

CRESSI Working papers



The CRESSI project explores the economic underpinnings of social innovation with a particular focus on how policy and practice can enhance the lives of the most marginalized and disempowered citizens in society.

CRESSI Working Papers
No. 14/2015

Synthetic Grid: A critical framework to inform the development of social innovation metrics

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ISBN: 978-0-9933861-3-8

Deliverable D3.1



CRESSI Working Papers are published by the CRESSI Project and may be downloaded free of charge from the CRESSI website: www.sbs.ox.ac.uk/cressi

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Creating Economic Space for Social Innovation

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Synthetic Grid: A critical framework to inform the development of social innovation metrics

CRESSI Deliverable 3.1

By Alex Nicholls¹

1. Objectives

Overall, Work Package 3 (WP3) aims to address two overarching questions:

- What are the relationships between social impact, performance measurement and accountability in the processes of social innovation?
- How can effective performance measurement enhance the impacts and outcomes of social innovation processes, particularly for the disenfranchised or disempowered?

As a foundation for these research objectives, this paper develops a critical accounting framework to inform the development and operationalization of a range of social innovation metrics that will be used elsewhere in the CRESSI project². The ultimate purpose of this work is to help shape appropriate and effective methodologies and indicators by which the empirical material in CRESSI can be tested in terms of its presentation of innovations to alter the structural relations that cause and perpetuate marginalization for target populations. Such analyses will also inform the overall policy and practice recommendations of CRESSI. To do this, it addresses two of the stated tasks in Work Package 3:

- Task 3.2: Evaluation Methods for Social Innovation: A Critical Framework:

The increased interest from policy makers, impact investors, and social purpose organizations in accounting for the impacts of social innovation has driven the development of a range of different evaluative methods. Most of these methods are grounded within the frameworks of conventional accounting, however. This task uses a simple critical framework to challenge the positivistic assumptions of mainstream accounting practices by suggesting that a narrow focus on linear models of impact creation misses significant issues of power relations and institutional settings. In line with the foundational theoretical frameworks elaborated in WP1, this critical approach positions social innovation impact measurement as a more interpretive phenomenon that has the potential to be emancipatory in its processes as well as outcomes. The most important contribution of this analytical framework is to highlight that a primary focus on methodologies of social innovation impact measurement is inappropriate in the wider context of such metrics engaging with the marginalized. More important is first to establish the purpose of such metrics and to identify who is driving them forward – this analysis exposes key power structures and institutional forces within the social grid that can hinder or enhance effective social impact measurement.

- Task 3.3: Mapping of the Social Impact Data Collection Against the Critical Frameworks

¹ This paper draws upon other work developed elsewhere in collaboration with Rob Paton and Jeremy Nicholls and acknowledges their contribution.

² Further details about the CRESSI Project, as well as project publications, can be accessed on the project webpage at: www.sbs.ox.ac.uk/cressi

Building on Task 3.2, this work will provide a critical analysis of the existing tools used for the accounting and evaluation of social innovation. This analysis will refer to the critical framework to assess to what extent the voice of vulnerable groups is considered and amplified in social metrics and how participatory methods can enhance measurement processes as social innovation in themselves.

In terms of this paper, social impact is understood to be deliberative and material changes (good or bad) in key stakeholders' lives that can be reasonably attributed to a given intervention.

1.1 Beckert's Social Grid

This paper relates to Beckert's Social Grid in that it acknowledges the social constructionist nature of social impact measurement methods and data. In particular, the Critical Issues Framework developed below uses a process model to identify how institutions and cognitive frames shape notions of legitimacy around social impact metrics and data. The Framework also gives precedence to the value of social networks – specifically in terms of stakeholder engagement and voice – to drive effective and accurate measurement systems and data. In both cases, the Framework aims to operate as a diagnostic and heuristic device that reveals and challenges the inherent power structures within (social impact) measurement and accounting systems. Ultimately, this approach suggests that conceptualizing measurement processes as mechanisms of empowerment - as well as positivistic systems – offers the chance of 'structural' social innovation in the enactment of metrics themselves.

1.2 Evaluative Space

This paper also locates its analysis within the larger theoretical framework set out in CRESSI D1.1³ in terms of the construct of *evaluative space* (Nicholls, 2008, 2010). Sen (1993, ch3) noted that:

“In an evaluative exercise, we can distinguish between two different questions: (1) What are the objects of value? (2) How valuable are the respective objects? Even though formally the former question is an elementary aspect of the latter (in the sense that the objects of value are those that have positive weights), nevertheless the identification of the objects of value is substantively the primary exercise that makes it possible to pursue the second question.”

This paper links Sen's analysis to work in the sociology of accounting that notes how institutional material (and, for the purposes of this paper, cognitive frames and social networks) shapes how materiality decisions are made and enacted in data collection exercises. This theoretical approach serves to reveal how accounting conventions and practices serve to enact and entrench power relations across interrelated stakeholder groups, typically to express the interests of those actors that already have resources, control and influence. Thus, accounting systems and processes are never neutral and, from a social innovation perspective, a key task, therefore, becomes the reimagining of accounting as an emancipatory rather than repressive system. In practice, this requires developing methodologies that give precedence to the voice of the most marginalized or vulnerable stakeholders in an accounting system so that the consequent evaluative space allows their materiality and performance judgments to have the most weight. Such an approach not only has the power to empower, re-enfranchise and enhance the capabilities of vulnerable beneficiaries/ clients, but also to generate the most reliable and accurate social impact data, since it is only these populations who can

³ C. Houghton Budd, C.W.M. Naastepad and C. P. van Beers, (Eds.) (2014). *Report on Institutions, Social Innovation & System Dynamics from the Perspective of the Marginalised*, CRESSI Project Deliverable D1.1. Available at: <http://www.sbs.ox.ac.uk/ideas-impact/cressi/publications-0>.

most accurately assess the impact of programs or innovations addressed at them.

2. Introduction

The question of how to establish whether intended social outcomes have been being achieved has been discussed in some depth in several disciplines, including accounting, welfare economics, development studies, NGO and not-for-profit/voluntary sector/social enterprise research (Ebrahim and Rangan, 2010). Moreover, as Mulgan (2010) noted, ‘literally hundreds’ of potentially relevant products and mechanisms are available, offered by a growing army of professional evaluators. Some are variations of familiar approaches tailored to particular fields; others offer ICT tools to assist in data gathering and analysis. But the last two decades have also seen the emergence and increasing recognition of methodologically distinctive approaches involving quite different evaluation logics (Hall, 2012; Ebrahim and Rangan, 2010; Patton, 2011). So the choice of approach and metric is not straightforward.

As a consequence, a key debate concerning social impact measurement has been the question of standardization. The path to standardization can be conceived of as the consequence of one of three possible processes of institutionalization. First, standardized data could be regulated into being, as it has been for financial data via waves of accounting regulations. Second, such data could come about via various self-regulated methods or schemes such as Social Return on Investment (SROI) (Nicholls, 2004) or the Global Impact Investing Reporting System (GIIRS) metrics. Finally, standardization could come about in an entirely laissez-faire manner as the ‘market’ of social impact data coalesces around one favoured approach (Mulgan 2010). Whatever the pathway to standardization proves to be – if, indeed, consensus is ever established – it seems likely that more favoured ways of addressing social problems and favoured measurement practices will gradually emerge.

