

Chapter Two - The Development of Social Impact Measurement

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This chapter will explore the historical development of social impact measurement, with a focus on how social value and social impact measurement has amplified, both within academia and within policy and practice. Increased scrutiny on public spending and the emergence of policy frameworks (for example, the Public Services ‘Social Value’ Act 2012 in the United Kingdom) have led to a focus on measuring impact. This has also been complemented by the growth in impact investing and government policy support for this globally. Whilst much of this growth has been in Europe, North America and Oceania, there is rapidly increasing government support in this area now in Asia, Africa and South America. This chapter will therefore set the scene for the subsequent chapters to come, with their thematic focuses on measurement (specifically in the framing of social impact measurement within the SDGs), finance, collaboration, power and ethics. The chapter will finish with a section on the potential for development in the SIM sector moving forwards, in a way that will set the scene for subsequent chapters. [Relevant SDGs: SDG17: Partnerships for the Goals].

2.1 Introduction

The social impact measurement (SIM) sector has grown exponentially over the last few decades, going from a niche area to one that is deeply embedded within government policy, investor behaviour and third sector management (as well as growing in the private sector). The growth of Corporate Social Responsibility (CSR), Environmental and Social Governance (ESG), green investing, impact investing, as well as new policy mechanisms such as Payment by Results contracts (PbR), Social Impact Bonds (SIBs) and outcomes-based commissioning have all played

a part in this growth. This growth in pluralistic policy mechanisms, investment markets and a growing awareness of the need for sustainable growth, have all combined to drive interest in social impact measurement (Kah and Akenroye 2020).

As we now enter the third decade of the 21st century, the growing importance of global sustainability frameworks such as the United Nations' Sustainable Development Goals (SDGs) (UN 2021) means that SIM frameworks will become increasingly important. However, there remains key barriers to embedding SIM with a plethora of different frameworks available, a lack of definition as to what constitutes social impact and an often top-down focus on SIM that disempowers the very beneficiary groups that such measurement should support. The aim of this chapter is to provide an introductory overview to this complex area, by exploring what constitutes social impact, what 'best practice' looks like in SIM and identifying some of the key frameworks that currently exist for measuring social impact globally. The chapter will end with an exploration of the potential for SIM moving forwards. In doing so we aim to provide a base for the subsequent chapters that follow, which will each explore different facets of the SIM debate globally with regards to the SDGs.

2.2 Defining Social Impact

At the turn of the millennium, research recognised that there was a lack of understanding as to what social value and social impact constituted (Emerson 2000), whilst agreed upon definitions of social impact were not in place (Sairinen and Kumpulainen 2006). Whilst this definitional ambiguity has changed in recent years as definitions and research into social impact and social value have emerged (Clifford, Hehenberger and Fantini 2014; Hazenberg and Clifford 2016; Jain, Hazenberg and Denny 2019), it must be acknowledged that the very nature of social value/impact remains socially constructed (Burdge and Vanclay 1996). This fluidity in meaning

explains why different approaches to impact measurement have been developed over the years, ranging from Social Return on Investment (SROI) (NEF 2021)¹ through to social accounting (Rawhouser, Cummings and Newbert 2019).

Social impact was defined by the Group d'Experts de la Commission sur l'Entrepreneuriat Sociale (GECES) as *"The reflection of social outcomes as measurements, both long-term and short-term, adjusted for the effects achieved by others (alternative attribution), for effects that would have happened anyway (deadweight), for negative consequences (displacement), and for effects declining over time (drop-off)* (Clifford et al. 2014:12). Further, social value was defined by Jain et al. (2019:10) as *"...a value that demonstrates change(s) in the live(s) of an individual or groups of individuals when tangible and intangible resources are employed at grassroots level by social actors, ultimately creating social change within the society"*. What these definitions have in common is a shared focus on how changes occur in the lives of individuals or groups of individuals (communities or society); where they differ is that the former is focused on quantification of said change, whilst the latter is focused on the process of driving that change²; this makes SIM a process of assessing changes rather than structures (Burdge and Johnson 1998).

The concept of social impact and its measurement is therefore deeply embedded in social value creation processes, as well as research methodologies that seek to quantify change and explain it with regards to the null hypothesis and wider societal antecedents. This combination of approaches has been encouraged by policy-makers globally, with examples such as the Public

¹ See <https://www.nefconsulting.com/our-services/evaluation-impact-assessment/prove-and-improve-toolkits/sroi/> for more information on SROI. SROI mechanisms can also appear in cost-benefit analysis also.

² See Jain et al. (2020) for an overview of the social value *creation* process as a model.

