



SOCIAL IMPACT ASSESSMENT: 'A NEW CHALLENGE FOR NONPROFITS AND FOUNDATIONS'

BACHELOR'S DEGREE IN FINANCE AND ACCOUNTING
ACADEMIC COURSE 2015-2016

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ABSTRACT

Nonprofits and foundations add social value through their actions. The only way to capture this concept is shifting focus from outputs to impact. However, nonprofit sector is quite heterogeneous since it encompasses different areas. Due to this, and among other things the shortage of human and financial resources, evaluating social impact is a complicated issue. The purpose of this paper is to deepen the study of the measurement of social impact, its strengths and weaknesses. For that reason, the social impact assessment has become in a current challenge to overcome by nonprofits and foundations in order to demonstrate the importance of their impacts on the society.

Keywords: social impact, Nonprofits, social value

JEL Code: L31: Nonprofit Institutions, NGOs

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1. INTRODUCTION

All kind of business and organizations have a mission and purpose to reach benefits, both financial and social. All of them have as well an associated social impact which can be positive or negative. On the one hand, private companies seek to carry out activities whose main objective is to maximise financial profits and often without taking full account of the resulting damages (consciously or not). On the other hand, nonprofits and foundations pursue a different objective which is to improve welfare on society by means of their actions and they also need funds to operate, like all kind of entities. Therefore, for getting financial resources, nonprofits should provide relevant and comprehensive information about their programs or projects. It is thought that nonprofit sector can be assessed in the same way as private sector, but it should be considered that private enterprises focus on maximise their financial profits, whereas social impact prevails for nonprofits.

The organizations that will be analysed in this essay are foundations and nonprofits in the third sector. Both contribute to improve the society through conscientious actions. The increasing requirement to know whether the change has benefitted the society or not involves that assessing social impact is important for organizations, funders and other stakeholders. However, the social impact assessment is not standardized because the evaluation is completely subjective, and in addition, impacts appear in long-term. Thus, assessing social impact is a complicated issue. It should be noted that the data collected is based on different resources, both nonprofits websites and studies of professionals about impact and its assessment.

Therefore, the aim of this work is to highlight the importance of social impact assessment and establish the challenges which have to be overcome to measure this impact. For these reasons, different indicative approaches will be evaluated, and some of them will expose instances to apply in practice. So, for the achievement of the aim, the remainder of the work is structured as follows: the great amount of approaches will be explained, then some tools and a best practice will be exposed briefly. However, the approach that will be analysed with greater depth is what it is defined as "method". This work focuses on the following methods: Social Return on Investment (SROI), Learning with Constituents, Randomized Controlled Trial (RCT) and Balanced Scorecard (BSC). Each of them assess the impact in different way, so these differences will be shown in an illustrative way to understand their process to conduct by any organizations.

2. WHEN BENEFITS ARE SOCIAL: NONPROFITS AND FOUNDATIONS

All organizations do actions that cause an impact on society, some of them try to improve the welfare in a particular area, as is the case of foundations and nonprofits. **Foundations** are non-governmental organizations which are established as a nonprofit corporation, whose main purpose is to make grants to organizations, institutions or individuals for purposes of general interest, such as: the defence of human rights, institutional strengthening, encouragement of social economy, social integration, etc (*Foundations Law*, 2002). Regarding to **nonprofits**, which are organizations that carry out actions for the benefit of the general public without a profit motive, and therefore, financial resources are not considered personal benefits because they are used for the operation of organization. Nonprofits mainly receive grants from private foundations, the Government or individuals (The Free Dictionary, n.d.). Foundations and nonprofits both contribute to promote the public good, and so it is important that foundations continue to maximise their positive impact on society. The criteria of nonprofits, therefore, focus on ethical values, commitment and effectiveness. This last aspect is essential for foundations and other grantmakers in order to make the decision to fund to nonprofits (National Committee for Responsive Philanthropy, 2009, pp.8-9).

Focusing on foundations, they are usually subsidised by the State, and for that reason, they are required to create real value for society. However, the available resources, which are granted to foundations to solve social issues, are scarcer than ever. Definitely, foundations get to create value on society when their activities generate benefits which reach beyond the purchasing power of their grants. The most important issue, besides creating value, is the improvement of efficiency to confront social problems, and their impact is greater when they can influence to private and public sectors. Furthermore, a foundation should assess its success or failure by noting charitable organizations which are funded by it (Kramer and Porter, 1999).

To observe the scope and repercussion of an organization's actions, examples are going to be introduced, with which will be able to see the essential work which is performed on society by foundations and nonprofits. Also, it indicates the increasing necessity to know the impact which has been caused by charitable work in a more accurate manner. According to National Committee for Responsive Philanthropy (2009, p.18) the government and foundations have to provide resources to underserved populations. For that reason, the nonprofit sector exists to improve the promotion of

social welfare. For instance, the Gates Foundation's focus on helping people who suffer HIV/AIDS and malaria, improving their health. Because, as Gates argued:

"Foundations provide something unique when they work on behalf of the poor, who have no market power, or when they work in areas like health or education, where the market does not naturally work toward the right goals and where the innovation requires long-term investments. These investments are high-risk and high-reward. But the reward is not measured by financial gain, it is measured by number of lives saved or people lifted out of poverty".

(Source: National Committee for Responsive Philanthropy, 2009, p.20).

There are progressively more nonprofits and grantmakers that realise how the impact of strategies can be measured. Nevertheless, these strategies need long-term to reach the targets set. Furthermore, sustainable changes to programs are being observed by funders. These changes focus on human rights, as the Ford Foundation pointed out:

"places the affirmation of human dignity and equality at the center of domestic and foreign policy and counters unilateral tendencies with multilateral commitments, shared with other countries, to promote social and economic justice on a global scale."

(Source: National Committee for Responsive Philanthropy, 2009, p.32).

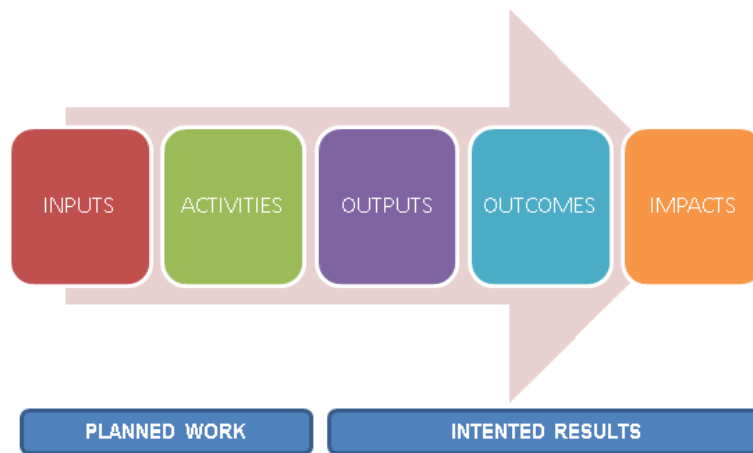
Thus, donors of funds demand information about nonprofit actions. The indispensable requirement would be the achievement of their set objectives, that as it has mentioned, these actions are closely related with benefits of social scope. Therefore, investing in the long-term sustainability of a nonprofit or foundation is essential to achieve their own missions, and providing information about social impact is required. But, what is social impact?

3. WHAT IS SOCIAL IMPACT? SOME CONCEPTUAL ISSUES

The third sector comprises a great amount of non-profit organisations. Each of them operate in a distinctive field with a specific cause. The main objective of nonprofit sector is the defence issues of public interest and an attempt to influence government policies. Services, which are offered by nonprofit in the third sector, cause a social impact. Nevertheless, impact is a complex concept to define and understand (Arvidson, 2009, p.5).

Thus, to understand the meaning of social impact, firstly, key concepts that have the attainment of impact prepared must be understood. As they are abstract, each concept will be analysed and an example will be proposed for its better comprehension. According to Arvidson (2009), the social impact goes beyond economic criteria, and for that reason, it must be divided into different terms that cause social impact: input, output, outcome and impact (Figure nº 1).