This paper will present a *Critical Issues Framework* for social impact measurement to inform the development of the most appropriate and accurate evaluative space for data collection and analysis. As such it will advocate standardization in the *process* of developing social impact indicators and methodologies, rather than in the metrics and units of analysis themselves. This model demands careful attention is paid to the three elements in Beckert’s Social Grid in so far as they shape normative models of social impact measurement that entrench marginalization and limit stakeholder voice. Thus, this approach aims to offer a framework for thinking about optimizing measurement choices, one that identifies the main methods indicating when each will be more or less appropriate. This is similar in approach to the contingency framework akin to Ebrahim and Rangan’s (2010).

Of course, social impact has been measured for decades. Welfare Economics has provided guidance via Cost-Benefit Analyses of welfare outcomes to support policy decision-making for decades (see e.g. Feldman 1980; O’Connell 1982). Development Finance Institutions, charities and other not-for-profits, have been capturing and reporting their social impact for an equally long time. More recently, corporations and other firms have used Corporate Social Responsibility reporting and, in some cases, internal measures of their Economic Social and Governance (ESG) performance to highlight their social value creation. Finally, governments have been paying increasing attention to measures of national Wellbeing or Happiness. As a consequence, there are many well-established methodologies for capturing social impact including Randomised Control Trials (common in development), approaches from Behavioural Science (including Revealed and Expressed Preference models) and, as noted above, Cost-Benefit Analyses in welfare economics. However, the emergence of Blended Value (Emerson, 2003) analyses of organizations and their impacts has brought new attention to the

complex set of relationships *between* social and financial value creation that demands new frameworks that do not treat these two streams of value as separate and unrelated.

This paper now proceeds as follows. Next the paper introduces a novel Critical Issues Framework that asks a series of fundamental questions to help orient and inform choices regarding the large number of available approaches to, and metrics for, capturing social value creation and organizational performance. Following an exposition and discussion of this framework, the paper explores the measurement methodologies relevant to social impact, linking these back to matters raised by the Critical Issues Framework. After this, the paper presents an overview of the dominant metrics and rating schemes that have been developed to enact social impact measurement and provides some critique and analysis. The paper then moves on to set out a Contingency Model to help inform how key stakeholders can make choices concerning data collection options. Finally, the paper as a whole is summed up in conclusions.

3. The Critical Issues Framework

Measuring the social impacts of organizations is not a new phenomenon. Policy makers, development organizations and charities have paid careful attention to the accounting for their social impact for years and there are many well-established methodologies (Mulgan, 2010; Ebrahim and Rangan, 2010, 2014)⁴ and theoretical traditions behind this, notably in welfare and development economics. However, the rise of social entrepreneurship (Nicholls, 2006) within the larger field of social innovation (Nicholls and Murdock, 2011) has provided new contexts for the measurement of social impact. Primarily, this sector has driven new attention to the impact of organizational/ programme *processes*, particularly within a participatory mode of data collection (Nicholls, 2010c). The emergence and growth of a social finance (Nicholls, 2010a) and impact investing (JP Morgan, 2010) market has also altered the metrical approaches to social impact outcomes by demanding more convincing and rigorous methodologies that generate credible performance data for social investors, including government (see for example, Social Impact Bonds: Nicholls and Tomkinson, 2013).

Increasingly, therefore, providing convincing social impact data is proving key to accessing and maintaining resources and public legitimacy, within and without the organization (Nicholls, 2008; Nicholls, 2010d). Good data can also drive improve efficiency and effectiveness, as well as increase stakeholder accountability. Nevertheless, despite these significant shifts, many challenges in social impact measurement persist, notably questions of standardization and comparability, materiality and attribution, counterfactuals and deadweight calculations, as well as proportionality/ transaction costs to the organization itself.

The most commonly accepted approach to capturing social impact performance has been the logic model (Ebrahim and Rangan, 2010). This linear representation of performance identifies five stages between organizational (or programme) inputs (financial, social, intellectual capital) and the final impacts that result in terms of sustained or systemic changes (which will be dependent on the strategic focus of the intervention or action). The intermediary stages are: activities (what happens at the organizational or programme operations level); outputs (the immediate results); and outcomes

⁴ There is a substantial literature on policy and program evaluation - often based on the logics of welfare economics - that provides one intellectual foundation for the emerging social impact measurement field. Then others draw upon mainstream accounting practice, particularly discussions concerning 'materiality' issues. However, a further complexity is introduced by the relevance of user-driven data. Many social innovations are, effectively, co-produced by beneficiaries: hence the need for participatory methods, discussed further below.

(the medium and long-term results). In the case of a poverty reduction programme, for example, inputs would be funding and expertise, activities could include training and enterprise development, outputs would be number of people trained, outcomes would include increases in income levels, whereas impacts would cover issues such as the effects on the families and children of those who increased their incomes. The logic model has, however, been widely criticized for being oversimplistic in its basic assumption that each of its five stages leads to the next – it may not be a reasonable assumption to make that one particular output leads to a specific outcome, let alone wider impact.

However, it is argued here that effective accounting and reporting systems are built on a series of critical questions rather than a standardized methodology, namely: why measure; who measures and for whom; when to measure; what to measure; how to measure (Nicholls, 2009). At the heart of these questions lies the recognition that accounting and reporting systems mobilize and articulate power structures (Chua, 1986; Power and Laughlin, 1996; see also Lukes, 1974), as well as being mechanisms for a more positivistic capturing of organizational value creation (Hopwood and Miller, 1994). This approach acknowledges a more interpretive framing of accounting as reporting data that acts as a symbolic mediator for discussion between organizational practice and key stakeholders (Ryan et al, 1992; Gambling et al, 1993; Nicholls, 2009). Moreover, the use of a critical framework for establishing the optimal social impact measurement and reporting system demands a renewed attention to professional *judgement* in terms of the accounting process, since the answer to questions posed by the framework typically do not have clear-cut answers.

The critical issues framework of questions can be grouped under several headings:

- 1) How to Measure Social Impact?
- 2) When to Measure Social Impact?
- 3) Who Measures Social Impact?
- 4) What to Measure to Capture Social Impact?
- 5) Why Measure Social Impact?

Each is now considered in turn:

1) Why Measure Social Impact?

There are three main – related – reasons for measuring and reporting the social impact of an organization: external accountability to stakeholders; internal strategic planning and decision-making to maximise the value created by an organization or project; assessing the holistic impact of the resources (financial, social, political) focussed on the social outcome. Accurate and proportionate measurement of social impact provides both a measure of mission success and a guide to future activity. This may create some moral hazard since it often creates an incentive to be less than candid about shortcomings – ‘Campbell’s law’ comes into play (Campbell, 1976).⁵ Nevertheless, there is both a moral and pragmatic argument that organizations that claim to create social value and that may attract additional support as a result (a tax break or government subsidy or wider public legitimacy and greater donations) have a duty to evidence their claims. Moreover, creating effective social impact metrics and reporting and sharing the resultant data can help create wider good practice and offer benchmarks for other investments (as may be an important externality of the Social Impact Bond model, for example).

⁵ Campbell (1976) stated that: The more any quantitative social indicator (or even some qualitative indicator) is used for social decision-making, the more subject it will be to corruption pressures and the more apt it will be to distort and corrupt the social processes it is intended to monitor’. This has, particularly proved to be the case with many so-called ‘evidenced-based’ policy mechanisms.

2) What to Measure to Capture Social Impact?

The question of what to measure to get an accurate picture of the social impact of an organization is more complex than it might first appear. First, is the focus solely on direct impacts or *all* impacts including externalities or accidental effects (which could be negative)? If the objective is only to capture direct impacts (which is often the most appropriate approach) there still remains the questions of whether the impact occurs at the input, process, output or outcome phase of the standard logic model of social change (or in all four phases). Each phase may need a different methodology to capture social impact.

