph. 2012. „Der Staat zahlt nur, wenn die Gesellschaft profitiert: Social Impact Bonds – ein Modell für Deutschland?“ *Stiftungswelt* Dezember 2012: 34-35.

4. Hungary - Impact of social enterprises



“Impact measurement is a path leading to individual responsibility and through that strengthening democratic values. Also, with the help of the impact measurement, communication between the donor/ investor and organization receiving funds or investments becomes more efficient.

- Gabor Lévai - Social Impact Working Group

Impact measurement: does this take place?

- Impact measurement among Hungarian social enterprises is in a very initial phase. There are a lot of discussions around the topic, primarily among NGOs, and there are many players committed to improve in the area, but most lack tools and resources to track the actual impact of their activities.
- NESsT has developed and is using its own performance management tool (including social impact measurement) as a basis of its social enterprise development work and to measure its own social impact.

Impact results and dimensions

The very few impact results that are available are rather quantitative but do not say much about the quality dimension.

Trends and developments related to social impact

The Hungarian Social Impact Working Group that contains players from NGOs, government, donor organizations and social enterprise incubator (NESsT) was set up and started to discuss opportunities to join forces and share experiences in early 2014.

5. Portugal - Impact of social enterprises

Impact measurement: does this take place?

In Portugal, as in Europe, this is an emergent topic. Due to the need of diversify the sources of revenue, organizations are “obliged” to measure their social impact in order to attract potential social investors. However, there are few organizations that effectively measure the value created because they do not know how to do it and not have human resources with technical management skills.

Impact results and dimensions

Organizations measure their social impact through dimensions/metrics that are easy to monitor, as the employment, lives touched or activity measure.

Trends and developments related to social impact

In 2013, CASES and Montepio Foundation promoted the Social Impact Program¹⁰. Were selected 10 entities of Social Economy (from 60 applications) and was provided support in order to empower them to the measurement of their social impact, using the methodology SROI – Social Return on Investment (SROI Network). The Social Entrepreneurship Institute will promote for the first time, in this year, a new training program (Scale4Impact) for project teams with social impact that want to build a plan for a sustainable growth and maximize their impact. These are clear evidences that this topic is gaining importance in Portugal.

¹⁰ Programa de Impacto Social. Accessed April 14, 2014. <http://www.impactosocial.pt/>,

6. Romania - Impact of social enterprises

“The development of social economy in Romania in the next years could have positive consequences: local development and social cohesion, linking economic activities to the local needs, sustaining activities at risk (e.g. crafts) and generating social capital, social services of general interest, social innovation and the rectification of the three major labour market imbalances: unemployment, job instability, social and labour market exclusion of unemployed people.”

- Cristina Barna¹¹

Impact measurement: does this take place?

- SEs which monitor their impact are mostly entities assisted by major private organizations that financed or offers consultancy for their development (OMV Petrom, Unicredit Foundation, Romanian-American Foundation, NESsT). The impact measurement is a requirement to receive their support. They monitor rigorously both qualitative and quantitative indicators.
- At the public level, the measurement of the impact of SEs is done by the Management Authority of the EU funding program that supports the social economy (POSDRU 6.1.). The major indicators measured by the Authority are the number of newly created SEs and the jobs created by these social economy structures. The emphasis is only on the quantity indicators imposed by the EU Commission. The impact is not measured rigorously; the Authority measures only the impact of the entities created by the program.

Impact results and dimensions

- The most monitored indicator is employment-related.
- The majority of the indicators monitored by the Romanian SEs are typical macro indicators related to their program activities, without paying attention to indicators that focus on awareness building and policy change such as media appearance, website visitors, number of organizations replicating their model, public policy change influenced by them, etc.
- The focus of the impact these organizations are aiming for is community change.
- Most of the SEs which receive external support monitor a range of well-established social and economic indicators.

Trends and developments related to social impact

- Improve the quality of how SEs deliver social impact.
- Increase social impact by increasing the number of people they reach, the geographical area of impact and the sectors of social impact.

¹¹ Social economy: Going Local to Achieve the Strategy Europe 2020. Romania Case, Cristina Barna, Review of Applied Socio-Economic Research, Volume 3, Issue 1/ 2012, pp. 14.

7. Russia - Impact of social enterprises

Impact measurement: does this take place?

None of the social entrepreneurs surveyed mentioned that they were measuring their impact along economic value, societal value or environmental value. But a couple of them indicated they were going to do it in the future¹².

Impact results and dimensions

No information yet.

Trends and developments related to social impact

No information yet.

¹² GEM 2009. GEM 2009 APS global individual-level data. Global Entrepreneurship Monitor. Accessed April 30, 2014. <http://www.gemconsortium.org/docs/3130/gem-2009-aps-global-individual-level-data>

8. Spain - Impact of social enterprises

Impact measurement: does this take place?

- Almost 54% of the social enterprises interviewed reported that they have at least one indicator to track their social impact.
- As we can see from the graph below, the main social performance indicator mentioned was employment, i.e. number of beneficiaries employed and number of beneficiaries placed in external jobs. This illustrates once more the high representation of social enterprises targeted on social inclusion and work integration, in Spain.