Figure nº 1. The logic model approach: process to reach impacts

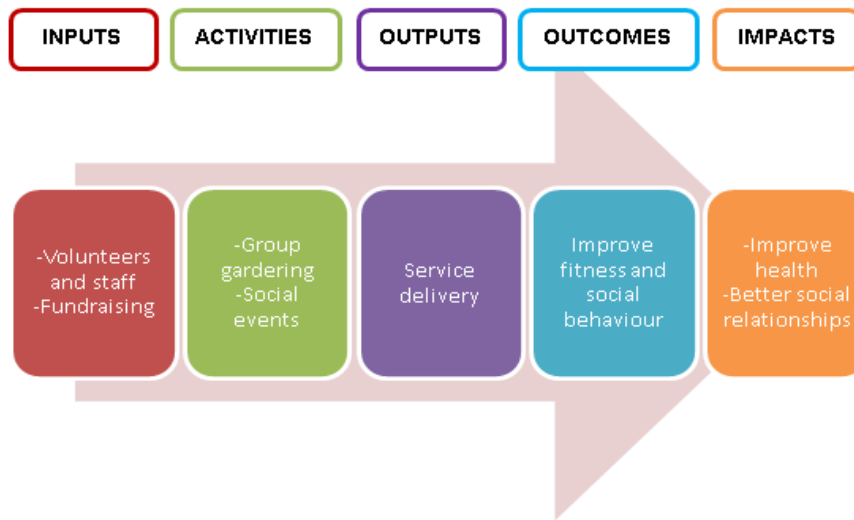


(Source: Own elaboration based on Arvidson, 2009)

Then, **inputs** are necessary to carry out non-profit projects, those required resources being mainly volunteers and staff of nonprofits, but also financial resources. Through inputs, organisations create activities in order to achieve its mission. Thus, **outputs** are immediate and direct results of a nonprofit project or activity, also they are countable, so outputs can be controlled by organizations because they can be measured. It has to be emphasised that outputs are not last step of organizations. On the one hand, **outcomes** are changes on society. They tend to be more intangible and less countable than outputs. Moreover, outcomes usually have a relationship of cause and effect between themselves, meaning that the emergence of an outcome causes another. They are identified in mid-term, and because of that, this type of result cannot be controlled by organization. On the other hand, **impacts** are social changes that have effects which might be positive as well as negative. Impacts are produced by a set of outcomes, which modify living conditions and community structures in long-term. For that reason, its measurement and identification is very complex, due to impacts are uncertain and unpredictable.

Let see an example to better understand the concept previously explained (see Figure n° 2).

Figure n° 2. An example for nonprofit project: 'The rooftop garden project'



(Source: Own elaboration)

The rooftop garden project consists of making a garden on the hospital's rooftop terrace. This garden will be cared by gardeners, a group facilitator and disabled people. Thus, economic resources will be required to buy garden tools and seeds to plant. Moreover volunteer gardeners and group facilitator will form **inputs**. Then, the **output** would be to achieve the great participation of disabled people in this project and they would attain service delivery. Regarding **outcomes**, they can be in different ways in mid-term, for instance: losing weight doing physical activity or/and decreasing anti-social behaviour working as a team, each person can result of their manner. Therefore, if disabled people achieved an improvement in their health and better their social life, the established objective would be accomplished and the impact on mankind would be an independent life for disabled people. So, there are considered to be many forms to reach objectives, however the **social impact** affects to a greater extent where the project has been implemented. (Social Investment Business, 2014).

After this illustrative example, it could be concluded that outcomes, outputs and impact all contribute to an understanding of the added value which has been achieved by organisations due to activities they have carried out. Therefore, outcomes focus on benefits from project activities which have been caused by a specific individual or place. Thus, whereas the study and analysis of impact goes further and provides great

challenges, because not only it considers direct consequences of a project, but also impact assessment focuses on changes in community conditions indirectly. Due to this, Hendricks suggested the distinction between outcomes and impact.(Arvidson, 2009, p.9).

Trying to clarify the meaning of social impact, some questions arise: due to the complexity of concept impact, is social impact really important to investigate? What is the main reason for evaluating nonprofits' impact?

4. WHY SOCIAL IMPACT ASSESSMENT IS IMPORTANT?

Theories about impact rely on assumptions, where the important role of the third sector is emphasized to add value through projects. Moreover, it should be considered that interpretations of impact assessments are not objectives, because they are based on values and beliefs depending on the culture and opinion of each individual. These evaluations have relevance for the third sector, because these allow for communication to stakeholders about different achievements and their added value accomplished (Arvidson, 2009, p. 9). Therefore, this subjectivity about how defining the meaning of social impact assessment causes great trouble to implement the impact evaluation in nonprofits. Thus, various complementary definitions will be pointed out below.

According to Fitz-Gibbon (1996), impact is considered any effect of service offered to an individual or society in general. Also, the impact could be positive or negative and might be intended or accidental. When this definition is considered acceptable, impact assessment deals with identifying and evaluating change (the Bill and Melinda Gates Foundation adopted this way to evaluate impact). Therefore, the essential element of impact assessment is change, which is caused by results of program. Definitely, impact is any effect of nonprofit project on an individual, group or society (Markless and Streatfield, 2009, pp. 2-3).

Changes caused by impacts have both, breadth and depth. Regarding to the breadth, an impact could be very wide, affecting society, or could be more specific, affecting a reduced group of stakeholders. Whereas, depth of impact concerns different levels which vary in a range that goes from the superficial to the complete change of life. For a large-scale project, it is necessary to accomplish a balance between different levels, also between short and longer term effects. Because if achieving the project's objective is too long-term, far-reaching impact will be complex to identify and monitor.

In contrast, if achieving impact is too short-term, the resulting impact will be limited in order to use the complete potential of program (Markless and Streatfield, 2009, pp. 3-4). The main levels that can be obtained by a relevant program are collected in Figure nº 3.

Figure nº 3. Changes that a project could achieve



(Source: Markless and Streatfield, 2009, p.4)

Subsequently, the concept of social impact includes changes in cultural, economic, environmental, political and social areas. Then, social impact embraces some diverse aspects and some subjective considerations about changes.

In this line, the International Association for Impact Assessment (IAIA) defines the Social Impact Assessment (SIA) as a process that encompasses analysing, monitoring and managing the social consequences of a developed project and the effectiveness of affected societies by social projects must be included. Thus, SIA reflects all changes which can be produced by an action in a certain social group. Impact assessment indicates mainly the identification of future consequences of a current action carried out, so that the impact is the repercussion of those effects which would happen with actions implemented instead of what would have happened if those actions had not been applied.(IAIA, n.d., p.1).

Hence, all issues that can affect everyone, not only directly, but also indirectly, are essential to social impact assessment. When conceptualising social impacts, there are different causes of social changes to take into account (Vanclay, 2003, p.8):

Figure n° 4. Causes of social changes



(Source: Own elaboration based on Vanclay, 2003)

SIA is normally used as a mechanism to predict possible impacts before they are shown. Moreover, SIA promotes the constant management throughout the whole project development cycle, because of the detection possible issues or effects that appear during the process (Vanclay, et al., 2015, p.5).

In that sense, Lara González (2000) points out that the implementation of an impact assessment involves an analysis of effects beyond of proposed objectives. The impact can cause both positive effects and negative ones, expected or unexpected, direct or indirect. If effects are positive, the project will be effective. etc. Because of that, the impact is the widest and most difficult issue to measure, due to this fact it must keep in mind all effects caused to society by the project.

According to the above, it is very important to take a conscious and active attitude towards impacts before implementing actions as the only way to control unexpected and negative effects that can be caused by these actions. Nonprofits and foundations should develop different measures to mitigate negative consequences, and opportune actions should be carried out in order to allow the project to be approved. It should be noted that it must have continuous monitoring for contrasting expected impacts with real results (Convention on Biological Diversity, n.d.).

Taking into account the above mentioned, it should be noted that the concept of impact is wider than the concept of efficacy, because, the first one not only focuses on studying the scope of expected and wished for effects, but also on ensuring the

relationship between an intervention and its impact regarding to unexpected effects. So, it is considered that a project's evaluation must be assessed ex post, because project's achievements can be observed on population in mid-term or long-term. (*Ministerio de Asuntos Exteriores, 2001*).

The National Committee for Responsive Philanthropy (2009) argues that nonprofits should invest in the capacity to carry out a meaningful impact assessment. A variety of ways can be used for this evaluation, such as training staff to monitor outcomes, or external consultants who can evaluate these outcomes more rigorously. However, it is still necessary to improve in this area because of the need to report on this topic for organizations whose benefits are social.

Foundations should ensure the support they provide depending on resources for grants that they allocate to a program for several years. This support is used to minimise inefficiencies and allow the growth of the social impact and their benefits. Moreover, grantmakers should provide comprehensive information about their donations and governance framework and other type of relevant information about aspects which demonstrate their social and accountable responsibility according to the regulations of IRS¹ for nonprofits. So, accurate financial statements should be made available to the public concerned. Many foundations already provide this information. However analysing this decentralised data continue to be complex (National Committee for Responsive Philanthropy, 2009).

