



# BAM2015

This paper is from the BAM2015 Conference Proceedings

## **About BAM**

The British Academy of Management (BAM) is the leading authority on the academic field of management in the UK, supporting and representing the community of scholars and engaging with international peers.

<http://www.bam.ac.uk/>



# **An Investigation into performance measurement in social enterprises in the UK**

**Developmental Paper 09.2015**

**BAM2015 Track – Entrepreneurship  
(Social Entrepreneurs & Community Enterprise)**

**Sally Kah**

Liverpool John Moores University

**Seamus O'Brien**

Liverpool John Moores University

**Dr Adam Frost**

Liverpool John Moores University

**Dr Seng Kok**

Liverpool John Moores University

**Liverpool John Moores University, Redmonds Building, Brownlow Hill  
Liverpool L3 5UG  
Email> [S.Kah@2014.ljmu.ac.uk](mailto:S.Kah@2014.ljmu.ac.uk)**

## **Abstract**

Performance measurement for demonstrating social impact is a trend in third sector practice. This study aims to explore the perception, drivers and implementation of impact measurement in social enterprises, investigate how impact measurement result is used to access funds and examine the implementation of performance measurement processes- input, activities, output, outcome and impact. Based on review of literature and current practice, this study attempts to address these questions. The information will be useful to attract investors and retain their confidence. This study applies a case study approach using semi-structured interview techniques in twelve social enterprises operating in finance and service sector based in North West England.

**Keywords: Social Enterprise, Performance Measurement, Third Sector Organisation.**

### **Aim of the research being undertaken**

This research aims to investigate performance measurement in social enterprises in the UK. More specifically, to examine the extent and significance of impact measurement on access to funds in small to medium size social enterprises in the UK.

### **Literature review**

Social Enterprise UK (SEUK) previously known as Social Enterprise Coalition (SEC) is the UK body for SE renamed in 2011 (Shah, 2009). UK DTI (2002) defined SE as “a business with primarily social objectives whose surplus are principally reinvested for that social purpose in the business and the community” (Thompson, 2008 p.152). Martin and Thompson (2010) define SE as a business that brings communities and individuals together for economic development and social gain. However, it is expected that the profit earned from trading be reinvested back into the business for the benefit of that community. SE forms part of the wider third sector organisations also known as social economy.

The UK government had outlined its commitment to third sector organisations by making it easier for organisations in this sector to work with the state, easier to run voluntary organisations and getting more resources into the sector (Cabinet Office, 2010 cited in Alcock, 2012). In January 2014, the UK government published its ‘social investment roadmap’ to encourage further investment in SE through a form of tax relief. Prior to this publication, a formal consultation of social investment tax relief was drafted in 2013, leading to the recent publication (GOV.UK, 2014). The legislation set government plans to: expand option for indirect investment, promote the schemes to SEs, seek approval from the European Commission to introduce a large scheme, make changes to CIC and develop a government-run accredited scheme for ‘social impact bonds’ applicable for social investment tax relief (GOV.UK, 2014).

SE is on the rise as a result of need- communities are in need of ventures to tackle social and environmental problems. However, measuring impact of SEs is proving difficult and this remains one of the challenges faced by social entrepreneurs today (Lane, 2010; Social Enterprise UK, 2013). Like for-profit ventures, SE has a number of precincts to measure but they can be complicated due to the triple-bottom line practices. Lane (2010) said that, SEs must address sustainability as they generate financial capital and human capital for sustainability. Then, they measure the outcome of their processes in relation to growth, scale and direct outcomes of the processes. Social impact is not widely measured in regular enterprises (Lane, 2010; Ebrahim and Ranga, 2014).

Current discourse on SE is vast like much discipline. Some are calling for clearer definition of the phenomenon. As highlighted in Munoz (2009), a clearer distinction is required between ‘established’ and ‘emerging’ SEs in relation to trading revenue. Other interminable themes include: classification of SE and its wider use as the ‘social economy’ (Pearce, 2003), link between social value and policy-driven (Munoz, 2009). Performance measurement of SEs (Lane, 2010), the legal format of SEs was also challenged in literature.