Next, the unit of analysis needs to be considered. Is the social impact best captured at the individual, family, community, sector or societal level (or, again, at all of them)? After this issues of context and contingency also come into play. Namely, are the social impacts that are reported referential or absolute, socially constructed or somehow positivistic accounts of ‘reality’? Moreover, are the impacts dynamic or static – are they a product of the moment in time when they are measured (see further below)?

In order better to understand the unit of analysis of a social impact measurement process (the ‘what’) two subsidiary questions need to be asked: Who changes as a result of the investment? How will they change? However, there are two challenges here. The first is that other groups than the main intended beneficiary group may also change as a consequence of an intervention. If this is a negative change then the action will not be creating as much social impact as expected or may even potentially create a negative overall impact. Even where this change is positive it may be important to understand the range of populations effected by an intervention for the organization to be able to maximise its total social impact.

The second issue is that there may be several changes experienced by the intended beneficiary group and understanding the relative importance to these beneficiaries of each change will be important for the overall service design to be as effective as possible. There may be different changes for different subgroups within the main beneficiary group. Some members may not achieve the intended benefit and may be worse off as a result of the changes. Some subgroups may experience different outcomes and service design needs to take this into account. Some subgroups may experience the same outcomes but they may not value them in the same relative order as others. Again understanding these complexities and nuances is an important part of designing effective social impact metrics. In summary, attention to the role of externalities across populations is an important part of capturing social impact accurately as is care in determining appropriate attribution to a particular intervention.

Determining who changed and what the changes are may require judgement calls. This corresponds to the principle of *materiality* in conventional accounting, but is likely to be focussed more on user generated data rather than producer performance information. Stakeholder involvement will reduce the risks of missing material changes, whilst fixed and prescriptive theories of change may bias the data collection towards intended changes. Without robust accountability and stakeholder engagement and participation mechanisms in place, there is always a bias toward reaffirming the perceptions and goals of the focal organization and its supporters. The main risk is that not all of the stakeholder groups experience the intended changes and it is assumed they are no worse off than before (often without any evidence or even recognising this assumption has been made).

Determining the ‘what’ in a social impact measurement process will likely also involve a consideration of the management context of collecting such performance data. This relates back to

the question of accountability. Where all that is required is information on the intended positive outcomes this question is easy to manage. However, this represents a low level of accountability. When there is a need for information on important positive and negative outcomes for all stakeholder groups, then there must be a decision process to determine which ones should be managed. This is the case in several existing approaches such as Social Return in Investment (SROI) or the Global Reporting Initiative (and other sustainability approaches) where this decision process is called materiality and is the most important decision to make. However, it is still important to assess which outcomes are *sufficiently material* to be included and which are not and can, therefore, be excluded. The starting point is to consider whether the information would affect a decision made by a stakeholder in relation to their involvement with the organization. If the information were left out would it change the stakeholder's decision? If no, then it can be excluded: if yes, then it should be included.

This frames the decision for including or not including outcomes, but the decision will require judgment and will be informed by the organization's policy on materiality. In financial accounting the same decision is made but is informed by accounting standards, considerable practice and the audit process. If an investor drives the decision, then it is framed by whether the information is useful to the investor. It is likely that summary and historical information will be sufficient. If the service delivery organization drives the decision in order to maximise its value creation, then the information will likely need to be quite detailed and dynamic. It will be possible to summarize the latter for the investor but it will be difficult to disaggregate the former to make it useful to the organization's internal decision making.

3) *Who Measures Social Impact?*

Both users (external stakeholders) and producers (the organization itself) can generate social impact data. In addition, users can be co-producers. Users (and co-producers) can include the direct beneficiaries or clients of a project, but also other stakeholders including the wider community, partner organizations, government (through welfare cost savings), employees, society at large, policy makers and, where appropriate, (social) investors. These stakeholder groups may have very different perceptions of the social impact of the same intervention, so working out whose opinion counts is an important process and an outcome too.

Identifying who is best placed to generate the most accurate source of social impact data is a question of establishing materiality that, in turn, is a matter of the professional judgement of the organization. For example, the SROI model is predicated on a set of principles that place the focal beneficiary as the key actor in establishing materiality:

- Involve stakeholders (to establish materiality)
- Understand change (from various stakeholder perspectives)
- Value things that matter (to key stakeholders)
- Only include things that are material (to key stakeholders)
- Recognize your contribution as part of the system

In the process, the data collection and measurement process itself becomes a source of social impact – offering empowerment, participation and voice to often-marginalized beneficiary/ client groups.

Not unlike the market research that underpins a business plan, research based on a discussion and interviews with potential customers is as important as desk research on the level of demand. All these questions require judgements and there are always risks of bias and wishful thinking. The appropriate

involvement of stakeholders throughout the social impact measurement design and implementation process can help mitigate the risk of the social value not being created as a result of overoptimistic judgements. A process that starts with stakeholders' views and then mediates them with expert practice is likely to be more accurate than one that starts with expert views and then checks that this is correct by considering selective stakeholder input.

Where more sustainable social change is being sought, such that the causes of the problem are reduced or where the intervention shows that, if replicated at scale, the problem could be removed, then it is important to ensure that all those organizations and groups that will contribute to its success (or failure) are involved in calibrating performance metrics. The process of determining who should be involved and at what scale will be a matter of judgement. Involving stakeholders is one way of reducing the risk of missing a significant contributor to the desired outcome (Jacobs, 2006).

4) *When to Measure Social Impact?*

Early interventions may often have a far greater total social impact than several interventions over time: the logic is of prevention rather than cure. This idea provided the foundation for the contingent liability bond (Wood, 2010) developed to provide upfront loan capital for clean water projects. This model was subsequently adapted to develop the Vaccine Bond and also provided the basic logic of Social Impact Bonds and Development Impact Bonds. The principle here is of a *social* net present value calculation that values investment in social impact today as being of significantly greater *social* value than investment deferred to future years. However, whilst Social Impact Bonds have begun to establish methodologies for making this connection explicit in financial valuation (by linking investor payments for early prevention to improved social outcomes in the future), some issues such as Climate Change necessarily operate on such long time scales that hyperbolic discounting remains the norm in practice (how to calculate the value of an improved climate to future generations fifty years hence?).

Another set of temporal issues concerns activities focussed more on cure than on prevention. In such cases the problems being addressed may continue after an intervention but significant social value can nonetheless be generated within a fixed time frame. Even where impacts are expected to be more long-term there will be important questions concerning the attrition rate of an intervention in terms of its impact – namely, determining how long after an intervention has finished can subsequent social impact in a target population be demonstrated to be a direct consequence of its activities.

5) *How to Measure Social Impact?*

Clearly, decisions will need to be made about the particular techniques of data collection to capture social impact. These may not simply be technical questions: a participatory approach to social impact measurement can itself create additional 'process' social value for the key stakeholders since it gives precedence to voice and may be empowering in itself. Less obviously, social impact measures will also need techniques to estimate the extent to which the outcomes and impact created would have happened anyway (often called 'deadweight calculations'). The terms and techniques that may be used to address this include estimating the counterfactual (what would have happened without the intervention?) and benchmarking (what do data from other, comparable situations suggest?). Many approaches are on offer, and usually a greater degree of data confidence comes at a price. Nonetheless, if the managers of an organization are considering this question it could be seen as a positive sign boding well for success of the intervention over time.

A related issue concerns the *attribution* of outcomes. This arises whenever the outcomes being

created are the result of several organizations, interventions or actions - and not only the result of the work of a single organization (intervention or action). It is also true of complex, multi-systemic, interventions from a single organization. This question is related to further issues concerning whether the changes (and outcomes) will be sustainable.

