Social Impact Measurement:
Towards a guideline for managers

Karen Maa[1]s, Erasmus University Rotterdam

***Abstract*: This paper analyses contemporary social impact measurement methods. Social impact measurement methods can differ in *perspective*, *purpose* and *approach*. These differences make it hard for an organization to decide what would be a relevant method for them to use. Therefore, in our paper we provide an overview of existing social impact measurement methods. Secondly, we develop a set of criteria with which the various measurement methods can be evaluated. Thirdly, we develop a preliminary guideline that will help managers to select a method to measure their social impact. Finally, we define the next steps to take in our research.**

Keywords: ***Social Impact, performance measurement, CSR***

I. INTRODUCTION

This paper analyses contemporary social impact measurement methods. These methods are developed in line with the changing needs for management information as a result of increased interest in social corporate responsibility and social impact measurement. Measuring social impact urges organisations not to focus on economic and financial value in an isolated way, but to assess their impact across the environmental, social and financial dimension. Ideally, those impacts should be incorporated into management decisions to able organisations to actually manage their social impact.

When it comes to the role that companies, and organisations in general, can play to help to achieve sustainable development, terminology and definitions become obscure, with terms as corporate social responsibility, corporate sustainability, social entrepreneurship, corporate responsibility, community involvement, corporate responsiveness, corporate citizenship, corporate social performance, and many others [1-3]. Despite the apparently random used terms the interdependency of organisations and society and a role for the triple P (People, Profit, Planet) is generally accepted. In this paper, our starting point is a situation in which organizations not only strive for economic gains but also adopt a broader view and take

[1] K.E.H. Maas. Msc, Erasmus School of Economics, Erasmus University Rotterdam, +31.(0)10.4081383, maas@ese.eur.nl

responsibility for their total impact on the society in which they operate. This situation urges organizations to assess their impact across environmental, social and economic dimensions and, ideally, to incorporate those impacts into management decisions. Such impacts are often not expressed by the market, do not have a market value and are therefore fundamentally ignored by companies [4-6].

The movement towards social accountability is not sector specific [7]. In corporate boardrooms managers are more and more being asked to describe, for example, their impacts on the environment or the local economy. Similarly, in not-for-profit or governmental organisations there is an increasing interest in more tangible accountability for the social impact created for each invested or granted Euro. Traditional accounting and management standards do not usually consider environmental or social questions. Social impacts are often not explicitly included in valuation studies or are even ignored. In literature much emphasis is put on the pay-back results of social initiatives for companies and not on the impact of social initiatives on society [8-11]. This brings us to our research question: "*How can Social Impact be measured?"*

II. SOCIAL IMPACT

Language used by different researchers form business and society, management accounting and strategic management and from practitioners is confusing and by far consistent. The main difference is found between the entrepreneur's and social scientist's definitions of the words "impact", "output", "effect", "outcome" and "social return". Many different definitions of (social) impact or related terms can be found in literature ([7, 12-14]). The term (social) impact is often replaced by terms as "social value creation" [15] and "social return" [7]. Definitions related to the control, assessment and management of (social) impact are also provided by business and society and management literature [16-18]. Table 1 shows an overview of those different definitions.

Term	Definition
Social impact Burdge et al. (2004)	By social impacts we mean the consequences to human populations of any public or private actions that alter the ways in which people live, work, play, relate to one another, organize to meet their needs and generally act as a member of society. The term also includes cultural impacts involving changes to the norms, values, and beliefs that guide and rationalize their cognition of themselves and society.
Social impact Latané (1981)	By social impact, I mean any of the great variety of changes in physiological states and subjective feelings, motives and emotions, cognitions and beliefs, values and behavior, that occur in an individual, human or animal, as a result of the real, implied, or imagined presence or actions of other individuals .
Impact Clark et al. (2004)	By impact we mean the portion of the total outcome that happened as a result of the activity of the venture, above and beyond what would have happened anyway.
Impact Reisman (2004)	To achieve a desired result, many other types of changes must occur along the way. Some of these "on the way changes" reflect actual changes in peoples' lives, either at the individual level or population level. Changes in peoples' lives can include changes in knowledge, skills, behaviors, health or conditions for children, adults, families or communities. These changes are defined as impacts.
Social Value Emerson (2001)	Social value is created when resources, inputs, processes or policies are combined to generate improvements in the lives of individuals or society as a whole.
Social Impact Assessment Freudenburg (1986)	Social impact assessment refers to assessing (as in measuring or summarizing) a broad range of impacts (or effects, or consequences) that are likely to be experienced by an equally broad range of social groups as a result of some course of action.
Social Impact Management Gentile (2002)	Social impact management is the field of inquiry at the intersection of business practice and wider societal concerns that reflects and respects the complex interdependency between these two realities.
Social Impact Assessment Wikipedia (2008)	Social impact assessment includes the processes of analyzing, monitoring and managing the intended and unintended social consequences, both positive and negative, of planned interventions (policies, programs, plans, projects) and any social change processes invoked by those interventions. Its primary purpose is to bring about a more sustainable and equitable biophysical and human environment