Services (Social Value) Act 2012³ in the UK pushing the agenda of social value in public service commissioning and delivery. Globally, the Organisation for Economic Cooperation and Development (OECD) (2019) have identified 590 policy instruments, designed to support the growth of impact investing and measurement. Therefore, it is clear that the agenda for SIM is one that is growing politically, which further aligns with the SDG framework from the United Nations and the outcomes for these that sit under each SDG (UN 2021).

The proliferation of these top-down policy mechanisms does not however, come without its limitations. These top-down approaches (as will be discussed several times later in the book) can come at the cost of bottom-up innovation, reducing local relevance and hence buy-in, and disempowering the very people it is intended to support. This limiting of bottom-up engagement could potentially stifle bottom-up social innovation, which has been shown in prior research to offer more impactful solutions than top-down driven innovations and linked to community empowerment (Kruse et al. 2014; Mulgan 2019). This can often fly-in-the-face of what Nicholls (2018) identified as SIM's purpose of identifying beneficiary engagement and empowerment, whilst at the same time ensuring that SIM becomes a tool of entrenching existing privilege for those that hold power (Voltan and Hervieux 2017). It is these contradictions that can detract from the benefits that impact measurement can bring around legitimisation and enhanced understanding of what works.

2.3 Social Impact Measurement & the SDGs

Whilst the definitional aspects of social impact are contested, the actual process of developing and conducting SIM has evolved considerably in recent years, as best practice models

³ The Public Services (Social Value) Act 2012 obliges public service commissioners to *consider* social value in the commissioning and procurement of services.

and frameworks have emerged; whilst definitions of the constituent elements within SIM have also arisen. In particular, this development has been underpinned by the work of the European Commission's GECES sub-committee (Clifford, Hehenberger and Fantini, 2014), alongside prominent scholars such as McLoughlin et al. (2009), as well as the development of global frameworks by key stakeholders (for example, the Global Impact Investment Network's Iris+ approach)⁴, albeit the work of many others has also fed into this progress.

Theoretically, the key overarching element of SIM involves the development of a Theory of Change (Carman 2010), a process particularly popular in international development work (Arensman, Van Waegeningh & Van Wessel (2018), which can be defined as a causative logic model that demonstrates the links between inputs and activities, and the changes that these deliver to individuals, communities and societies (Clifford et al. 2014). Within this Theory of Change are embedded five key constructs as defined by the GECES report (Clifford et al. 2014:6):

- *Inputs*: What resources are used in the delivery of an intervention?
- *Activity*: What is being done with the 'inputs' (i.e. the intervention)?
- *Output*: How that activity touches the intended beneficiaries?
- *Outcome*: The change arising in the lives of beneficiaries and others.
- *Impact*: The extents to which that change arise from the intervention.

This approach to identifying the key elements of Theory of Change built upon the work of McLoughlin et al. (2009), who first identified outputs, outcomes and impacts. Outputs pertain to direct outputs of a programme; an outcome represents positive/negative changes to individuals state of being; whilst impact is the wider benefits to society of the outcomes delivered (ibid). When

⁴ See: <https://iris.thegiin.org/>

measuring these outputs, outcomes and impacts, it is important to also consider ‘deadweight’, that is the null hypothesis (what would have occurred anyway); ‘alternative attribution’, that is what outcomes and impacts are directly attributable to factors outside of the intervention in focus; and ‘drop-off’, relating to the decreasing outcomes and impacts derived over time (Clifford et al. 2014). When these Theory of Change factors (Inputs, Activities, Outputs, Outcomes, Impacts, Deadweight, Alternative Attribution and Drop-off) are combined, it creates a holistic SIM framework (see Figure 2.1). The reality of course is that this is rarely the case, with resource issues relating to finance, knowledge, capacity and time all constraining the alignment of these variables.