In summary, then, it is suggested here that asking these five critical questions provides a useful grounding and orientation to inform key choices concerning data collection design and implementation. Together, they offer some reassurance that subsequent data collection and analysis will generate a rounded picture of the changes brought about by an organization (intervention or action) and its overall social outcomes. Central to this are processes of stakeholder engagement to establish the boundaries of materiality and other key issues such as estimates of attrition, attribution, and deadweight. How much rigour is then deemed necessary depends (usually) on the level of risk that is acceptable to the organization (just how *sure* do they wish to be about, say, the scalable efficacy of the proposed innovation?). But as has been noted, the risks in social investment are not spread equally. The organization may accept far higher risks of failure than would be acceptable to the intended beneficiaries of the impact. Indeed, these critical issues may need to be considered carefully in order to protect beneficiaries.

4. Methodological Approaches

As has already been noted, there is no shortage of methods with which to measure social impact. But every method has its sub-text – the assumptions it makes, the uses expected of it and so on. Making those assumptions explicit can provide a convenient way of grouping similar approaches and highlighting what may otherwise go unnoticed.

To that end, it is useful to take three theories of accounting and apply them to the different approaches to impact measurement (Table 1). The first takes a positivist view of accounting: it assumes that accounting data is and should be a representation of financial realities (Whittington, 1986). The second sees accounting from a Critical Theorist perspective suggesting that accounting processes are essentially about the enactment of power (Chua, 1986; Power and Laughlin, 1996; see also Lukes, 1974). The key issue is who determines what data are captured and reported and for what purpose – since it is well understood that what is to be measured attracts more management attention than what is not. The third theory reconstructs accounting as, ultimately, an interpretive activity – one that provides shared symbolic mediators (terms, codes, conventions) and institutional spaces (practices, formal occasions) for a discussion among interested parties about the nature and extent of value creation, and how best to capture it (Ryan et al, 1992; Gambling et al, 1993). These three approaches represent a spectrum of conceptualizations of accounting and reporting from being a scientific process to representing a set of framing principles for control and action. Taken together in relation to social impact measurement, the three perspectives throw further light on the challenges involved. Since these challenges are considerable, a fourth approach – one, which essentially tries to reduce the need for additional impact measurement by using audit and certification – is also outlined. These three frames are discussed in turn next.

Table 1: Different Logics of Social Impact Measurement

Epistemology	Focus	Logic	Example
<i>Positivist</i>	Truth	Measurement captures empirical reality	Audited Accounts
<i>Critical Theorist</i>	Power	Measurement enacts power mechanisms	Participatory Methods
<i>Interpretive</i>	Dialogue	Measurement acts as a symbolic mediator for discussion between organizational practice and stakeholders	Stakeholder Driven Data Collection Design

1) *Positivist Methods*

Central to the positivist measurement approach is an assumption that social impact proceeds in a linear fashion from a set of inputs and processes to a set of outputs and outcomes. This is usually known as a Logic Model (see above) and is typical of many evaluation studies. The idea underlying logic models is a set of ‘if..., then...’ causal propositions that set out the thinking behind a social, economic or development intervention. The evaluator’s task is to clarify these linkages and to establish cost-effective ways of gathering the information needed in order to track whether or not the intended interventions are working as intended and are leading to the hoped for outcomes and social impact. The ways of gathering such information are many and varied – from operational records, interviews, surveys, observation, and official statistics. But however many and complicated these may be, the underpinning rationale is the same.

Two points concerning the Logic Model approach are worth noting. First, it may be argued that for an impact study, the only information that really matters is whether or not the impact is realised. This may be so, but generally, those involved want to understand their results: if there is some impact, but less (or otherwise different) than one hoped for, why is that? Could the results be improved by changing the way the scheme is run? Or was the intervention based on flawed thinking? Many evaluators will know this as the distinction between *formative* evaluation (aimed at improving a process) and *summative* evaluation (what has actually been achieved?).

Secondly, if the organization wants to establish whether (say) some lasting community benefit has been achieved, the volumes of information required can become very large indeed. Moreover, the findings are often not clear-cut and thus evaluators may feel professionally obliged to report on the uncertainties and ambiguities involved. As a result, data-rich evaluations often gather dust because they do not provide the categorical conclusions after which time-poor decision-makers hanker. Such reports do not provide information in standardised form for comparisons and/or aggregation and use by others, either. Nor, normally, would they relate the benefits to all the costs involved in achieving them.

Most methods of social impact measurement and reporting are based, explicitly often, on a Logic Model, and so they fall into the positivist category. This suggests, above all, that interested parties favour an approach that appears to offer ‘certainty’, ‘objectivity’, or ‘scientific rigour’ with a strong focus on numerical abstractions. At its extreme, this approach also attempts to monetize and ‘value’ social impact in order to allow comparative analysis across projects and interventions by using financial value as a common unit of social impact.

Methods under this heading include: Cost-Benefit Analyses or Expected Return models such as Acumen's Best Alternative Charitable Option (BACO); Experimental Methods of choice modelling and valuation such as Randomized Control Trials (RCTs);⁶ Behavioural Models, such as Stated or Revealed Preferences tests; Welfare Economics Models such as Public Value Assessments (judging how much the public values a service), Value-Added Assessments (in education, judging how much a school adds value to a student), Quality-Adjusted-Life-Years (QALYs) in health, Life Satisfaction Assessments (how much extra income people would need to achieve an equivalent gain in life satisfaction); Government Accounting Measures that used standardized 'pricing' of welfare interventions to account for government spending.

2) *Critical Theory Methods*

Whilst the range of methods currently used to capture social impact is dominated by those predicated on positivistic logics, alternative approaches are available. An important alternative approach is SROI. Over time, SROI has evolved from a positivistic focus on calculative accuracy (paying careful attention to discount rates and the best proxies to monetize impact) to a more general, principles-based, framework for how to choose the most appropriate sources of input data. The shift has been from technique to principles. Partly, this reflects a realization that the quest for ever-more accurate numerical models of social impact had not delivered robust, standardised, or comparable data sets. As a result, SROI had not been shown to improve the quality or quantity of capital flows to social projects. Nevertheless, the principles of SROI have offered a credible way of advancing stakeholder engagement for better and more rounded measurement. So SROI now goes well beyond its logic model origins to highlight a set of principles that acknowledge power relations and locate judgements of materiality in stakeholder consultation. It combines this with a cost-benefit model that uses the principles of net present value discounting to monetize future *blended* value (financial plus social) outcomes. While controversial, this has the merit of embracing a central concept in accounting and finance and, thus, provides additional legitimacy to this approach with certain audiences (notably investors).

Other methods imbued with the sort of assumptions associated with Critical Theory are 'Strategy Approaches' (Ebrahim and Rangan, 2010). Typically these view decision-making in and around organizations as the outcome of pluralistic rather than monological processes, involving coalitions and alliances of internal and external stakeholders. For example Balanced Scorecard approaches – whose origin was precisely to offer a way of resisting the dominance in the corporate domain of (usually short-term) financial concerns – aim to hold in tension the data and interpretations on performance arising from different stakeholder perspectives across the range of actors directly affected by a given social innovation. Other versions present 'dashboards' that attempt to provide managers and funders with manageable summaries of performance across important dimensions, however disparate (e.g., Paton, 2003, Chapter 8).

