Governance in Social Enterprises.
Insights from the SEFORİS research project

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Governance and social enterprises

- Governance as “the structures, systems and processes concerned with ensuring the overall direction, control and accountability of an organization” (Cornforth, 2004)
- Governance particularly important for social enterprises as it may support them to balance social and economic goals and multiple stakeholder needs

"the role of governing boards in particular, in prioritizing and aligning potentially conflicting objectives and interests in order to avoid mission drift and to maintain organizational hybridity in social enterprises." (Ebrahim et al., 2014)

"Good governance in social enterprises is essential for the movement to continue to thrive and be sustainable. Good governance provides legitimacy, accountability and transparency for all (Robb 2014)"
SEFORİS – preliminary findings from survey and cases

- Board governance
- Transparency and reporting
Challenge 1: Board governance

- Largest share of social enterprises across countries has a board (86%)
- Most organizations establish board for **compliance** reasons (80%) rather than substantive reasons (20%)
- Boards assume mainly **control** and strategic functions, service functions less prevalent (26.7%)
- Majority of boards have only one (42%) or two (36%) different types of representatives on board
- Beneficiary involvement is relatively low
Challenge 1: Board governance

- Social enterprises change and adapt board governance over time as needs of the organizations change

“(board governance) has changed because (...) there is a first stage (which) is very much built around getting hold of resources, (...) Then, when you have the resources, that’s when the challenge begins.(It) adapts to the different stages that you go through.”
(Social entrepreneur, Portugal)

“When we first started the board was there more...for a scrutiny function (...) But as the business is growing then I need the board to be far more strategic in its thinking (...) that's been easier to implement with the new board members coming on.”
(Social entrepreneur, UK)
Challenge 1: Board governance

- Organizations establish boundary positions and committees outside of board structures that help mediate between different stakeholders and goals of the organization.

“My role (…) is defined by representing the interests of our (beneficiaries). And that you have to align with the economic needs that exist in the organization.” (Employee, Germany)

“It’s the indirect stakeholders who cooperate with us, in other words the teachers or the headmasters of the schools whose feedback influences the setting and development of our organization’s objectives.” (Social Entrepreneur, China).
Challenge 2: Transparency and reporting

• 64% of the organizations track their social performance
• high of 97% in Portugal and a low 48% in Spain

% of organizations tracking social performance

N= 669
Challenge 2: Transparency and reporting

- Majority (40%) report social impact to capital providers
- Measurement adapted to needs of funders

“the monitoring is tuned to the needs of the main funding body’s report (...) we are adjusting the tools to fit the needs of (...) whoever it is essential that we would produce the report to maintain the partnership.” (Social entrepreneur, Portugal)
Challenge 2: Transparency and reporting

“We don't have the numbers coming through. A lot of it is quantitative and the stuff that we do is really in-depth. So we might only be providing employment for three young people a year. But the difference that that employment is making is a lot more... so some of the tools are not really designed for that. It's more for (...) the numbers of people coming through the door.” (Social entrepreneur, UK)
Challenge 2: Transparency and reporting

- Organizations **create feedback loops with their beneficiaries** and adapt their services and products accordingly

> “They (the beneficiaries) do have a say in the way the training is run, (..) we'll have questionnaires and part of that is to see where there can be any improvements made. And, if possible, we'll have a focus group as well to get a bit more information and we do… every course changes on the back of that.” (CEO, UK)

> “We have a final discussion (...) an open conversation (...) . We speak with the families and with the volunteers and discuss how things went, also with families. You ask for feedback, also negative feedback, how did it go what could have made better, what are your suggestions to improve?” (Local coordinator, Germany)

- Organizations **pick and choose funders** according to their reporting requirements

> “Everything that was annoying (in terms of reporting) we don’t do it anymore (...) they give very small sums and (in the end you invest the money in someone who does the reporting).(…) All our funders we have now are very uncomplicated.” (Social entrepreneur, Germany)

> “We rigorously reject those who have too many expectations.” (Social entrepreneur, Germany)
Summary

- **Boards** are used as a compliance tool rather than a tool for developing the organization
  - Diversity and inclusiveness of boards remains a challenge
  - Board functions and composition may be adapted over time
  - Establishing boundary positions and committees may allow continuous alignment of stakeholder groups and boards

- **Social performance measurement and reporting** often mirrors funders’ needs rather than needs of organization and consumes scarce resources
  - Establishing internal feedback loops may allow to constantly measure and adapt quality of services and products
  - Adaptation of reporting requirements to particularities of organizations may benefit both funders and social enterprises
Questions for discussion

• How can social enterprises get the most out of their board?
  – How may a social enterprise ideally combine and align different board functions?
  – Is there a secret to good board composition? Who should and who should not be on the board?
  – How can beneficiaries be involved in governance of social enterprises? Should they be involved?

• How do predominant reporting practices help or hinder social enterprises to develop?
  – How can social enterprises effectively manage influence from capital providers? How can they balance reporting on metrics meaningful to capital providers as opposed to metrics meaningful to or for beneficiaries?
  – Why does there seem to be a difference between “feeling accountable” and the practice of reporting? Are social enterprises merely paying lip service to their accountability towards beneficiaries? What are effective feedback practices to ensure social enterprises adapt their services and products to beneficiary needs?
Thank you!