It should be noted again that the concept "social impact" involves many subjective connotations having to do with relevant changes in living conditions of beneficiary population, and their behavior. Furthermore, the evaluation of impacts has to identify alterations produced, and the positive or negative assessment of these variations for the community. So the determination of social impact is essential for the ex-post evaluation, whose analysis is not limited to expected effects. The execution of this analysis is not an easy task (National Committee for Responsive Philanthropy, 2009).

Therefore, there has been a growing interest in the impact caused by actions of non-profit organizations. The measurement of outcomes is considered a tool to help

¹ The IRS (Internal Revenue Service) is a government agency in the United States. Its responsibilities are tax collection and the application of tax law. Also, the IRS is one of the most efficient tax administrators (IRS, 2015).

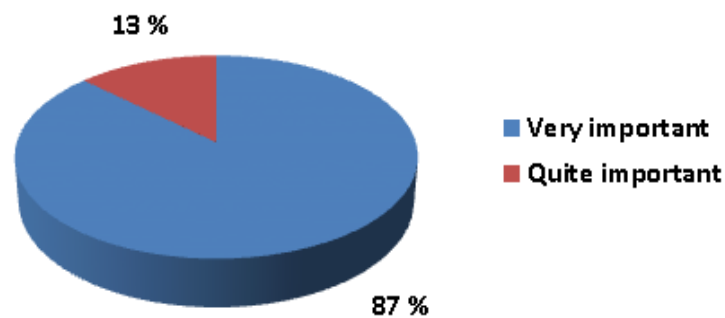
funders for deciding to invest or not. Currently, nonprofits try to assess performance of inputs, activities and outputs, which can be controlled directly. But in order to meet the growing needs of users and investors, they should be able to measure outcomes and impacts of their projects. On the one hand, through measurement of actions, nonprofits could not convince funders and citizens about the difference which organization claims. And on the other hand, the staff should have different abilities, such as quality management, benchmarking and adaptive learning, for the evaluation of achieved performance. (Ebrahim and Rangan, 2010).

Foundations and nonprofits should render accounts to funders, because they have the necessity to understand the results of organisations in order to verify if grants provided are fulfilling their expectations of improving the society or not. There are more and more organisations that have contractual obligations to report results to funders. Through performance reporting, funders can know the performance of organisations without having to manage them. So, there is pressure on non-profit organisations for measuring and reporting social impact in a more rigorous way. This incentive is demanded by stakeholders, who have several ideas about what and how activities should be measured. Therefore, grantmaking and philanthropy considers funding as an investment that requires studying 'value for money'. Conversely, for nonprofits, the achieved 'value' relates to project's impact. Thus, social impact assessment is considered a key instrument in nonprofits, when benefit is mainly social. How can donors and investors know whether they are helping or undermining the development towards a healthy and sustainable society and environment? The measurement of social impact is the only way that can show us how much a nonprofit's social mission and beneficiaries are improving instead of being confined to providing information about the degree of compliance with legislation. Information based on social impact assessment is also used to get grants from future possible funders, so impact measurement is an additional tool to obtain resources. Thus, initial resistance to calculate social impact has disappeared, and it has become a key factor of organisational activities. Therefore, data obtained from evaluations is used, not only to persuade funders, but also to provide measurements used to manage internally the organisation (Arvidson and Lyon, 2013).

Increasingly nonprofits are more conscious about the importance of their performance measurement, which is significantly more complex in the third sector than in others, even when, due to its nature, the analysis is more needed. In that context, performance measurement is analysed with greater detail, beyond economical aspects,

and for that reason, impact assessment is considered a current challenge. Also, reinforcing this idea, 23 leading managers of several nonprofits, who engaged in leaders' forum of ESADE-PwC Programme on Social Leadership, were respondents about the importance of impact assessment. The results obtained on survey were that 87 percent of all respondents thought that the impact assessment was a real important aspect (Carreras, Iglesias and Sureda, 2010), see Figure nº 5.

Figure nº 5. Survey on the importance of impact assessment in nonprofits



(Source: Carreras, Iglesias and Sureda, 2010, p.30)

Furthermore, nonprofit organizations get internal benefits, because social impact assessment allows a constant report about deviations to achieve objectives. Therefore the effectiveness of an organization will improve gradually. Moreover, they need funds, so reporting their impact allows fundraising. The growth of competition to get funds has to be emphasized and due to this, nonprofits which offer information about their performance take advantage of fundraising because they show a more transparent and fair image, and they could report if their projects are worthwhile for investing. Reporting relevant information is positive for donors, because they can understand how their money is going to be invested, and how changes have happened. It is certain that nonprofit organizations which can convey their outputs and outcomes will achieve more funding (Berg and Månsson, 2011, pp.16-17).

Definitely, social impact assessment is important for nonprofits and foundations, because it is a key management tool which allows funds to be obtained to continue performance of non-profit projects, adding social value through their impacts. Not only it allows fundraising but also improving their own structure and performance for future non-profit programs, which will increase the efficiency of outcomes and impacts (Carreras, Iglesias and Sureda, 2010). As impact assessment is considered a determining process, it has to be inquired how this process can be possible to perform.

Also, these challenges that appear during the assessment process have to be considered.

5. HOW TO MEASURE SOCIAL IMPACT? A MAJOR CHALLENGE

Reporting information about social impacts is relevant for many stakeholders, therefore, they should be evaluated. The aforementioned subjectivity has to be emphasized, but, in cases that were possible, how would impact be measured?

Assessing performance is a complex process for any kind of organisation; however, it is usually more difficult for nonprofit organizations. They belong to the so-called Third sector, where mainly services, values or rights are offered and it is complicated to assess intangible aspects. So in that context, each stakeholder judges the quality of services in a different way. Furthermore, many times outcomes cannot even be knowable. The role of donors offering money or time is necessary for nonprofits, but it is often suggested that the evaluation of services offered by organizations should be an assignment for consumer engagement. But it will be complicated to assess performance, unless there are specific statements of expected results (Kanter and Summers,1986, pp.220-221).

According to financial issues, nonprofit organizations usually have greater difficulty to obtain resources for continuing operations. Indeed, nonprofit organizations should intensify their efforts to set goals and value results. Because impact assessment is beyond the scope of science and the management of social values (Kanter and Summers,1986, p.233). Moreover, the problem of causality should be noted regarding the relationship between cause and effect in a non-profit project, because an organization could have troubles in respect to the control over results, because of having boundaries in their management control. Due to this, only service delivery can be sometimes measured in terms of impacts. Therefore, there are many non-profit projects that cannot demonstrate reasonably their impact, and sometimes measuring amateurish its outcomes. These challenges restrict the required impact assessment by funders, then many nonprofits cannot measure a project's performance beyond outcomes, or even outputs (Ebrahim and Rangan, 2010).

Ebrahim argues that assessment and management systems are effective when they are integrated within organisation's activities. This organisational change could involve the implementation of new strategies and staff would have to invest time for evaluating the organisation. So, the transparency of non-profit organisations based on

measurable indicators can cause conflicts and uncertainty over the autonomy of staff due to the implementation of performance management (Arvidson, 2009).

On the other hand, the existence of subjectivity in the social impact. Organisations transmit their own interpretation of the term through their evaluations. Some organisations might conceal or distort information, appropriate achievements unreached. This strategy is used by organisations to confront control imposed by funders that have unrealistic expectations, also it is used to confront a competitive context. The concept of decoupling is defined as an understanding that programs seldom correlate with what really occurs in non-profits organisations, that means expected outcomes does not often coincide with final outcomes which have resulted. Each non-profit organisation makes decisions about what and how to measure. So the main shortage of social impact assessment is lack of agreement on what is considered as beneficial social impact evidence. Thus, organisations encompass difficult relations which are not easy to be coordinated. A recent study carried out to ask questions about the origin of decoupling, which reflects conflicts that originate both outside and inside the organization. It has a double purpose. First, decoupling deals with fulfilling these values that could not be easily reconciled, because organisations can choose the way of formulate their own evaluation and performance report, which adjusts their needs, in order to disseminate their outcomes and impacts. Second, it is used to avoid conflicts between groups of staff and stakeholders (Arvidson and Lyon, 2013, p.13).