Impact results and dimensions

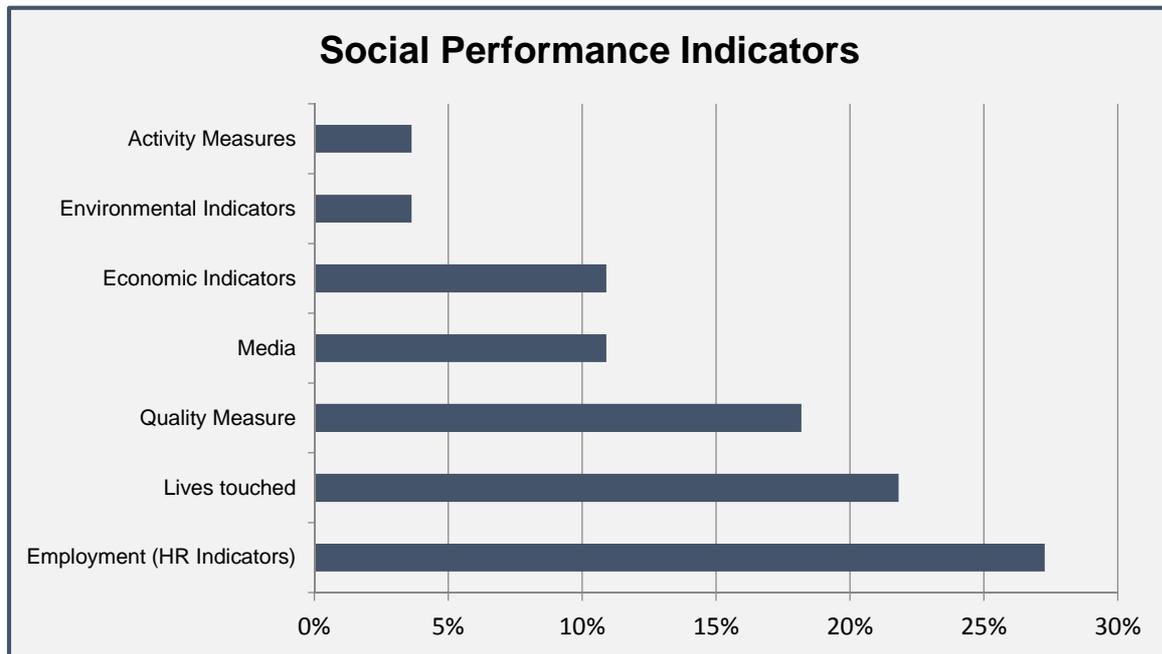


Figure 1: Overview of the relative weight of different social impact metrics, 55 respondents. See Annex for explanation of the Main Social Performance Indicators (SELUSI Project).

Trends and developments related to social impact

Nowadays, there are many funding programs from banks like LaCaixa, BBVA, Banesto targeted to social enterprises. The programs are initiated on an annual base and a limited number of social enterprises are included, after a rigorous evaluation. Therefore, the level of competition is rising among social enterprises.

A trend can be noticed, reflected by the emerging initiatives to support social investment and support for social entrepreneurs. These changes are illustrated by examples like StoneSoup Consultancy, who offer tailored consultancy services to social institution and social initiatives and UpSocial, who direct their advocacy work to promote changes in the legal, economic frameworks, in order to facilitate entrepreneurship and social innovation. StoneSoup Consultancy, Philanthropic Intelligence and The Spanish Association of Foundations have reported early stage work on Social Impact Bonds development.

9. Sweden - Impact of social enterprises

“ Of course you wish that you could know your exact Social Return on Investment, -But I found a simplified measure; so let's say that:
We have mediated 40 000 volunteers, then we said that they volunteer 1 year, and we know they do volunteer- work on average 14 hours per month. Then we could have a hypothesis that Volontärbyrån has mediated this many volunteer hours, and a volunteer hour, according to EU-standards is worth about 200 SEK. At one point we calculated that we have had an SROI of about 265MSEK, which is 14 times the financing of Volontärbyrån.
But then you can ask, what do the volunteers do? If a volunteer keeps one youth from using drugs during one year, then you'll have gained at least an additional 670 000 SEK, according to SROI-expert Ingvar Nilsson!”

- Amelie Silverstolpe- Founder of [Volontärbyrån](#)

Impact measurement: does this take place?

The extent to which social enterprises use impact measurements varies across Sweden. The vast majority of the social enterprises currently use some quantitative indicators to communicate their qualitative work. They span from measures of: Numbers of people from the target group the social enterprise has encountered or mediated ('Lives touched' or 'Employment') to very sophisticated measures where one tries to capture the whole societal effect of the activity of the social enterprise (SROI for example).