3) *Interpretive Methods*

Methods that prioritize stakeholder participation, voice and dialogue also align closely with the interpretive theory of accounting practice. These relationship-based methods typically focus on

⁶ The use of RCTs in social impact evaluation has increased markedly in recent years (Bannerjee and Duflo, 2010; Haynes et al, 2012). Nevertheless, controversy still abounds over the scope for using RCTs and their practical value, largely because science is a cumulative enterprise and so what can be established by a single RCT is often quite limited. Often, RCT results are puzzling, raising more and better questions to be sure, but not giving the clarity about 'what works' for which, understandably, busy investors and policy-makers long.

outcome mapping based on deep engagement with relevant stakeholder or beneficiary groups (for example the ‘Outcomes Star’ model⁷) and SROI. Such engagement often starts before an intervention begins and uses stakeholder consultation to design the intervention as well as to shape the appropriate units of performance measurement and the subsequent methodology used. Moreover, this approach usually has built-in feedback loops to test for the on-going accuracy of data and the effectiveness of the method. It is, thus, iterative, dynamic and adaptable. Interpretive methods work well to capture key social impacts in complex or integrative settings by embracing collaborative learning, inter-subjectivity and dialogue among those directly involved. And as already noted, measurement systems that prioritize stakeholder judgement and build beneficiary voice can generate additional social impact through the very process of measurement.

However, a focus on such deeper dialogue and learning as part of the social impact measurement process may not be easily achieved: much may depend on building up resilient trust relations (over, e.g., how the measures will be used), as well as managing power asymmetries. Indeed, what becomes clear by thinking in terms of these three broad theories of accounting and their associated approaches, is that each has strengths and weaknesses, but they cannot easily be combined to compensate for each other (and of course using additional methods increases the cost of measurement). SROI does attempt this: it draws on, and tries to integrate, positivistic, power and interpretive perspectives. The result is an approach that is very flexible – which may or may not be considered an advantage in a form of accounting.

4) Assurance, Compliance and Audit

Given these challenges, there is an increasing appetite for developing assurance processes instead of engaging in impact measurement directly. Essentially, the assurance process considers whether those involved in the initiative in question have done what they said they would do in accounting for their impact, typically, by following some version of ‘best’ or ‘good’ practice (that is, what they have done is reasonable by comparison with a standard – with appropriate caveats concerning the importance of sensitivity to context).

Some of the attractions are immediately apparent: the intermittent and selective checking that appropriate practices are being followed is effectively outsourced to a third party (sometimes a peer) so as to add legitimacy to investee claims of impact; and that third party provides the results of its appraisal in a way that is credible and impartial. The presence of standardized assurance processes also offers the opportunity to compare investments (*ex ante* or *post hoc*) at the meta-level. Assurance may also be less intrusive (‘lighter touch’) than audit – albeit, as Power (1996) demonstrated, that many of the costs become internalised as processes that have to be undertaken and documented in ways that are auditable.

Currently, however, there are no agreed standards for social impact measurement: nor uniform units of analysis, nor regulatory requirements for public reporting (aside from some general social reporting required from charities and some other legal forms such as community interest companies in the UK). So it is unsurprising that there are no generally agreed audit guidelines or requirements for such data. Instead, various social and environmental certification schemes have emerged. These may concern the terms of employment (The Living Wage marque), environmental considerations (e.g., FSC certification) and engagement with stakeholders and the monitoring of outcomes in appropriate ways (e.g., Social Audit, SROI). However, they have generally been concerned to encourage ethical consumption – that is, they are intended to influence consumers in the first

⁷ <http://www.outcomesstar.org.uk>.

instance. It remains unclear how much additional legitimacy these schemes add, particularly for investors.

5. Bespoke Social Impact Metrics

As a part of the proliferation of impact measurement tools and techniques, several have emerged that aim to act as standardized approaches – typically in response to new agendas driven by the emergent global social impact investment market. The front running examples are reviewed next.

1) *The Impact Reporting and Investment Standards (IRIS)*⁸

IRIS was designed to be the basis of standardized performance metrics with which impact investors can measure the social, environmental, and financial impact of their investments, as well as to evaluate future deals. In addition, IRIS was deliberately developed to grow the credibility of the impact investment sector more generally by combining social impact metrics with those usually used in financial performance measurement and reporting. The Global Impact Investing Network (GIIN)⁹ designed and manages IRIS. GIIN is a not-for-profit organization focused on increasing the scale and effectiveness of the impact investing market. IRIS is available as a free public good to increase the transparency, credibility, and accountability of the impact investment sector. IRIS aims to align with other, established, reporting standards to reduce overall transaction costs so that investors can compare performance information across their portfolio, or within specific sectors or investment objectives. By 2014, more than 5,000 organizations were using IRIS to evaluate, communicate and manage their social and environmental performance.

The IRIS suite of measures is built on more than forty existing metric taxonomies and third party standards. It is maintained and updated with support from a formal Advisory Body comprising experts in impact measurement and other relevant specialties. Each IRIS metric is accompanied by a standardized definition and user guidance. The IRIS metrics have six areas of focus:

- Organization Description: indicators that focus on the organization’s mission, operational model, and location
- Product Description: indicators that describe the organization’s products/ services and markets
- Financial Performance: commonly reported financial indicators
- Organizational Impact: indicators that describe the organization’s policies, employees, and environmental performance
- Product Impact: indicators that describe the performance and reach of the organization’s products and services
- Glossary: definitions for common terms that are referenced in the indicators

IRIS measures are not a third-party certification nor does it provide a performance rating. Instead, IRIS metrics are designed to provide a standardized foundation for *other* impact measurement approaches.

⁸ <http://iris.thegiin.org>.

⁹ www.thegiin.org.

2) *The Global Impact Investing Reporting System (GIIRS)*¹⁰

GIIRS was developed by B-Lab¹¹ to support the growth of the impact investing market by providing investors with a standardized set of third-party impact ratings that are comparable, transparent, and easy to use. GIIRS assesses the social and environmental impact of developed and emerging market companies and funds with a rating and analytics approach analogous to Morningstar Investment rankings or Capital IQ financial analytics. GIIRS offers services and data analytics to investors, funds, and companies to support capital raising and allocation. In time, GIIRS aims to publish aggregated impact investment data to help build the basis for future market and sector benchmark analysis – as such it is a meta-level analytic tool rather than being a measurement system *per se*. GIIRS charges for its analytic services but is a not-for-profit entity that also publishes data for public use and offers transparent standards and an assessment tool that can be used by any organization for internal use for free.

GIIRS focused on performance metrics in five areas of organizational activity:

- **Accountability:** these metrics rate organizational governance, transparency and the overall breadth and quality of public reporting
- **Employees:** this set of metrics considers employee compensation and benefits, whether the organization has any employee ownership, and the overall work environment
- **Consumers:** these metrics report on how beneficial (or not) key products and services are to target customers; whether the production process generates positive social impact; whether the organization aims at serving those in need (such as Base of the Pyramid customers)
- **Community:** these metrics capture how locally embedded the organization is, whether it embraces diversity, and whether it is a charity and/or a direct service provider
- **Environment:** these metrics evaluate the environmental performance of corporate offices, transportation and – where appropriate - distribution and manufacturing facilities

Notwithstanding the claim implicit in the name, many of these metrics capture processes and outputs rather than impacts. To date, it is unclear what effects GIIRS has had on the broader development of the impact investment market, but it has many supporters and – in a similar way to SROI at the measurement level – has become a market leader.

3) *EngagedX*¹²

The development of mainstream capital markets required good and consistent data sets to be aggregated and this, in turn, drove the emergence of specified indices of risk and return. This infrastructure stimulated mainstream investment flows, yet such information is not currently available to social investors. EngagedX, which was founded in 2012, aims to fill this gap.