TABLE 1: DEFINITIONS OF (SOCIAL) IMPACT AND RELATED TERMS

In our paper we use the definition of Social Impact as developed by Clark, et al. (2004), which is in fact a definition from a social science perspective:

"*By impact we mean the portion of the total outcome that happened as a result of the activity of an organization, above and beyond what would have happened anyway*".

This definition is based on the so called Impact Value Chain (see figure 1) and is developed to differentiate outputs from outcomes and impact (Clark et al., 2004).

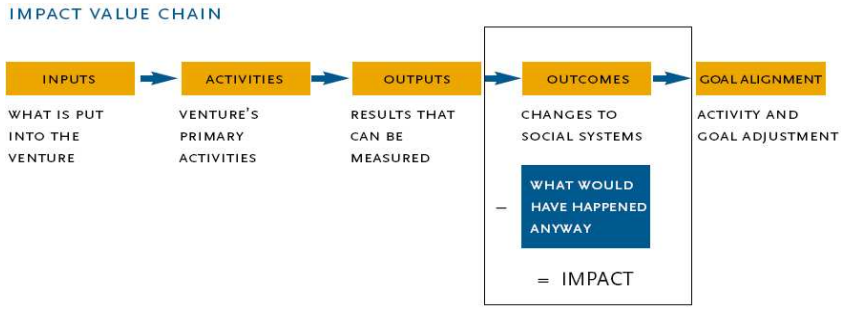

FIGURE 1: IMPACT VALUE CHAIN (Clark et al., 2004)

An example might be illustrative to explain the differences between the different steps in the impact value chain. In our example the input is a philanthropic program of a company in which a primary school has been build in the local community where the company has a production facility. The result is that children have now a school to go to. This output can more or less easily be measured, for example by counting the children going to school and calculating the hours of lessons given at the school. The outcomes are the changes one is trying to make in the world. In our example that might be the absence of the children in the production facility and the presence of the children at school. Elimination of illiteracy among children might also be an outcome. To be able to measure the impact, a counterfactual is needed to compare to the experimental state in order to discern the dependent variable from among all other factors that could be causing a change. In our example, the impact can be similar to the outcomes if the chance that a school would have been build without financial support of the company is equal to zero.

III. SOCIAL IMPACT MEASUREMENT

In order to help organisations to measure social impact, science, companies and other organisations around the world create new measurement methods and develop performance indicators. Although this field of research and development is still quite young, especially during the 1990s several methods are developed to measure social impact. The existing measurement methods however do not show a common understanding of what to measure, why or for whom to measure and how to measure it. As a result, methods could differ in *perspective*, *purpose* and *approach*.

A preliminary overview of methods

Literature research and web based search resulted in a list of twenty impact measurement methods (see Table 2) [4, 7, 19-21].

- Atkinsson Compass Assessment for Investors (ACAFI)
- Balanced Scorecard (BSc)
- Best Available Charitable Option (BACO)
- BoP Impact Assessment Framework
- Local Economic Multiplier (LEM)
- Measuring Impact Framework (MIF)
- Millenium Development Goal scan (MDG-scan)
- Ongoing Assessment of Social Impacts (OASIS)
- Poverty Social Impact Assessment (PSIA)
- Public Value Scorecard (PVSc)
- Social Compatibility Analysis (SCA)
- Social Costs-Benefit Analysis (SCBA)
- Social e-valuator
- Social Impact Assessment (SIA)
- Social return on Investment (SROI)
- Social return Assessment (SRA)
- Socio-Economic Assessment Toolbox (SEAT)
- Stakeholder Value Added (SVA)
- Triple Bottom-Line Accounting (TBL)
- Wellventure Monitor

TABLE 2. (SOCIAL) IMPACT MEASUREMENT METHODS

Next to the impact measurement methods several companies, NGO's and associations developed guidance documents, often based on one or more existing methods, how to measure social impact. A few examples are the "Guidance document for the oil and gas industry" [22] and guidance documents developed by Shell [23, 24].