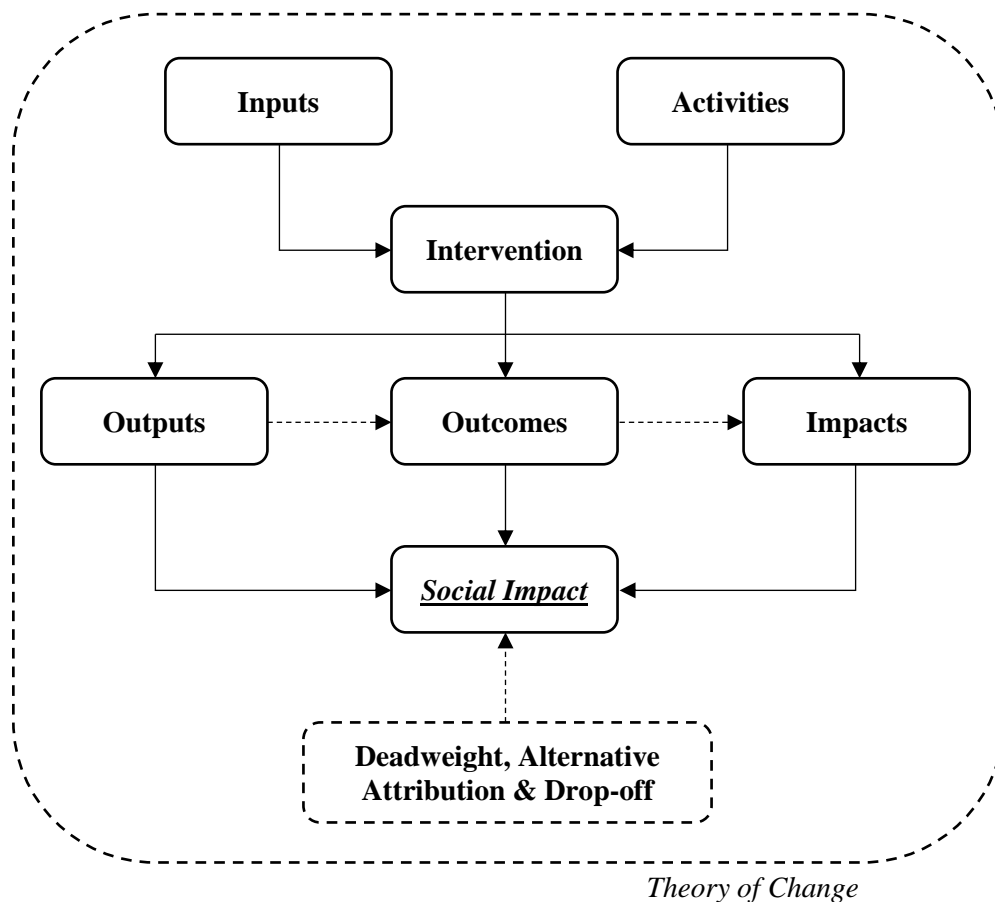


Figure 2.1 – A Holistic Social Impact Measurement Framework

There are also considerations when developing a SIM framework related to what the overall goal of the impact measurement work is. Indeed, this is critical for any organisation to understand

in order to better identify what resources they can and should commit to SIM. As an example, if an organisation wishes to develop a short, non-rigorous infographic report to present internally, then there is probably little point in engaging in a holistic SIM framework as outlined above. However, if an organisation needs to present reliable and valid data as to the efficacy of its interventions vis-à-vis current traditional interventions (for example in healthcare), then a holistic SIM framework utilising aspect such as control groups (deadweight) will be required. This is why Clifford et al. (2014:7) identified within the GECES report the five steps to undertaking SIM, which clearly identify the need to: 1) *Identify objectives*: What are the objectives of the impact measurement (i.e. organisation and partners)?; 2) *Identify stakeholders*: Who are the beneficiaries and who provide resources?; 3) *Relevant measurement*: Understand the theory of change and then utilise relevant indicators to capture this; 4) *Measure, validate and value*: Assess whether outcomes are achieved and whether they are recognised by the various stakeholders; and 5) *Report, learn and improve*: Ensure the dissemination of and meaningful use of the data gathered and findings produced to internal and external stakeholders/audiences (ibid).

The development of impact measurement approaches built in this rigorous methodological approach is increasing as the sector develops, and the growing popularity of the United Nations' SDG framework (UN 2021) means that many organisations are seeking to align the outputs, outcomes and impacts that they measure with the key performance indicators identified within each individual SDG⁵. The SDG framework contains 17 goals, which within them contain 169 individual performance targets (Fisher and Fukuda-Parr 2019), pushing statistical and impact data from a regional/nation-state mechanism to one that seeks to drive global transformation (Reigner, 2016). Given the global prominence of the SDGs and the way that increasing numbers of organisations in the public, private and third sectors are aligning with them, we are likely to see more and more

⁵ These 17 SDGs and the indicators within them can be found at <https://sdgs.un.org/goals>

SIM frameworks that feed into SDG agendas. This focus on the use of SIM as a means to assess transformative outcomes aligned to the UN SDGs has been recognised already in prior research (Paterson-Young and Hazenberg 2020) and is an area that is only likely to grow as we move towards the 2030 SDG milestone. However, given the above focus on SIM framework development and the SDGs, it is incumbent for us to consider what existing SIM frameworks seem best placed to offer rigorous approaches, specifically when considering the focus within the SDGs on partnerships (SDG17: Partnerships for the Goals) and the need to engage and empower beneficiary groups in SIM (Nicholls 2018).