Therefore, due to the subjectivity about how to assess social impact, there are a great amount of approaches for social impact assessment, for that reason, there is not consensus about the developed measurement frameworks. Indeed, every nonprofit organization develops its own assessment model, which adjusts within specifications of the organization, so the emerged advantage is a more focused measurement. Donors and funders, however, have various models to use. Nonprofit organizations clearly understand the need to assess their own social impact, but the issue is how to evaluate it. Though not only the issue of how measuring arises, but also the aversion to spending resources for assessing has relevance. Managers may consider impact assessment as a waste of resources which could otherwise be invested to accomplish the mission (Berg and Månsson,2011, pp.12-14). At least among Spanish NGOs it seems to be a certain lack of organizational culture and they are more practical action oriented rather than results oriented (Carreras, Iglesias and Sureda, 2010). Furthermore, funders may disagree about the use of a part of their grant for management purposes instead of accomplish the social mission. According to Keating

and Frumking (2003) the type of information required by donors is related to the degree of involvement with the organization. Where donors or members are likely to be less involved with the organization or to receive tangible goods and services from the organisation, have more need for financial information and they are less interested in other kind of information such as beneficiaries or impact. So they are reluctant to produce this information.

Problems also arise to identify impacts among organizations. When catastrophes happen, such as devastating earthquake or tsunami, many nonprofits contribute immediately their help to affected people. Improvements to lives of affected people emerge as a result of the collaboration of more than one organization. Therefore, isolating the contribution of every organization from those of others is almost impossible to do.

Another challenge for nonprofits is to assess long-term impact, changes cannot be observed until several years have passed. Consequently, establishing the exact impact attributed to the project is practically unpredictable. It should be noted that not only must quantitative data be considered to analyse the performance, but also qualitative data must be studied. For instance, the quantity of calls received by a helpline is referred to outputs, but qualitative data would be the quantity of people which benefited from making their call, which relates to outcomes. And in long-term, the impact caused by this helpline could be seen (Berg and Månsson, 2011).

In that context, foundations, which are a kind of funder, seek to evaluate the performance of their grantees, such as nonprofits, but, foundations do not usually measure their own performance. However, it should be considered that it is worthwhile that funders evaluate their performance, because impacts can be observed better when changes on society are sustained in long-term. Besides, impacts are sometimes achieved by a group of actions of nonprofits, which pursue a same goal. So foundations can oversee nonprofits that work separately in order to measure impacts. Due to this, each foundation can observe actions of all its grantees which could be linked as a portfolio, analysing a range of outputs and outcomes in order to measure how they could lead to impacts. Foundations have a challenge in order to form a portfolio of nonprofits through which funders can achieve expected impacts.

It has to be emphasized that there is not one unique form for funders to measure their own performance or their indirect impact, which is caused by nonprofits which have been granted resources. Funders should allocate greater quantity of

It should be noted that analysing the project's performance or evaluating their results through monetary amounts is easier to understand than if outcomes cannot be assessed in a monetised manner. Regarding impact, which is caused by nonprofits, this is not evaluated through the amount of money that they gain, but through the quality of social value that organisation contributes. The election of appropriate indicators is a challenge for non-profit organisations and foundations that use approaches that let social impact be monetised, such as 'Social Return on Investment' (SROI), which is a kind of cost-benefit analysis of their services. This method to value social impact is used by some third sector organisations as a tool for fundraising (Arvidson and Lyon, 2013, p. 13). The SROI approach will be analysed in greater detail in the following section.

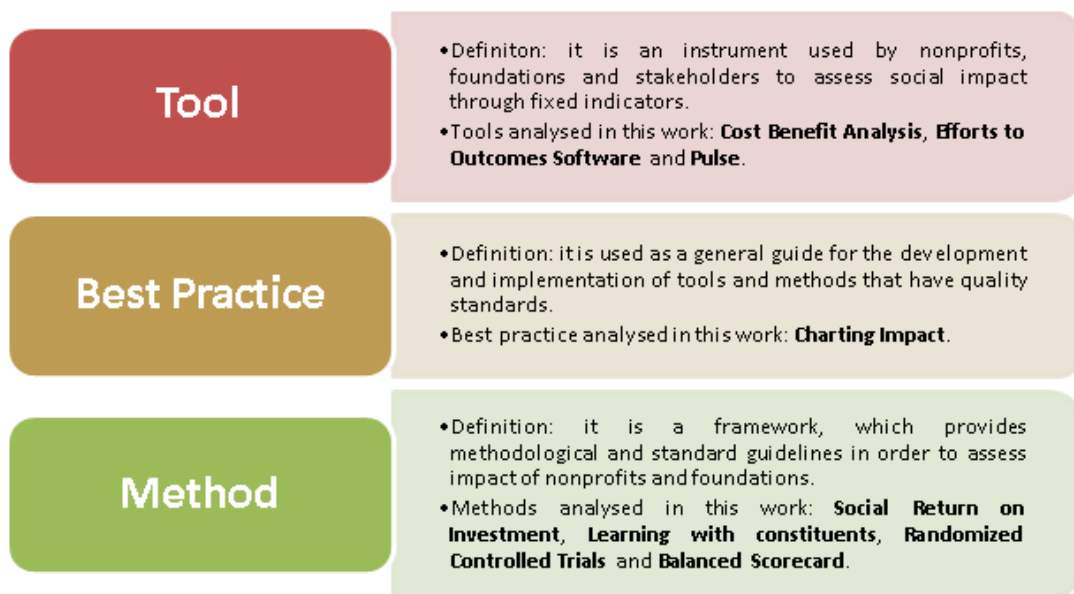
The social impact assessment is a highly complicated process, because analysed aspects sometimes cannot be measured, the associated costs are high, some organisations do not have enough staff or keeping track of the groups of beneficiaries is complicated. In addition, if they can be measured, their monetization is a challenge. Moreover, if multiple organisations collaborate, the complexity of the process will increase, which makes the assessment more complicated if at all possible due to the impossibility of finding a direct causal relationship between impact and organization. Thus, each third sector organization has their own opinion regarding services offered. Moreover, the expectations of stakeholders are often different (Gordon and Khumawala, 1999). Hence, the objectification of impact assessment results impossible to perform. For all these reasons, there are a multitude of different approaches, some of them will be analysed through examples, to understand the logic pursued by non-profit organizations.

6. DIFFERENT APPROACHES TO EVALUATE NON-PROFIT ORGANIZATIONS

The main objective of social impact assessment in the third sector is to understand the changes that an organisation's projects achievements, in order to communicate that social value to report on itself and its stakeholders. Over last two decades, a great amount of relevant evaluation approaches have been developed for nonprofit organizations (Dey and Gibbon, 2011).

Some relevant approaches will be analysed in this essay, all of which could be implemented by both nonprofits and foundations. However, it should be noted that each approach has a different scope, because each organisation has particular features that often require a specific method for its evaluation of performance. Therefore, there will be approaches that achieve broader scope than others in terms of impact. According to TRASI² (Foundation Center, n.d.), approaches are classified in tools, best practices or methods (see Figure n°7):

Figure n°7. Meaning and concepts analysed on tool, best practice and method.



(Source: Own elaboration)

It has to be emphasised that methods are the approaches that will be analysed in greater depth in this work with reference to social impact assessment in nonprofits and foundations.

6.1 Tools

As has been stated, establishing indicators is a complicated task in the impact evaluation. However there are several tools that allow the implantation fixed indicators. So, three tools will be explained briefly down below.

² Tools and Resources for Assessing Impact (TRASI) is an online database of frameworks and tools, which was created by The Foundation Center. The objective of TRASI is disseminate information about philanthropy sector (Metcalf, 2013).

6.1.1 Cost-Benefit Analysis

Cost-benefit analysis (CBA) is a tool used to compare the total costs of a nonprofit program with reference to its benefits. Consequently, this technique allows the securing of the benefit associated with a program. It has been designed to compare options at the beginning of a program in order to choose the best approach. Also, this technique can evaluate the general impact of a nonprofit program in terms of monetization, which can be quantifiable. In the decision-making, prospective costs and benefits have less importance in this analysis. Due to this, a discount rate is needed to reduce the value of prospective costs and benefits. This discount rate varies depending on the sector, but generally it is situated around 6% (Kaplan, 2014).

It has to be emphasised that SROI (see SROI method) is based on the logic of cost-benefit analysis. SROI is used to inform in the decision-making of managers focused on the optimization of the social impacts whereas cost-benefit analysis is used by funders, which are external, to investigate if their grants to nonprofits are economically efficient.