EngagedX is not a methodology for impact measurement *per se*, but rather a framework designed to aggregate and present social investment data across the market as a whole. The data is anonymized from the portfolios of existing social investors, as a data series over time, covering: principal invested; date invested; yield; maturity; write offs/ specific provisions; simple product categorization; simple sectoral classification; and importantly their reported social impact and

¹⁰ <http://giirs.org/about-giirs/about>.

¹¹ <https://www.bcorporation.net>.

¹² <http://www.engagedinvestment.com/engagedx.html>.

methodology used. The pilot data set drew upon UK only data, but the framework would have the same utility in any market or as an aggregated representation of the entire, global, market. The ‘core’ index data will be offered as an open and free public good to all interested parties with index management and analytics run as a social enterprise with a licensing and subscription model similarly to Bloomberg.

The Index contains both financial data and social impact data but the main focus is on the former. This is because accurate and aggregated financial risk and return benchmarks will potentially give more transparency to the implied pricing of *social* returns (as in the Social Impact Bond model). The data in the Index will better enable professional investors, asset owners and investment consultants prudently to consider social investing as a part of their portfolios on a basis that is comparable with other markets and asset classes.

4) *The Outcomes Matrix*¹³

Developed in the UK by Investing for Good and Big Society Capital,¹⁴ the Outcomes Matrix aims to capture the key changes and impact that result from a social finance investment for key beneficiaries – the key advantages and benefits that lead to enhanced wellbeing. These are categorized in nine outcome areas, which break down into more specific outcomes, and corresponding measures, both for the individual, and for communities and society as a whole. These are:

- Employment, Training and Education
- Housing and Local Facilities
- Income and Financial Inclusion
- Physical Health
- Mental Health and Well-Being
- Family, Friends and Relationships
- Citizenship and Community
- Arts, Heritage, Sport and Faith
- Conservation of the Natural Environment

Each ‘cell’ within the Matrix contains a list of the high level outcomes that can be achieved within a specific outcome area for the defined beneficiary group. The Matrix allows each high level outcome to be broken down further into measures and, further, to the specific measurement points that can be used to create indicators and collect data.

This is essentially a taxonomy of outcome areas with signposting to relevant metrics. It is intended to offer investors, intermediaries and front-line organizations a single tool through which to plan, measure and learn about their social impact. Moreover, it aspires to develop a common language regarding impact assessment throughout the social sector. By situating an organization’s outcomes within a larger ‘map’ of possible human and environmental outcomes, the Matrix encourages organizations to think through what they are doing holistically. However, it does not support the aggregation of outcomes, since these cannot meaningfully be added unless truly like-for-like numbers and contexts are involved.

The pilot version of the Matrix is relatively static, but a more dynamic web interface, including a

¹³ <http://www.goodinvestor.co.uk/outcomes-matrix>.

¹⁴ The Matrix was developed with further research input from New Philanthropy Capital, the SROI Network, and Triangle Consulting (the developers of the Outcomes Star: see below).

functionality to allow users to tailor the matrix to the specific beneficiaries they work with, has been envisaged.

5) *Outcomes Star*¹⁵

Triangle Consulting, a social enterprise particularly interested in housing and homelessness, developed the Outcomes Star via an iterative, bottom-up, process in which the tool was tested, improved and re-tested a number of times. The Outcomes Star aims to measure the progress of beneficiaries/service users towards key goals established by themselves in collaborations with key workers. Each Star is carefully designed for a specific context: different versions of the Star have been developed for homelessness, mental health and young people. All versions consists of a number of scales based on an explicit model of change which creates coherence across the whole tool to form a ‘Star Chart’ onto which the beneficiary or service user plots where they are in terms of different dimensions of progress towards agreed outcomes. The attitudes and behaviour expected at each of the points on each scale are clearly defined, usually in detailed scale descriptions, summary ladders or a quiz format. Thus, detailed qualitative data can be represented and analyzed quantitatively. The Outcomes Star is dynamic and participatory.

6) *Patient Voice*¹⁶

The Patient Voice Institute (PVI) aims to gather and share feedback, opinions and experiences from patients of UK healthcare, notably the NHS. The PVI is a training, matchmaking and advocacy organization, created and driven by patients themselves, to achieve more patient-centered health care. Its goal is to support patients and families to make effective contributions to health care quality improvement. Specifically, this involves the co-creation of a set of Patient Voice Principals that empowers patients and increases the voice of an authentic patient perspective. The ultimate objective is to transform the UK health care system into being more responsive as a process of continuous, patient-focussed, improvement.

7) *Results Mark*¹⁷

The Results Mark is an online platform that aims to offer charities, social enterprises and public sector bodies in the UK a series of tools with which to collect, store, and analyze social impact data. The stated aim is to help organizations ‘maximize your impact by collecting, analyzing and sharing reliable social impact data’. ResultsMark is a free, sign-up, service particularly aimed at organizations wanting to work together to achieve bigger collective impact, such as funders, commissioners and supply chain partners. Results Mark uses open reporting standards that are constantly updated and evaluated in partnership with trusts and foundations, central government, social investors, corporates, researchers and other social impact focused organizations. Participants sign up to the platform, create an organization or programme profile, build a data collection model and then use the on-line architecture to collect and analyze social impact data.

8) *International Initiative for Impact Evaluation (3ie)*¹⁸

3ie is an international grant-making NGO promoting evidence-informed development policies and programmes in low- and middle-income countries. It funds impact evaluations and systematic

¹⁵ <http://outcomes-star.squarespace.com>

¹⁶ <http://patientvoiceinstitute.org>

¹⁷ <https://www.resultsmark.org>

¹⁸ <http://www.3ieimpact.org>

reviews that aim to generate data-driven evidence concerning best practice in international development programmes. 3ie aims to be a global leader in funding and producing high-quality evidence focused on effective development interventions with a particular interest in demonstrating what works, how, why and at what cost. The objective is to provide better and policy-relevant evidence to make development initiatives more effective.

3ie was founded in 2008. Since then it has awarded almost 200 grants (132 impact evaluations, 30 systematic reviews and 38 other studies). At the end of 2013, it had a portfolio of 150 grants in 41 countries, with a total value of US\$66.6 million. 3ie has offices in New Delhi, London and Washington, DC. The three main funders of 3ie are the Bill & Melinda Gates Foundation, UKaid through the Department for International Development and the William and Flora Hewlett Foundation.

9) *Social Enterprise Balanced Scorecard*¹⁹

Social Enterprise London developed a version of the Balanced Scorecard specifically to help social enterprises clarify and articulate their strategic objectives - to decide how to deliver multiple bottom lines. It was also designed to give organizations a mechanism to track performance holistically through both quantitative and qualitative information. The Social Enterprise Balanced Scorecard is primarily an internal management tool focused on strategic planning and evaluation. This Scorecard follows the same principles as the well-established Balanced Scorecard for mainstream businesses and creates a visual representation of the critical elements of an organization's strategy reflecting social as well as commercial objectives and constraints. The aim is to help organizations manage the key drivers of success from a social as well as financial perspective by identifying what key stakeholders want from the organization and what processes need to be put in place to achieve these objectives. This tool revolves around developing a 'strategy map' addressing the organization's key goals based on questions concerning financial performance, key stakeholder groups, internal processes, and key skill sets.

Summary

Table 2 summarizes some of the main examples of social impact metrics mapped against the logics of social impact measurement discussed above. The table also groups its examples by the typology of methods first proposed by Ebrahim and Rangan (2010, 2014). Analytically, this table helps articulate how the Critical Issues Framework can be used in practical decision making at the organization level.

