

Can we count everything that counts? Measuring the social value created by social enterprise

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In recent months, there has been a flurry of interest in measuring the impact of social purpose organisations. From Sydney to Melbourne, Adelaide to Hobart, there has been standing room only at workshop events dedicated to this issue, with various speakers proclaiming the virtues of social return on investment, social auditing, and log frame evaluation, to name but a few approaches. Local interest in these discussions reflects a growing interest internationally in understanding the social value created by social enterprise and other civil society organisations. So, why the sudden appetite for measuring social value? And what are the implications for social enterprise?

Much of the popular discussion of measuring social value creation focuses on commercial sustainability imperatives, such as the need to attract investment to, and develop markets for, social enterprise. The reasoning here is that, by demonstrating the social value added of their activities, social enterprises become more attractive to prospective purchasers (including government purchasers) and potential investors. In this sense, social impact reports are understood as important marketing tools for social enterprises, and potential levers for policy support through social procurement arrangements with governments. On the financial supply side, a focus on social value creation also supposedly shifts ideas about supporting social enterprise development away from a 'funding' mindset concerned with input costs to an 'investment' mindset that focuses on the outcomes produced through the work that social enterprise does.

While attracting investment and stimulating markets may be the driving motivations for some social enterprises to seek to measure their social impact, these popularly cited reasons are not reflective of the diversity of drivers for social enterprises measuring the social value created through their work. The social enterprise 'sector' is a large and complex capillary system, characterised as much by its internal diversity as it is by common characteristics. Different social enterprises may thus have very different motivations for measuring their social value. As well as those described above, these motivations include, but are not limited to: demonstrating impact in order to attract volunteers or unpaid workers; measuring impact as a process of communication with beneficiaries and/or members; and understanding how social value is created as a mechanism for reflexive organisational learning and innovation. These motivations place differing emphases on understanding the *processes* by which social value is produced, as well as documenting and verifying this value. Approaches to measuring social value creation are also pragmatically chosen according to the capacity to undertake different measurement activities of social enterprises of different types and scale.

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This variation in organisational motivations and capacity suggests that not one approach to measurement can fit all. Having taught research methods at university for 14 years, one of the first things I teach my students is that methodology, or the 'how' of discovering answers to questions, should be driven by the research questions, or the 'why and what' of our inquiry. Yet, I am struck in current debates about measuring social value creation of social enterprise by how often the question of 'why' is brushed over in favour of instrumental discussions about the 'how' of particular methodologies. If social enterprises do not self-determine their own organisational needs for measuring impacts – the 'why are we doing this?' question - then there is a danger that we will see a proliferation of inappropriate measurement, driven by faddish interest in particular methods on the part of financing bodies and flamed by those with a pecuniary interest in selling particular methods to the social enterprise sector. While a number of the social impact measurement methods currently in vogue have been rigorously developed by practitioners with considerable expertise in social enterprise development and sustainability, none of them are singularly competent to address the diversity of motivations for measuring, nor the wide contextual and operational variations that coexist within the social enterprise sector. As has been noted in a recent Productivity Commission discussion paper with regard to evaluation in the not for profit sector, the drive to count our social impacts may also have the perverse effect of reducing social innovation, where social enterprises and other civil society organisations pursue outcome goals that can be more easily quantified over those that are harder to measure.

Measuring social value creation is most useful where the knowledge arising from measurement is reinvested in organisational learning, and business practice in support of mission fulfilment. There is no 'silver bullet' for measuring social value creation; available methods are only as good as their ability to meet the specific needs for measurement of those organisations that use them. Above all, the question of 'why' needs to anchor our interests in methods of 'how'.