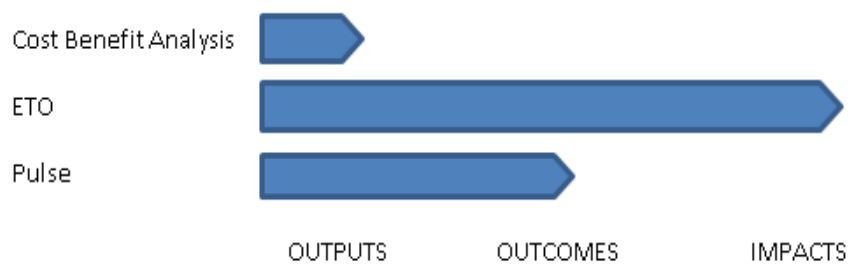
6.1.2 Efforts To Outcomes (Eto) Software

Efforts to Outcomes (ETO) software is a tool, which is used by nonprofits to manage the performance. With ETO software, nonprofit's staff can invest more time ensuring the effectiveness of their delivery services and they avoid spending so much time on financial reports. Therefore, this software allows them to monitor service delivery and increase the efficiency by communicating real-time information about stakeholders to staff. Also, ETO assesses and suggests solutions (if they are necessary) in the internal system (Social Solutions, n.d.).

6.1.3 Pulse

Pulse is a tool created by Acumen Fund, with the collaboration of Google and the support of various foundations, in 2006. Due to the necessity of identify a suitable report management system for impact investors, which could be standard because Acumen Fund realised the importance of accountability in the social impact investment. In that context, Pulse is useful for collecting and managing relevant information about the portfolio of the organization in real-time. Therefore, this tool allows managers to be able to apply either standard metrics to the portfolio, or customized metrics. So, Pulse provides a solution for any organization due to its pliable design in relation to social impact monitoring (P2P Foundation, 2012).

Figure n°8. Scope of each tool analysed.



(Source: Foundation Center, n.d.)

Regarding TRASI (Foundation Center, n.d.), each tool has a different scope in connection with impact assessment. For example, if Cost Benefit Analysis is used, only outputs will be evaluated. However, if an organization decides to implant Pulse, both outputs and outcomes will be able to be assessed. And in respect of ETO, the evaluation of impacts might be reached. Therefore, each organization will apply the most suitable tool for itself.

6.2. Best Practice

This essay is based on best practices of SIA (Social Impact Assessment) and Criteria for Philanthropy at its best to define the concept social impact assessment. But, there are other best practices which are implemented in social evaluation. To understand the concept of best practice, Charting Impact will be exposed briefly down below:

6.2.1 Charting Impact

Charting Impact focuses on five powerful questions that require reflection about key matters in relation to impact assessment. These questions encourage the development of strategies to achieve objectives marked by nonprofits or foundations. Then, a report will be elaborated with conscientious and detailed answers of five powerful questions (Independent Sector, n.d.).

1. *What is the organization aiming to accomplish?*

The answer must be clear and concise, determining the main goal of an organization for impact which attempts to reach. Thus, groups or communities must be identified in order to assist their needs. And evaluating the future expectations of a program to understand the nonprofit's mission and its expected outcomes.

2. *What are strategies for making this happen?*

An organization's strategies will be described for achieving the goals established in long-term. Therefore, short-term goals and strategies should be implemented to reach these long-term goals and consequently, the success of the program.

3. *What are organization's capabilities for doing this?*

The objective of this question is to identify how an organization's skills will contribute to expected impact. Thus, internal resources and abilities, and external connections must be detailed to support the progress of the program.

4. *How will the organization know if it is making progress?*

Key indicators have to be explained to assess the progress towards desired impact. Moreover, successful and failed actions shall be indicated in order to analyse the assessment and improvement process, respectively. In addition, that data will be used to profile efforts.

5. *What have and have not it accomplished so far?*

The progress of a program must be shown in order to ensure that short-term outcomes are contributing to accomplish long-term outcomes and consequently, the involved impacts. Investigating outcomes involves reflecting on the organization's mission and improving strategies in order to overcome risks and obstacles.

In conclusion, Charting Impact seeks to analyse outcomes and impacts through these five questions. For this reason, this best practice will be chosen by those organizations that need to investigate in greater detail their performance. It should be noted that this is mix between quantitative and qualitative information.

6.3. Methods

There is a great amount of methods and each organization will choose the method which best accomplish its internal needs and also, concerning requirements of stakeholders. Each method try to assess the impact, however, each one focuses on diverse aspects and uses different logic. So, some methods will be analysed for knowing how implementing and using them.

6.3.1. Social Return on Investment (SROI)

The evaluation of social and philanthropic investment requires suitable and quality information about its social impact. According to proponents of Social Return on Investment (SROI), they support that it is an effective tool, when it can help social funders or investors in their decision making process over social impact investment options. In addition, this approach can help organizational managers to evaluate and maximise social benefits. So, SROI is calculated to obtain the social impact value. SROI is similar to the Return On Investment (ROI), which is used in business analysis. Whereas, ROI compares the financial benefits obtained with reference to investment performed, SROI compares the social benefits with reference to investment.

However, the SROI approach is not usually used, due to the complexity of calculating ratios, even its proponents consider that assessing SROI is complex. In particular in Great Britain and other countries, government has promoted SROI as a tool to allow nonprofit organizations to understand impacts of their service delivery and quantify the value of their impacts in monetary terms. Therefore the lack of incentives to implement this approach is due to challenges to implement the process which are expensive. Moreover, it is pointed out that SROI assessments vary depending on service delivery offered by organization, and not only depending on each organization but also within the same organization, calculations can vary in reference to main decision points. Among remarkable challenges of SROI measurement; many assumptions are required to be able to measure, but nonprofits often cannot measure and evaluate these assumptions easily. That is to say, members of organization do not reach a consensus (Littlepage, Moody and Paydar, 2015).

It should be considered that SROI evaluation can predict in a general and broad manner, but it cannot focus on specific situations or decisions (Mulgan, 2010). However, according to Jim Clifford, SROI approach can assess all kinds of nonprofit organizations, and thus it might be used as a standard evaluation (Berg and Månsson, 2011).

The SROI methodology was developed by Roberts Enterprise Development Fund, currently it is known as REDF³, which measures social value through a process of **six stages** (Social Ventures Australia Consulting, 2012):

³ REDF offers technical assistance and philanthropic investments to help nonprofit organizations in social impact assessment (see: www.redf.org.)

Stage 1: Establishing scope and identifying stakeholders

Nonprofit organizations determinate the scope of analysis, and key stakeholders (staff, funders, etc.) will be identified to provide information in reference to their objectives. Therefore, what is to be evaluated must be defined, which stakeholders will participate in SROI measurement, and how it is to be performed.

Stage 2: Mapping outcomes

In this point, the logic of the program implemented is sought, that means it tries to show the causal relationship among inputs, outputs, outcomes and impacts, which are caused by nonprofit project implemented.

Stage 3: Evidencing outcomes and giving them a value

When outcomes have been identified, it is necessary to collect the data to inquire if outcomes have been achieved. The quality of this stage varies depending on the effectiveness of organisation's management and its information systems. Then, outcomes must be valued in a monetary way. This monetization may obtain significant information, however, the study and develop of this area is in progress.

Stage 4: Establishing Impact

Determining the context of nonprofit organization, impact achieved, which is caused by activities, can be determined. However, it has to be emphasised that there are external effects which are not considered to measuring impact. Therefore these external variables are taken into account in the social impact of the project. Thus, it contributes to the integrity of the SROI.

Stage 5: Calculating the SROI

In this stage, it collects the financial information obtained in the previous stages. Therefore, the financial value of investments, social costs and social benefits must be calculated. So, the comparison between investments and, social costs and benefits will determinate the social value of the program. In addition, a sensitivity analysis can be carried out.

$$\text{SROI} = \frac{\text{Value of social benefits} - \text{Value of social costs}}{\text{Value of investment}}$$

Stage 6: *Reporting, using and embedding*

Once results have been analysed, they must be verified and the qualitative, quantitative and financial findings shared with stakeholders through a report, which provides reliable information over social impact and the decisions made in the process of analysis. Moreover, the data analysed can help to organisation to improve its management process. It should be noted that SROI ratio is more relevant when it conducts a monitoring over time, because it gets feedback on the improvement of a nonprofit organization.

To understand better the SROI approach, an instance will be applied (Moody, et al., 2013):

For people who have low-income it is difficult to access healthy food due to the high price. In that context, a public-private partnership called Pennsylvania Fresh Food Financing Initiative (PFFFI) was implemented to promote development of supermarkets and other points of sale, where fresh-food were commercialized, situated in low-income neighbourhoods. Therefore, the main objectives of PFFFI were:

- Reduce the high number of diseases related to diet, such as overweight.
- Stimulate investment of private capital in communities with low resources.
- Reduce financing obstacles
- Create jobs, which have decent wage.
- Achieve and retain a qualified workforce.