2.4 Existing Frameworks & The Future of SIM

Noya (2015) in a policy paper produced for the OECD identified that there are three main types of impact approach that tend to align with different stakeholder groups. First, there is ‘cost-benefit’ analysis that tends to be employed within the public sector (ibid), to understand how the costs of interventions or policies can produce wider benefits for the state and reduce long-term costs. This approach to impact measurement is often seen employed in outcomes-based commissioning contracts and to a degree also in Social Impact Bonds (SIBs), with providers working together alongside the state to deliver services with a specific outcome focus linked to payments (NHS Confederation 2014). Second, Noya (2015) identified the ‘rating’ impact assessment, that is focused on calculations related to returns on investment. This approach is often linked with private investors through mechanisms such as impact investment (Noya 2015) but can also be found in cross-sectoral partnership approaches such as Social Impact Bonds (SIBs)⁶. Approaches to impact measurement including Social Return on Investment (SROI) (NEF 2021) are often utilised within such evaluations. Third, there is the Social Accounting and Audit (SAA)

⁶ Social Impact Bonds are mechanisms for funding public services delivered by third/private sector delivery organisations, whereby payment for the service is dependent on the delivery of certain outcomes, and the upfront funding of these services is paid for by social investors (UK Government September 2017).

approach, which is a beneficiary approach to social impact measurement focused on stakeholder outcomes and satisfaction (Noya 2015). This type of approach tends to be implemented in community settings and civil society and can mix quantitative assessments with qualitative based narrative overviews (ibid).

It is not the purpose of this chapter to explore these different types of meta-approaches nor individual frameworks in detail; this has been done elsewhere by other scholars and pertinently, subsequent chapters within this book provide interesting overviews of different frameworks, sectors and approaches. Rather, it is important to acknowledge that these approaches are grounded in different logics, tend to be pushed by different stakeholder groups, and have different positive and negative aspects depending upon what you are measuring where, and for whom. What this demonstrates though, is that the SIM sector is heterogeneous, with a multitude of different approaches and frameworks within these, making the choice of approach and the metrics within them difficult for stakeholders. Indeed, in a meta-analysis of the academic literature focused on SIM between 1996-2016, Rawhouser et al. (2017) identified 273 papers, of which 71 had a core focus on SIM itself. Their conclusions from this review were that SIM remains a fragmented area of study, that emerges across multiple sectors, leading to confusion and a lack of clarity over what can and should be measured. The UN's SDG framework could provide the holistic, global overview to this area that would pull together SIM work centred around its 169 key indicators (Fisher and Fukuda-Parr 2019). If approaches to measurement were aligned with the SDG framework, and also followed the best practice guidance as described by GECES (Clifford et al. 2014), then cross-comparison of SIM data would be made much easier.

2.5 Summarising SIM

The SIM sector and field of inquiry is certainly complex and given the varying types of impacts that can be delivered across sectors (the 17 SDGs provide evidence of this), it is no surprise that consistent and commonly accepted definitions have yet been identified. In the same way that Nicholls (2010) argued that social enterprise was a pre-paradigmatic field over a decade ago, the same can be argued of social impact and SIM today, with ongoing definitional issues affecting scholars' and practitioners' ability to engage in meaningful SIM. However, progress is being made, with a coalescence globally around certain frameworks and approaches (for example: SROI; IRIS+; GECES) and the growth of global sustainability targets as embedded in the SDGs. Whilst the focus of this book is on the SDGs and their relevance for SIM (and certain specific social impact frameworks), this isn't to say that one must accept the SDGs as purely positive in driving the sustainability and SIM agendas. Our job as scholars, practitioners or wider stakeholders in the social innovation ecosystem is to critically assess new opportunities, in order to understand the strengths and weaknesses of different approaches. This is certainly the positionality adopted in this book as can be seen in subsequent chapters, with contributing authors demonstrating the inherent problems related to global sustainability agendas, common SIM standards, and top-down approaches to driving sustainable growth and the measurement of its impact. As Grieco (2015) argues, a one-size-fits-all approach to SIM is problematic and can actually lead to the disempowerment and disenfranchisement of the very beneficiary groups it is intended to serve. Nevertheless, the growing popularity of some SIM frameworks, combined with global standards such as GECES and the UN SDGs, provides us with a unique opportunity as we enter the third decade of the 21st century, to take SIM from its pre-paradigmatic state and turn it into a developed field that can truly support sustainable growth.

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