Few studies have investigated impact measurement in third sector (Dawson, 2010; Ebrahim and Ranga, 2014; Straub et al, 2010) and non-profit performance measurement systems (Moxham, 2009). Studies by (Haugh, 2005; Austin et al, 2006) proposed performance measurement, resource acquisition, training, and education, learning about social entrepreneurship as areas for future research. Haugh (2005) categorised SE research into eight themes- the social economy, the environmental context, modes of organisation, resource

acquisition, opportunity exploitation, performance management and training, education and learning about social entrepreneurship.

Significant focus is given to evaluating business support needs of SEs (Munoz, 2009), barriers to expansion (Bull, 2007), the intricacies of investment in this sector (Nicholls, 2010) and the duties of the new 'social' entrepreneur within that sector and beyond (Perdero and McLean, 2006). However, SE and non-profit organisations are continuously under pressure to demonstrate their impact on societal problems such as global poverty (Ebrahim and Ranga, 2014). Since the early 1990s, SE, non-profit organisations faced two mantras in regards to their operations: accountability and impact. Pressure to demonstrate impact is widely driven by investors who want to know how their investment is been used to make a difference (Hwang and Powell, 2009). Due to limited study in the area of performance measurement in SE's in the UK, it is complex for organisations to understand causes and consequences of failure within this sector. Social Enterprise UK (2013) survey revealed the extent to which SEs measure their social impacts. More than 68% measure their social impact, however, this study failed to reveal the extent and significance of impact measurement in SEs.

Measuring the value of impact in communities is relevant for SE because it is embedded in their core mission- 'tackle social or environmental problems in a community' (Thompson, 2008). It is, therefore, pivotal for SEs to measure impact of activities in order to- a) demonstrate impact of their activities to investors and stakeholders, b) record accurately their activities for best practice and c) to manage the social value their work creates in a consistent way (Social Enterprise UK, 2014). Lack of performance measurement is detrimental to SE as it could mislead the organisation's social aim, and how to manage their resources better. Prevents access to funds or grants due to indemonstrable measures on the impact of the social project. Result to inability to promote the social project in an intelligible manner to public officials, investors and service users. Therefore, it is pivotal to investigate how SEs measures impact.

Performance should measure beyond financial gain. Not-for profit organisations measure success beyond financial performance. Hatzed (2014) said that not-for profit organisations couldn't measure performance solely on finance because it is in their interest to know various relevant stakeholders. Lebas and Euske (2007) suggest that organisations adopt performance model that applies to their needs. An initial review of literature revealed several existing causal models that focus on various dimensions of performance, like outputs and outcomes (Poister 2003; Lebas and Euske 2007) or impacts (Bagnoli and Megali 2011).

This study will adopt logic model to frame research questions for interviews. This model will also be used to analyse data in areas of coding and linking themes relevant to research questions.

## **Research methodology**

This is a qualitative research which applies case study approach and semi-structured interview technique in twelve social enterprises operating in finance and service sector based in the North West England. Purposive and quota sampling were adopted to select characteristics of the study population. Purposive sampling helped to group relevant participants according to the research objectives whilst quota sampling allow the researcher to identify those with experiences in measuring performance who can add value through their insights. Although there is no accurate number of SEs operating in the finance and service sector located in North West as yet, data will be collected from Social Enterprise UK. The researcher applied Ritchie et al (2003) guideline that qualitative research samples should lie

under 50. Social Enterprise UK is the national body for social enterprises in the UK. List of social enterprises in the UK can only be obtained from this source using the online directory.

Even though twelve case organisations are chosen, a total of 24 participants will be interviewed (see Table 1). Selected participants for this study are: project leaders and or team leaders. The assumption is that team leaders and project managers are responsible for managing projects and, acquiring investments. Therefore they are most suitable to be interviewed. The interviews will be audio recorded and noted.