Partners involved in PFFFI assess the program's economic impacts. Analyses showed that projects preserved and created over 5,023 jobs and 1.66 million square feet of commercial space were built, therefore healthy food were provided to people with low resources to improve their dietary habits. However, partners of PFFFI did not carry out analyses about social impacts of their projects, in spite of one of its objectives being to reduce the high incidence of diseases caused by unbalanced and unhealthy diet.

These social impacts alongside economic impacts were assessed by a group of students from University of Pennsylvania through SROI assessment of PFFFI. Three categories of social and financial outcomes were established in relation to the PFFFI intervention in low-income communities:

1. Reduction of expenditures over chronic disease (such as diabetes): students estimated that medical costs associated to chronic diseases might decrease by ten percent in six years' time. That reduction in chronic disease is related to lowered obesity rates in communities with difficulty to acquire healthy food. The total saving achieved is \$430,000.

2. Increase worker productivity: from research, it is estimated that the access to fresh food would minimize by ten percent the reduction in worker productivity. The total financial value is \$1.7 million.

3. Increase job creation: the financial value of 5,000 jobs, which had been created by the program, were multiplied by an average salary of \$20,000. The operation saved \$100 million in total.

Bearing in mind cost savings achieved through the program, SROI for PFFFI over six years reached a total of \$2.23 billion. This quantity when it is compared to \$175 million of total investment in PFFFI, it could be concluded that results of SROI are substantial. The positive valuation of this SROI came from the growth of workers productivity for the most part, due to the reduction of diseases. And the monetization of social benefits was in terms of salary, considering the job creation.

It has to be emphasised that PFFFI is a difficult case to assess, because there were many potential benefits of the program according to which stakeholder was referred to. Thus, this SROI analysis was limited, because it could reach all kind of fields. Moreover, SROI approach in PFFFI is not used regularly for decision-making of an organization. However, in spite of these discrepancies, programs such as PFFFI are considered as success cases. On the other hand, in this case, the monetization can be obtained of the decrease in diseases, which are related to obesity, beyond cost savings in health of the government.

Definitely, implementing an SROI valuation in an organization involves a better understanding of its mission and improving its orientation. Also, through systems of feedback on outcomes that allow knowledge about lots of social impacts of the organization. Nevertheless, there are costs to implementing SROI approach, in relation to requiring help from outside experts, as well as the time invested in the measurement.

6.3.2. Learning with Constituents

This method is useful to organizations that need guidance on how to participate with their constituents in order to improve the monitoring and assessment of their actions. Therefore, it is as a guide that helps to identify and analyse evidence of social impact, and also organizations might learn with their constituents to improve in the way they work. It should be noted that this method distinguishes between **constituents**, stakeholders who are affected directly by organization's project such as funders, donors and partners, and **other stakeholders**, who are indirectly affected by the organization, this means, the broader community.

First of all, any organization should identify its relevant constituents and other stakeholders to learn with them. Thus, engaging more deeply with constituents than other stakeholders is preferable for any nonprofit organization, because according to Keystone⁴, the accountability and learning of outcomes are key aspects in relationships between any organization and its constituents.

Then, constituents and other stakeholders identified will be analysed in order to understand each of them in greater detail. Therefore, organization must collect information about constituents and others through feedback surveys and formal dialogue processes. Both provide useful information if they are properly designed and executed. In that context, feedback on the organization's performance and opinions of its constituents might be obtained effectively. Therefore, learning with constituents can identify areas where corrective measures are needed. As well as this, an organization might establish better relationships with its stakeholders. In addition, all constituents must be considered equally in relation to their opinions and suggestions learned through surveys and active interaction with the organization. Thus, an organization might improve in many aspects, because if past failures are known by the organization, this will reduce significantly probabilities of committing the same mistakes again (Keystone, n.d.).

6.3.3. Randomized Controlled Trial (RCT)

The measurement in international development is discussed by the needs of governments and funders. So, impact evaluation is based on hypothetical situations, which means what would have happened if the nonprofit program had not been carried

⁴ Keystone provides tools, methods and services that organizations use for knowing how their constituents experience them, and how communicating the information collected through a better feedback.

out, doing also experimental designs through the use of Randomized Control Trials (RCTs) to assess social impact.

The approach called RCT (Randomized Controlled Trial) is usually used in clinical fields for new medications, because the separation between patients who receive treatment and those patients who do not receive it is easy to follow closely. Moreover, RCTs might be appropriate for activities such as the implementation of vaccines or the provision of new seeds. However, this best practice is not so suitable for projects where the reference group is almost impossible to isolate and where multiple situations cause development of a project, for example, reforms in labor markets.

A vaccination campaign is a complex example, where metrics used are outputs and outcomes. The first concept involves the percentage of people vaccinated, whereas outcomes would be the percentage of decrease in illness in order to achieve impacts, whose objectives are to prevent, contain or eradicate diseases. Therefore, this process is complicated because it requires not only having an effective vaccine and providing it, but also it is necessary to establish strategies for organizing health centres and overcoming fears of communities that might limit the use of these vaccines (Ebrahim and Rangan, 2010).

Randomized Controlled Trial (RCT) is used to assess social impact in the population which receives the program intervention at random, and a control group is chosen from the same population at random too. In this manner, comparing both groups, intervention and control, the scopes or deviations towards objectives can be observed and managed. The main strength of RCT is its causal logic, because program managers know all the time that achievements are caused by the intervention and not anything else. It has to be emphasised that impacts will be compared after several years. Therefore, RCT is an experimental way of impact assessment (Hoop, Sabarwal and White, 2014).

Randomized Controlled Trial is appropriate to use in following circumstances (Hoop, Sabarwal and White, 2014):

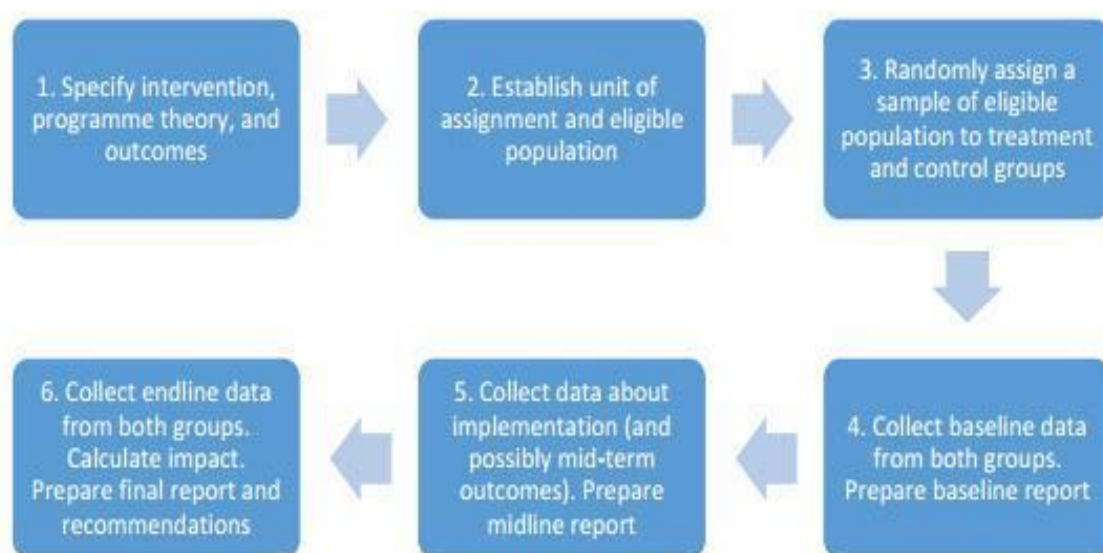
- RCT must be planned from the beginning of a program, because the implementation has to be controlled constantly because of possible deviations.
- RCT is effective when the sample size is big enough to detect effects properly. Therefore, the probability that a program is effective is called 'power', so when the

sample size is greater, this power will increase. However, it should be noted that the number of groups is more decisive than the number of observations (e.g. a sample with 40 communities, which means 40 groups, and 5 households in each community, will have more power than a sample of 20 communities or groups with 10 households in each group. Despite of each sample has a total size of 200 households).

- RCT should not be implemented when a program has not reached maturity and it has not developed properly yet. This is because RCTs are expensive and can conclude in erroneous results.
- RCTs cannot be implemented in programs which might not be randomised, such as programs where there is a small number of groups or/and, objectives of program and expected outcomes are not specifically defined in advance.