Classification of the methods

The methods can be classified based on the characteristics of the methods. Such classification might be helpful for companies when they want to select a social impact measurement method. Several characteristics are expected to be of relevance for method selection. Table 3 provides an overview of those characteristics.

Characteristics	**Types**
Users	Profit Non-Profit
Focus	Ex-post Ex-ante
Orientation	Input Output
Perspective	Micro (Individual/employee) Meso (Company) Macro (Society)
Approach	Process Methods Impact Methods (Business Case, 3P's) Monetization
Purposes	Screening Monitor Reporting Evaluation

TABLE 3: CHARACTERISTICS OF SOCIAL IMPACT MEASUREMENT METHODS

The first characteristic is the potential *user* of the methods. Several methods are mainly developed for and used by profit organizations (e.g. SRA, ACAFI, TBL, MIF, BACO), while other methods are mainly developed for and used by not-for-profit or governmental organizations (e.g. SROI, OASIS, SCBA, LEM).

The second characteristic is the *focus* of the assessment used by the method. Some methods can be applied ex ante to assess impacts which can for example be expected from planned reforms and programs. Those methods have the ability to open up space for different options, support the design of mitigation measures and modifications, and assist decision makers in choosing the option which fit best [25]. Methods can also be developed with a focus on ex post evaluation purposes.

Thirdly, methods can have either an *orientation* on the inputs or an orientation on the outputs. Input oriented methods are useful to assess differences in input (for example expenditure saved by increased employee satisfaction) as a result of a social measure taken. Output oriented methods, on the other hand, are useful to assess differences in output as a result of a social measure taken (for example a better reputation).

Fourthly, measurement methods can originate, for example, from business measurement, social science evaluation, policy or program evaluation which all takes a different *perspective* on the social impact to be measured. A first inventory showed that social impact measurement

from a business (micro) perspective does include, for example, different indicators than social impact measurement from a (macro) socio-economic perspective [3].

Fifthly, methods can have different *approaches* to measure social impact. In literature, three broad categories are defined: process methods, impact methods and monetization methods. Process methods monitor the efficiency and cost-effectiveness of ongoing operational processes. As such, they do not provide an absolute measure of social returns. However, output can be evaluated by the extent to which they correlate with or cause desired social outcomes. Impact methods measure operational outputs and their impact, i.e. the incremental outcome beyond and above what would have happened if the organization did not exist. Impact can be measured in several ways. There are methods that measure impact by linking Corporate Social Performance (CSP) and Corporate Financial Performance (CFP) [9, 26-31]. Another example of an impact methods is the so called 3P approach where the economic dimension (Profit), social dimension (People) and environmental dimension (Planet) are all measured in their own unit [4, 32, 33]. Monetization methods, quantify social and environmental indicators and translate those indicators into a monetary value to be comparable with traditional financial data [3, 6]. A comprehensive overview of several monetization methods can be found in environmental economic literature [34].

Finally, "different measures for different *purposes*" tells us that measurement methods can be developed for different purposes depending on what we want to measure. To be able to distinguish the existing measurement methods based on the different purposes, we identified methods that are particularly suited for (a) screening, (b) monitoring, (c) reporting and (d) evaluation. Methods suited for screening facilitates evaluation of investment opportunities and of their performance with respect to investors' specific social and financial objectives. Methods suited for monitoring assists management with ongoing operational decision-making, and provide data for investor oversight. It may also help entrepreneurs to identify business model modifications or market opportunities. Methods for reporting are particularly useful to report to external stakeholders, such as potential investors, the public or other entities that require or request performance reports on a regular basis. Methods for evaluation may be used for retrospective, ex-post impact assessment of achievements for academic purposes but also for organizational learning.

IV. TOWARDS A GUIDELINE FOR MANAGERS

The mixture of methods and their differences in focus, orientation, perspective, approach and purpose make it hard for managers to select a suitable method for their social impact measurement. We developed a first draft of a guideline for managers, based on the characteristics of the methods.The guideline will help organizations to select a method to

measure their social impact. A first draft of the guideline, based on a decision tree, is developed. The idea is that managers, by answering a few questions, will be able to select a useful method for their specific measurement need. In the next steps of our research we will classify all methods based on the characteristics of the measurement methods and will finalize our comprehensive guideline for managers to select a social impact measurement method.

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