Study by Social Enterprise UK revealed that, SEs in finance and service sector have increased especially in deprived communities. An estimated 15% of SEs in deprived communities operates in this sector (Social Enterprise UK, 2013). Finance and service sector have diverse financial activities depending on the organisation however, the primary purpose is to provide short and term long economic support (i.e. investment) as well as business support services to SEs (Social Enterprise UK, 2012). BIS Small Business Survey (2012) shows an increase in SEs in North West, London and North East. Since the researcher is a member of The School for Social Enterprise North West, it is strategically beneficial to select SEs in this region. The study also revealed high number of SEs in small to medium size organisations across all regions in the UK.

Once data has been collected, a coding scheme technique, data analysis software and comparative analyses will be used. These can emerge either prior from the conceptual framework driving the study, inductively as the analysis proceeds and the researcher starts to identify issues in the data (Weitzman, 1999). Qualitative Data Analysis software (NVivo) will also be used to analyse content. This software will assist the researcher in transcribing field notes, editing field notes, documenting reflective commentaries on some aspect of the data, coding, storing data in an organised system and flexibility when searching and retrieving data (Weitzman and Miles, 1995a). A comparative analysis will identify common themes on performance measurement between SEs. The findings will be valuable information for organisations in SE sector, policy makers' academics and practitioners.

**Table 1: Selection of case organisations**

<b>Case studies</b>	<b>Predominantly funded by</b>	<b>Location</b>	<b>Trading activity</b>	<b>Interviewees</b>	<b>No of interviewees</b>
A & B	Grant	North West (NW)	Financial services & support	Team leader / project manager	<b>4</b>
C & D	Loan	NW	Financial services & support	Team leader / project manager	<b>4</b>
E & F	Overdraft	NW	Financial services & support	Team leader / project manager	<b>4</b>
G & H	Leasing/HP	NW	Financial services & support	Team leader / project manager	<b>4</b>
I & J	Mortgage	NW	Financial services	Team leader /	<b>4</b>

			& support	project manager	
K & L	Equity	NW	Financial services & support	Team leader / project manager	4

**Note:** ‘predominantly funded by’ in Table 1 is drawn from most popular funding acquired by SEs in the UK (taken from UnLtd, 2014). Although each case is listed with a funding type, it is likely that these organisations have other means of funding in addition to those listed above. Also, the researcher will take into consideration when conducting research questions organisations initial start-up funds and current funds.

### **Current research progress**

The researcher presented this study at LJMU Research Café in May this year, and is currently reviewing relevant literatures. The researcher liaised with Social Enterprise UK for databases of social enterprises using purposive and quota sampling techniques to select participants for pilot study scheduled for September. As this is the early stages of this study, the researcher is mapping the Logic Model to lead interview questions. Logic model (input, activities, output, outcome and impact) is the most widely use performance measurement model in third sector organisations. For each section, at least four questions are listed. However, each question is likely to have a sub-question leading from participant response.

### **Plan to develop paper prior to conference**

The researcher contemplates that, before BAM conference, case organisations would have been collated and prepare to recruit relevant participants. As emphasised, this study aims to investigate performance measurement in social enterprises in the UK. More specifically, to examine the extent and significance of impact measurement on access to funds in small to medium size social enterprises in the UK.

Proposed model (logic model) is mapped to develop interview questions. Once interview questions are drawn, the questions will be piloted.

Beyond this, the researcher is pursuing funding to support this study particularly with academic conferences.

### **Contribution**

This study will make two significant contributions: academic and social and economic contributions. The academic contribution will add to the understanding of social evaluation methods and its impact and influence the extent and significance of impact measurement on access to funds. Equally, the study will make social and economic contribution through the implementation of new policy and guidance of performance measurement for SE organisations, increase organisation value as a result of impact evaluation (evidence of good practice), and improve stakeholders engagement. The findings will be valuable information for organisations in SE sector, policy makers’, academics and practitioners.