Randomized Controlled Trial has six steps to collect data on an organization's performance (Hoop, Sabarwal and White, 2014):

Figure n° 9. Process to carry out a Randomized Controlled Trial



(Source: Hoop, Sabarwal and White, 2014, p. 6)

1. *Specify intervention, program theory, and outcomes*

In the beginning of any impact evaluation should be specified what is and why it is being evaluated, and also which outcomes and impacts expected. Thus, the analysis of changes helps in the answers of evaluation questions according to the causal logic. Also it assists to determine what impacts should be considered in assessment.

2. Establish the relevant population and unit of assignment

The population which will be eligible and the unit of assignment for randomization must be identified. In relation to the unit of assignment, the randomization of treatment and control may be between individuals or groups of individuals.

3. Randomly assign a sample of the eligible population to treatment and control groups

There are different methods for the implementation of RCT, and the common designs are explained below.

- Pipeline randomization: if the intervention of program results effective, it will encompass all units of assignment over the years. In this context, the implementation of program is usually through stages, thus the order may be selected randomly in which the individuals or groups receive the benefits of a program in each stage.
- (Raised) threshold randomization: when resources available are not enough for what the intervention of a program serves to all eligible population. The random assignment will be determined by a threshold such as poverty line. In this way, the assignment will be the fairest possible.

Encouragement designs: these designs are used for programs that are universally available, but they are not universally adopted. Therefore, an encouragement is given for the treatment group to assume the intervention, but it should be noted that this encouragement has not to affect the intervention of program. For instance, a suitable encouragement could be the implementation of information campaigns for a program which will be carried out. This information will be provided in certain communities but not others, which will be control groups.

There are several ways to assign population groups randomly in treatment and control groups, such as simple or matched pair randomization. This random assignment process must be monitored to ascertain what objectives are being accomplishing, through the impact evaluation.

4. Collect baseline data from both groups

Evaluators usually carry out a baseline study to generate the data required for comparisons in endline surveys. This baseline data is used to determine if the mean of the control group and of the treatment group are equivalent for various variables. This may confirm that the randomization process was successful.

5. Collect data about implementation (and possibly mid-term outcome data)

The data about implementation of program should be collected through a mid-term survey, which usually focuses on program aspects. It is essential to check that individuals which are part of the control group have not been affected by some individual of the treatment group. Also, if some participants leave the program, they will have to be excluded from the analysis.

6. Collect data on impacts

At the end of period of time established to achieve impacts, an endline survey will be performed. Impact will be measured as a comparison between both groups. For instance, a nutrition intervention for iron fortification, a suitable period of time must be established, for participants to have had enough time for iron to be absorbed and therefore, anaemia had started to decrease. Definitely, the endline data are used to assess impact estimates.

6.3.4. Balanced Scorecard (BSC)

The idea of Balanced Scorecard (BSC) was developed by Dr. Robert Kaplan and Dr. David Norton, in order to integrate the data through several perspectives to evaluate the impact of all of them on the organization's future performance. BSC can be used by both for profit and nonprofit organizations. Therefore, this method is useful to anticipate expectations for organizations, which are based on the principle of causality. This method also allows a consideration of intangible assets, which are more difficult to measure, such as human capital, collaborative efforts, knowledge or innovation. These aspects would be shown in reports of Balanced Scorecard and nonprofits and might generate a stronger balance sheet. For all these reasons, Balanced Scorecard is a strategy which contributes benefit to nonprofits (Hartnett and Matan, 2011).

Kaplan and Norton (1990) noted the innovation of Balanced Scorecard as below:

"The balanced scorecard retains traditional financial measures. But financial measures tell the story of past events, an adequate story for industrial age companies for which investments in long-term capabilities and customer relationships were not critical for success. These financial measures are inadequate, however, for guiding and evaluating the journey that information age companies must make to create future value through investment in customers, suppliers, employees, processes, technology, and innovation."

(Source: Balanced Scorecard Institute, n.d.)

The BSC method aim is to balance financial perspectives. Also, not only it is a management system, but also it is an assessment system that allows clarification of the vision and strategies of organizations and transforms them into actions. Moreover, BSC provides feedback on both internal processes and external outcomes in order to improve and manage the performance.

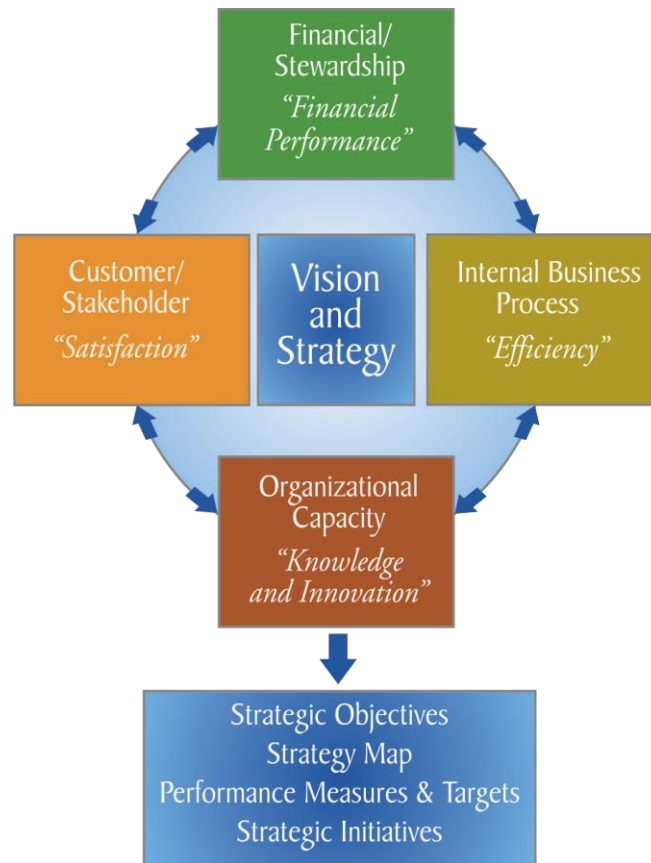
There are four perspectives in Balanced Scorecard, and through these perspectives data will be collected and analysed (Hartnett and Matan, 2011):

- *Financial Perspective:* nonprofit organizations must know their financial situation, relating to funding sources and cost of services, which must be integrated into the nonprofit's strategic plan. Also, it includes the measurement of economic value added, operating income or budgets. The financial reports will allow them to establish trusting relationships with funders and grantors.
- *Customer Perspective:* referring to donors, volunteers or those that receive the service. It has to measure satisfaction and retention of all of them and evaluate the nonprofit's market share. To obtain the maximum performance for the organization, it must keep donors and volunteers engaged and motivated.
- *Business Process Perspective:* it involves assessing the cost, performance and quality of key operational processes of an organization, such as delivery services. In this perspective, it must observe the overall effect of each program to offer knowledge about its implementation and whether services offered satisfy the real needs of the community.
- *Learning and Growth Perspective:* this perspective focuses on the organization's human capital, such as employees and volunteers. It will be necessary to measure satisfaction and involvement to the nonprofit's mission. Due to staff and volunteers are main resources of organizations, their performance must be measured

properly. In this way, when performance is higher, the success of a nonprofit has greater chances to occur. Moreover, a good use of technology and leadership might support every important aspect of the organization.

It should be noted that the four perspectives must be aligned among themselves and relating to the organization’s vision and strategies.

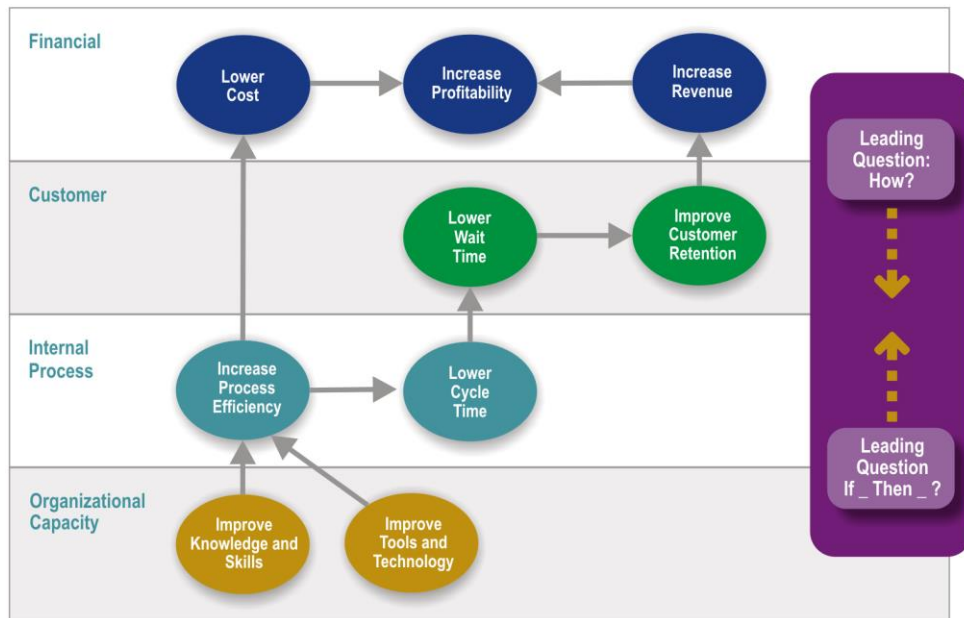
Figure n° 9. The four perspectives in Balanced Scorecard.