¹⁹ <http://proveandimprove.org/tools/socialenterprise.php>

Table 2: Mapping Critical Issues Against Approaches to Social Impact Measurement (adapted from Ebrahim and Rangan, 2014).

Approach	Positivist	Critical Theorist	Interpretive	Examples
<i>Logic Model</i>	How to Measure? Methodology			IRIS, GIIRS, EngagedX
<i>Expected Return</i>			What to Measure? Materiality	Outcomes Matrix, Results Mark
<i>Experimental Methods</i>	How to Measure? Methodology			Social Impact Bonds RCTs
<i>Systematic Reviews</i>			Why Measure? Strategy	International Initiative for Impact Evaluation
<i>Participatory Methods</i>		Who Measures? Empowerment		Outcomes Star, Patient Voice
<i>Integrative Methods</i>			When to Measure? Variability	Social Balanced Scorecard

6. A Contingency Model

This paper has suggested that social impact measurement and reporting is a fluid and interpretive practice that lacks institutionalization or a clear regulatory framework. As such, good practice must be driven by experience, judgement and principles rather than formalized methodologies. The purpose of the Critical Issues Framework set out above is to shape and inform the process of exercising judgement in designing social impact measurement approaches: but what of the underlying principles?

Given the range of measurement options available and the lack of institutionalization around a standard approach, how can organizations choose an approach that is appropriate to their concerns and context? Framed in these terms, this question calls for a contingency theory – a model that relates different approaches to the sorts of contexts in which they will be appropriate. The aim is to identify where the ‘good fits’ arise between the characteristics of different approaches and the sorts of impact measurement challenges associated with different contexts. This section sets out such a theory based on viewing the investor-investee relationship in terms of information-processing (Galbraith, 1973), allowing that information processing is as much about interpretation and sense making as it is about data handling.

The starting point is to conceptualise the contexts of the audiences for social impact data in terms of their underlying characteristics, especially as regards the nature and volume of information that needs to be handled. Two considerations (or dimensions) are crucial. The first concerns the basis for trust in the data collection process. Put crudely, is the engagement direct – based on a personal contact, relationships and observation? Or is it indirect – dependent upon the collation and interpretation of various sorts of reported (objectified) evidence? The second dimension concerns the level of uncertainty (or, inversely, knowledge) associated with the work of the organization or programme: generally, the more difficult and ambitious the work, the greater the information and information-

processing that is likely to be needed to evidence worthwhile progress (and vice versa).

1) *The Basis-For-Trust Dimension*

How can stakeholders have trust – justified, defensible confidence – in the claims for social performance made by an organization? Clearly, performance measurement – in the broad sense of generating and interpreting a body of abstracted evidence – is one way of answering that question. In some contexts such data, particularly if it can be presented in a quantitative, standardised, form will be expected by key stakeholders – for example, in the context of accessing public funding as part of the growing pay-for-success or pay-for-performance contractual universe. Likewise, in the contexts of impact investment that aims to access more mainstream capital markets, the conventions of the mainstream will require investees to expend considerable effort on reporting, pro-actively interpreting, analysing and investigating claims not just about performance but about strategic developments in the organization and, sometimes, in the target sector/intervention overall. This is because the established financial markets and their supporting eco-system of advisory services have been built upon detailed, quantitative, information processing and modelling. Indeed, the development of the IRIS and the GIIRS was designed to act as a data interface between the mainstream and impact investment to facilitate capital between them.

Nevertheless, building quantitative data sets that mimic those of the mainstream is only one way of establishing a basis for trust in data collection and integrity. Indeed, when a fund manager or private equity house is contemplating a major investment they would not rely only on doing their analytic homework. At some point they will want to engage with the board and meet the senior management team face-to-face. They will want to ‘look under the bonnet’ of the enterprise and form judgements about the quality of the management team and the challenges and prospects facing the business. If satisfied, they may decide to become, to a greater or lesser degree, an ‘engaged’ investor. Broadly similar rationales underpin some approaches to social impact measurement. In information-processing terms, this is a way of reducing the need for further, formalised information processing. Direct contact, observation and dialogue allow confidence to build up (or not) and reduce the need for the costly generation and processing of abstracted evidence and reports.

The need for information processing can be further reduced when the organization/innovation in question is embedded in a particular community, a social movement or field of professional activity. In such situations, a well-internalised normative order allied to extensive tacit knowledge mean that an acceptable level of confidence in claims about social and/or environmental performance is perfectly possible – *without* extensive measurement and reporting. This will be especially true when well-established practices or technologies are being employed. For a relevant stakeholder, being involved in the community or in dialogue with someone who knows it well, reduces or even precludes the need for certain sorts of formalized information-processing. This draws upon traditions of solidarity and social capital – for example in faith-based sectors – that emphasise the social embeddedness of social finance. This is in stark contrast to the logics of mainstream capital that have, over time, replaced social context with a formulaic reliance on the ‘market’, primed by a stream of analysts, as sole arbiter of value or worth.

Thus, at one end of the basis-for-trust spectrum there are data collection relationships where justified confidence can arise because the activities and relationships are (to varying degrees) socially-embedded, infused with field-specific tacit knowledge, direct and dialogical – other things being equal, these will have low requirements for formalised and quantitative information-processing. At the other end, relationships may be more remote and impersonal and, thus, various forms of proxy-knowledge and data may be required as well as formal audit and verification mechanisms (such as

specific certification models, the use of standardised data, showing conformance to expected processes and so on).

2) The Uncertainty Dimension

A second, contingent, dimension concerns the level of uncertainty around the likely outcomes/ impacts of any given intervention. The factors affecting the level of uncertainty include:

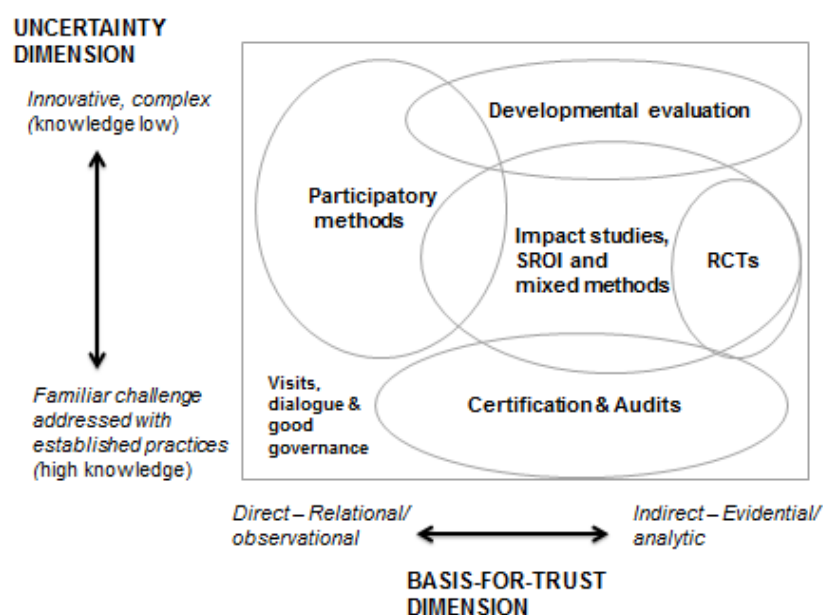
- The organizational/ intervention model – how innovative is it, and how complex? Multi-systemic interventions are likely to involve far greater uncertainty than simpler, linear projects. Or perhaps the aim is to take a promising new model to scale (introducing new levels of uncertainty as growth proceeds).
- The setting/ context – perhaps the approach is proven but is now being adapted to rather different challenges, and/or the initiative involves collaborations or cross-sector hybridity (with all the additional complexity these entail)
- The existing performance information/ data landscape, and external stakeholder familiarity (or lack of it) with the field and with those relevant knowledge bases

Each of these can be seen along a continuum from very well established and evidenced to very novel and untried or tested. These dimensions also relate closely to the discussion of social risk and return set out elsewhere in this volume.