## References

- Alcock, P. (2012) New policy spaces: the impact of devolution on third sector policy in the UK. *Social Policy and Administration*. 46(2), p. 219-238.
- Bagnoli, L. and Megali, C. (2011) Measuring performance in social enterprises. *Nonprofit and Voluntary Sector Quarterly*. p. 1-17.
- Bull, M. (2007) Balance: the development of a social enterprise business performance analysis tool. *Social Enterprise Journal*. 3(1), p. 49 – 66.
- Dawson, A. (2010) A case study of impact measurement in a third sector umbrella organisation. *International of Journal of Productivity and Performance Management*. 59(6), p. 519-533.
- DTI (2002) Social enterprise: a strategy for success. HM Government, London.
- Ebrahim, A. and Ranga, V.K. (2014) What impact: a framework for measuring the scale and scope of social performance. *California Management Review*. 50(3), p. 118-141.
- GOV.UK (2014) Investing in social enterprise: government publishes policy roadmap. Available from: <https://www.gov.uk/set-up-a-social-enterprise> [Accessed 22<sup>nd</sup> November 2014].
- Haugh, H. (2005) A research agenda for social entrepreneurship. *Social Enterprise Journal*. 1(1), p. 1-12.
- Hatzfeld, C.A. (2014) Performance measurement in non-profit organisations – exploring the commonalities between impact, outcome and performance measurement in open youth work providers. *International Journal of Management Cases*. 6(4), p. 76-93.
- Lane, M.D. (2010) The triple bottom line: performance measures in social entrepreneurship research. Western Kentucky University. p. 1-21.
- Lebas, M. and Euske, K. (2007) A conceptual and operational delineation of performance. 2<sup>nd</sup> Ed. Cambridge University Press: Cambridge.
- Martin, F and Thompson, M. (2010) Social enterprise- developing sustainable business. Hampshire: Palgrave Macmillan.
- Moxham, C. (2009) Performance measurement: Examining the applicability of the existing body of knowledge to non-profit organisations. *International Journal of Operations and Production Management*. 29(7), p. 740–763.
- Munoz, S.A. (2009) Towards a geographical research agenda for social enterprise. *Royal Geographical Society*. 42(3), p. 302-312.

Nicholls, A. (2010) The social enterprise investment fund (SEIF) evaluation: The landscape of social investment in the UK. *University of Birmingham- Health Services Management Centre*. p. 1- 16.

Pearce, J. (2003) Social enterprise in any town. Calouste Gulbenkian Foundation, Lisbon.

Peredo, A.M. and McLean, M. (2006) Social entrepreneurship: a critical review of the concept. *Journal of World Business*. 41(1), p. 56-65.

Poister, T. H. (2003) Measuring performance in public and non-profit organisations. San Francisco, CA: Jossey-Bass.

Ritchie, W. J. and Kolodinsky, R.W. (2003) Non-profit organisations financial performance measurement: an evaluation of new and existing financial performance measures. *Non-profit Management and Leadership*. 13(4), p. 367-381.

Thompson, J.L. (2008) Social enterprise and social entrepreneurship: where have we reached? A summary of issues and discussion points. *Social Enterprise Journal*. 4(2), p. 149-161.

Shah, D. (2009) A UK policy perspective: thought piece from the UK social enterprise coalition. *Social Enterprise Journal*. 5(2), p. 104 – 113.

Social Enterprise UK. (2013) Social enterprise dictionary. Available from: <http://www.socialenterprise.org.uk> [Accessed 10<sup>th</sup> April 2014].

Social Enterprise UK. (2014) What are social enterprises? Available from: <http://www.socialenterprise.org.uk/about/about-social-enterprise/FAQs> [Accessed 10<sup>th</sup> October 2014].

Straub, A., Koopman, M., and Mossel, H.J.v. (2010) Systems approach and performance measurement by social enterprises. *Facilities*. 28(5/6), p. 321-331.

Weitzman, E. A. and Miles, M.B. (1995a) Choosing software for qualitative data analysis: an overview. *Cultural Anthropology Methods*. 7(1), p. 1-5.

Weitzman, E. (1999). Analyzing qualitative data with computer software. *Health Services Research*. 34. p. 1241–1263.