(Source: Balanced Scorecard Institute, n.d.)

On the other hand, tools called strategy maps are used to observe how social value is created by the nonprofit organization. They communicate and show a causal and logical interrelation between strategic objectives. Overall, if the performance of Learning and Growth Perspective improves, this will allow an improvement to the organization’s objectives of Business Process Perspective. And at the same time, these improvements of both perspectives will imply desirable results in the Financial and Customer perspectives (Balanced Scorecard Institute, n.d.).

Figure nº 10. Strategy map in Balanced Scorecard.



(Source: Balanced Scorecard Institute, n.d.)

According to Kaplan, nonprofit organizations often have difficulty putting the Financial Perspective at the top of Balanced Scorecard. He notes that nonprofits would put at the top of BSC the mission represented by the accountability between nonprofit organizations and society. Also, it has to be emphasised that increasingly there are more nonprofits which use the Balanced Scorecard approach (Fischer, Martello and Watson, 2008).

As an example of the Balanced Scorecard, the case of the ReHAbilitation Center will be described (Fischer, Martello and Watson, 2008):

The ReHAbilitation Center was created by a group of parents who had disabled children. Nowadays, this Center has as its main function the improvement to the quality of life of disabled people. Therefore, it offers a great amount of comprehensive services to achieve the maximum independence of each person.

The obstacle that ReHAbilitation Center had to face before implementing BSC was that any strategic plan developed did not integrate the whole organization. Therefore, a new Director of Strategic Planning decided to use the Balanced Scorecard as a method to interrelate the strategic planning through the organization, whose objective was to align each area with strategies established.

The ReHAbilitation Center's mission focuses on consumers who are disabled and tries to maximise their independence. Therefore, Consumer and Financial Perspectives have the same importance in the strategy map, because nonprofits usually place greater emphasis on the customer. Nevertheless, the BSC method suggested by Kaplan and Norton had greater importance the Financial Perspective. On the other hand, the vision of the Center is to be leader in providing services to disabled people.

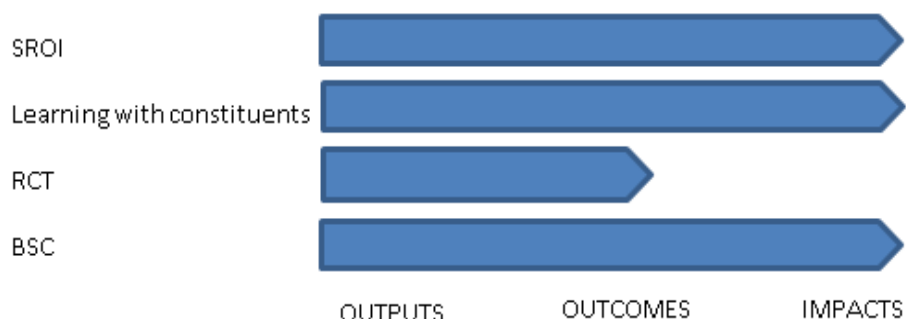
According to the four perspectives in ReHAbilitation Center:

- *Consumer Perspective*: its intention is to improve the quality of life of individuals. Firstly, strengthening the consumer satisfaction through the improvement and growth of services and support to their families. Then, offering to the individuals with disabilities greater independence, providing work opportunities and socializing.
- *Financial Perspective*: the Center has tried to increase revenues and improve productivity in order to gain financial stability. In that context, it has attempted to obtain new funders, as well as the effectiveness use of all financial resources.
- *Business Process Perspective*: the objectives of consumer and financial perspectives have to be supported by several operational goals. The Center has attempted to strengthen its relationships with consumers and their families in order to make know its available services known. Moreover, it has introduced systems that allow to deliver services effectively and efficiently.
- *Learning and Growth Perspective*: human capital, technology and a suitable working environment are needed to support objectives of consumer and financial perspectives. The increase of staff competencies is essential to motivate, satisfy and train them. In addition, a consolidated culture is key to guide to staff, who would maximise their contributions at the program. So, corporate values should be transmitted in order to get assimilation of culture. Finally, the use of technology must be improved to increase the efficiency.

The ReHAbilitation Center, through the implementation of BSC, has focused on the connection among four perspectives, where consumer and financial perspective have equal emphasis. Therefore the Center has developed metrics which establish linkages to the overall strategic objectives and it has improved effectiveness in delivering services to customers. Moreover, despite the difficulty of the BSC process to measure real outcomes, the benefits obtained have overcome the time requirements in the use of BSC. It should be noted that the implementation of Balanced Scorecard will improve the efficiency and effectiveness of this Center in long-term.

A comparison among the different methods analysed on the basis of the results' scope can be seen in Figure nº 11.

Figure nº 11. Scope of each method analysed.



(Source: Foundation Center, n.d.)

Definitely, as it is shown in Figure nº 11, Randomized Controlled Trial method succeeds in evaluating outcomes, whereas SROI, Balanced Scorecard and Learning with constituents assess the logic model chain completely. Therefore, each organization chooses an appropriate method for it, depending on its performance and needs.

7. FINAL REMARKS

To sum up, nonprofits and foundations have a key role in society, because through their actions, these organizations might add social value, which allow substantial changes in a group of individuals or a community. Currently, a growing interest exists in measuring and monetizing the social impact of nonprofits organizations, due to the importance to fundraising as well as to improving future programs carried out by nonprofits. In addition, social impact assessment allows to foundations, funders and other investors to know the returns on their investment. Therefore, by assessing social impact, it can be concluded whether nonprofit social benefits and projects are effective or not. In that context, projects must be monitored from the beginning.

Attempting to measure social impact is necessary, but it is also complicated. It should be noted that social impact assessment is based on subjective opinions, and measurement involves a long-term time horizon. Moreover, the combined effects caused by several nonprofits, can hinder the causal relationship between programs'

actions and impacts. Another challenge is the monetization, because it is a concept easily understandable in for profit entities, whereas for nonprofits it is very complex to evaluate. However, the cost-benefit analysis and SROI are approaches that give solutions to monetize the impact and its returns, and due to this, the data obtained is easier to compare with other organizations. On the other hand, some problems such as the shortage of skilled human capital and financial resources to carry out these methodologies together with the lack of a firmly rooted results-oriented culture make impact measurement very difficult to spread out.

Therefore, a great amount of funders and other stakeholders try to standardize the social impact assessment. In this context, the main challenge is to assess the social return in an effective and reliable way. If this challenge was overcome, it would be possible to compare several nonprofit organizations. Methods analysed in this work use different techniques and logic, but they manage to evaluate and measure the social impact, although the feedback report of each method has a different scope. Due to the great amount of approaches, each organization must choose the approach that best suits its needs.

Furthermore, each approach reports a level of value chain, which means that many methods do not achieve a disclosure of the impact, they mostly give information about the intermediate steps on the value channel. Despite the range of tools, methods and best practices reported by many nonprofits there is no a standardized approach and so reporting on impact is quite heterogeneous. Due to this, difficulties arise when comparing nonprofits' results. It can be said that making comparisons on the basis of impact is not only difficult but impossible at the current moment.

For the near future, a greater cooperation between professionals and organizations should be achieved in order to encourage the standardization of approaches or to obtain a more generalized methodology applicable to all for comparability, transparency and reliability purposes. Definitely, the use of an approach either existing or a new one, is essential to communicate social impact to society. So, taking into account that nonprofits are designed with a view to generating social benefits and beneficiaries are key elements in the purposes of these entities, reporting on the impact becomes a primary goal. There is a wide range of financial information but there is still not much information available on outcomes or impact. That is the challenge.

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