- The difficulty to measure the impact of the social enterprise depends on the characteristics of the operation. The social enterprises that work particularly with prevention express a greater concern about the relevancy of the quantitative measurements. In those cases, it is fairly common that standard measurements are used to estimate the impact of the final phases. The social enterprise then measures the earlier phases of their activity, such as the numbers of people encountered. In this case, they use 'self-estimation tests' to measure to what extent the target-group was affected, or they use standard estimations for comparison with a control group (over-time).
- More than half of the interviewed support-functions/intermediaries have specialized in supporting social enterprises with a feasible way to frame social impact measurements. This often goes hand-in-hand with streamlining the activities that will generate the largest Social Impact. Interestingly, they provide few standardised measures and there is a prevalent distrust among practitioners and support functions that this is the way forward. For example, none of the interviewed intermediaries aggregate the indicators at the portfolio level nor do they plan to do so in the foreseeable future: "The focus is and should be: What works in reality for every single project?"

Impact results and dimensions

- Sweden has had a couple of pioneers on the theoretical subject of social impact. Ingvar Nilsson has contributed with a framework of "Social Financial Statements" and after more than 10 active years his, and others' way of communicating "the cost of not intervening" has become rather widespread in Swedish context.
- Some older social enterprises (e.g. [Basta!](#) in Social Financial Statements; [Solvatten](#) in performing an extensive final-row effect of their water cleaner) have been and are continuing to work as role models for newer social enterprises. However, many find it expensive and complex to apply sophisticated measurements to their businesses.

Trends and developments related to social impact

Social enterprises perceive an increased pressure from financiers to measure social impact.

- The first Impact Investing Company named Impact Invest Scandinavia was established in Sweden in 2012.
- There have been discussions about introducing social impact bonds in Sweden since the autumn of 2013.
- The increasing number of social enterprises which consider the public sector as their main customer require improvements in their capacity for measuring Social Impact.
- In younger organisations, the financial challenge is often perceived as the most salient. Many of the young social enterprises explicitly state that they would like to have more time and competency in measuring social investment.

10. UK - Impact of social enterprises

Impact measurement: Does it take place?

- The majority of social enterprises (68%) indicate that they measure their social impact to a greater (32%) or lesser extent (36%). The figure is greater for social start-ups (74%) and social enterprises whose main source of income is the public sector (76%). This shows that impact measurement can be a competitive advantage and, for some organisations, even a necessity to win public contracts.¹³
- While demonstrating impact is often essential to work with the public sector, it is a challenge for social enterprises for a number of reasons. First, it is intrinsically difficult for those social enterprises with preventative work or long-term outcomes to measure impact for the length of the contract. Second, impact measurement may be time consuming and expensive, which is a particular challenge for smaller enterprises. Additionally, the number of social impact measurement tools is growing, however, social enterprises do not always have the capabilities to select the right tool or the resources to implement such measurement.¹⁴
- There is evidence that impact measurement has additional benefits for social ventures: motivating staff and serving beneficiaries better.¹⁵¹⁶

Impact results and dimensions

- The most common primary social impact indicators among the social enterprises in the SELUSI survey in the UK are the number of beneficiaries served and the number of beneficiaries employed.
- The most common secondary social impact indicator among the social enterprises in the SELUSI survey in the UK is the number of individuals empowered.¹⁷

Social impact trends and developments

- Social enterprises that work with the public sector will increasingly face the need to demonstrate their social impact, especially with the growth of social impact bonds and the implementation of the Public Services (Social Value) Act.
- The number of social impact measurement tools is growing, however, they vary in quality.
- There is a trend to standardise impact measurement in terms of both process and outcomes and create a common language. Two collaborative initiatives demonstrate this trend:
 - Investing for Good, New Philanthropy Capital, SROI Network and Big Society Capital have created the Outcome Matrix, a tool that measure social impact on an individual, community and societal level. It is already used by a number of social investment financial intermediaries and considered for use by government departments.¹⁸

Eight organisations collaborate to manage and deliver Inspiring Impact, an initiative that aims to make high quality social impact measurement the norm by 2022.¹⁹

¹³ **Social Enterprise UK.** 2013. "The People's Business: State of Social Enterprise Survey 2013." http://www.socialenterprise.org.uk/uploads/files/2013/07/the_peoples_business.pdf.

¹⁴ **SELUSI Research Consortium.** 2010. "Social Entrepreneurs as Lead Users for Service Innovation." <http://www.selusi.eu>.

¹⁵ **Davies, Anna, and Rachel Schon.** 2013. "Bridging the Divide: Social Entrepreneurs and Commissioners on Public Sector Contracting." London: Young Foundation. <http://youngfoundation.org/wp-content/uploads/2013/12/Bridging-the-Divide.pdf>.

¹⁶ **Stephan, Ute, Malcolm Patterson and Ciara Kelly.** 2013. "Business-driven social change: A systematic review of the evidence." London, ON: Network for Business Sustainability (nbs.net) <http://nbs.net/wp-content/uploads/NBS-Systematic-Review-Social-Change1.pdf>

¹⁷ **SELUSI Research Consortium.** 2010. "Social Entrepreneurs as Lead Users for Service Innovation." <http://www.selusi.eu>.

¹⁸ **The Good Investor.** 2013. "Outcome matrix." <http://goodinvestor.co.uk/outcomes-matrix/>.

¹⁹ **Inspiring Impact.** <http://inspiringimpact.org/>.



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