3) A Contingency Framework

Taken together, these two dimensions create a Contingency Framework that can provide some guidance in terms of what may be appropriate impact measurement approaches for the different contexts (see Figure 1).

Figure 1: A Contingency Model for Social Impact Measurement



The Contingency Framework locates different methods in relation to the different requirements

generated by the type of relationship being sought between stakeholders, and the level of uncertainty they jointly face. Thus, in the bottom left hand corner there may be no need for explicit processes beyond visits, dialogue and good governance.

Other approaches are similarly easy to locate. Participatory approaches reduce the need for costly information processing and often help preserve or extend trust relations. This is also often the case with certification. Equally, where a considerable social distance between beneficiaries and other stakeholders is unavoidable, then careful impact studies conducted with detachment (objectivity) are required – and the Randomized Control Trial comes into its own. In information processing terms, this gathers, analyses and uses the minimum necessary information to achieve maximum analytic effect.

Other ‘spaces’ in the contingency graph are less straightforward. In the top right hand corner, no effective measurement approach may exist: even if there is a demand for evidence of impact, efforts to provide this may well be misdirected and will, almost certainly, be overtaken by events or advances in understanding developed elsewhere. Developmental Evaluation (Patton 2011) was devised and articulated precisely as a response to situations where the uncertainty and ambiguity of the context required more complexity in measurement than could be accommodated through a predetermined logic model of outcomes and measures. It is informed by systems ideas and complexity theory and may be appropriate wherever attempts are being made to intervene in complex, rapidly changing, or otherwise poorly understood systems (most obviously, but not only, in post-conflict societies, or in the face of rapid environmental deterioration). For certain situations, it provides an intellectually robust alternative to the ‘gold standard’ of the RCT. Those situations are ones where those wishing to intervene are willing to accept that they do not yet understand enough (about the situation and what will ‘work’) to set out what their outcomes, targets and impact should be.

In practice, this approach may lead to a series of rapid learning cycles as interventions are undertaken as much to learn about what is effective as to ameliorate a particular social problem. This method relies initially on immediate rather than longer term-feedback and integrates action and measurement as a single, feedback-based, process of change.

The central area of the graph – where the uncertainty is considerable and the basis for trust is unclear – is the most difficult. Perhaps a scheme is modest in size and cannot sustain the cost of a heavily evidential approach – but certification and participative approaches will not be sufficient or appropriate for some stakeholders. In such settings the SROI model may well become a useful measurement tactic precisely because it is so flexible. It is not the only approach, by any means, but it readily combines (quantitative) evidence with participatory relationship building. It is highly pragmatic in trying both to reduce the need for information processing and increasing the capacity – as far as possible, in each case. Crucially, it focuses analytic attention on the *audiences* for social impact data and its relevance to clients and beneficiaries – stakeholders who typically have less power than funders or managers. Attention to stakeholder materiality also allows a more nuanced sense of the potentially negative or perverse effects of well-intentioned action for some relevant populations. The SROI principles also acknowledge other key elements of wider good practices in terms of establishing the accuracy of the quantity of social impact claimed by a given intervention or project, these include issues of: attribution; deadweight calculations; attention to relevant counterfactuals; rates of attrition; proportionality in terms of the resources allocated to the measurement function with respect to its significance to the organization and its key stakeholders (ultimately a calculation of data risk vs data collection rigour).

Nevertheless, SROI also has definite limitations – especially its underlying linear, positivistic logic, and its controversial claim that to make better decisions between rival ways of creating social value, the social impacts can usefully be quantified and compared with the common yardstick of financial value. The lure of a single, standardized, and comparative unit of analysis based upon ‘hard’ numbers is often hard to resist. In fact, estimating the effects of the often ‘clumsy solutions to wicked problems’ (Grint, 2010) that are typically provided by social innovators may defy practical forms of quantification and, indeed, these effects may be misrepresented by an attempt so to do. Qualitative narratives and other accounts of value creation (photographs, mixed media, on-line, and so on) will always have an important role to play in providing the necessary depth of understanding of social impact in relation to contingency and context (albeit in non-comparative ways).

7. Conclusion

This paper has presented social impact measurement and reporting as a fluid and interpretive practice that lacks institutionalization or a clear regulatory framework. Value is a negotiated commodity informed by both calculation and context – *values* also matter (Young, 2006). It has highlighted the essential differences between social and conventional accounting, and – using the Critical Issues Framework – some of the key considerations involved in planning social impact measurement for a specific context. The main methods and metrics currently on offer were also set out and explored in the context of the Critical Issues Framework.

It is likely that the availability of good social impact measurement data will be critical to the continued advance of social innovation. However, as has been suggested here, the creation and maintenance of such data will involve a series of important decisions. These will need to be carefully calibrated both to ensure the data really is informative and also transparently presented. The process by which an impact measurement methodology and its resultant data set are chosen and enacted is not a neutral process. Any measurement approach reflects key power relations and is, in effect, an act of control.

However, in social impact measurement the ‘principal-agent’ accounting relationship is more complex than elsewhere: external stakeholders may have the power to determine what constitutes social performance data, but if the exercise of that power is to be legitimate (and accurate), the voice of the clients/ beneficiaries also has to be heard. Different perspectives will produce very different measurement approaches and results. However, in the absence of regulation over social impact reporting, the necessary consistency will only arise if transparency about what will count as social performance becomes a fundamental principle of good practice and due diligence.

Today, it is well understood that conventional accounting and reporting have strong symbolic power (Hopwood and Miller, 1994; Power, 1994). It may be that the symbolic power of social impact measurement is even more profound, since all claims of ‘social’ or ‘impact’ can otherwise be contested. As a consequence, being known for paying close attention to demonstrating social impact may act as a strong signal of the overall legitimacy and credibility of an intervention or organization. Indeed, demonstrating a robust approach to impact measurement may act as a proxy for achieving measurable impact – as is the case in the admission criteria for the London Social Stock Exchange, for example.²⁰

²⁰ www.socialstockexchange.com.

Arguably, the influence of such symbolic power supports the argument for a standardized methodology for capturing social impact, as well as for a single unit of analysis – hence, the attraction of blended value models that monetize social value to combine with economic value as a single total impact figure. However, as has been argued above, this can lead to over-simplification and, ultimately, misleading data and analysis. In truth, social impact can only be meaningfully estimated in the context of careful attention to contingency and stakeholder voice. Currently, adherence to a set of workable (and auditable) principles based on contingency, materiality, stakeholder participation, and proportionality offers the guidance for effective social impact measurement practice and, as a consequence, the pathway towards the most accurate and useful data to guide social innovation decision-making.

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The CRESSI project explores the economic underpinnings of social innovation with a particular focus on how policy and practice can enhance the lives of the most marginalized and disempowered citizens in society.



“Creating Economic Space for Social Innovation” (CRESSI) has received funding from the European Union’s Seventh Framework Programme for research, technological development and demonstration under grant agreement no 613261. CRESSI is a collaboration between eight European institutions led by the University of Oxford and will run from 2014-2018.

This paper reflects the authors’ views and the European Union is not liable for any use that may be made of the information contained here within.

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