

# MEASURING IMPACT FOR THE SOCIAL ECONOMY FORUM

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## *Setting the Scene*

There is a renewed interest in specifying and measuring the contribution of the organisations that constitute the third sector or social economy – that is organisations that are private and either do not distribute a surplus to members or are democratically governed or both.

These include churches, trading as well as nonprofit cooperatives, credit unions, most sports clubs, registered clubs, private schools, church or community run hospitals, theatre companies and community radio, many employment and training organisations, aboriginal housing and development corporations, as well as the social assistance charities (or community sector).

Sometimes the focus is on the slightly narrower set of nonprofit or not-for-profit organisations.

But interest in measuring impact is greatest is greatest within the social assistance charities and a newish group of organisations called social enterprises.

The social assistance charities (sometimes called the community or community welfare sector) comprise about 20% of employment in the social economy. But they tend to dominate discussion about the third sector or nonprofit sector and to imply that they are the entire sector.

By some definitions, social enterprises include some organisations that are not part of the third sector or social economy at all because while they are run to address social problems and benefit society, they are also expected to make a profit for their entrepreneurial owner(s).

What follows are a few context-framing observations to help you think about what you will be learning and evaluating during the rest of the day.

### **Three levels of interest/units of analysis**

There are three levels of interest in measuring the impact of the social economy. In research jargon these are three different units of analysis.

The first level of interest is in identifying and measuring the contribution or impact of the social economy, or the slightly smaller nonprofit sector. The latter is the focus given the Productivity Commission in its first two terms of reference for its review of the nonprofit sector. The unit of analysis here is the entire sector.

The second level of interest is in measuring the impact of individual social economy organisations. One of the most interesting attempts to do this is the Allen Consulting Group's 2005 study for the Surf Lifesaving Australia (*Valuing an Australian Icon*).

But it is at the third level that interest is most commonly found and most intense. That is interest in predicting and measuring the impact of individual social programs. This is pretty well confined to the social assistance nonprofits and the newer social enterprises. It is within these organisations that the three approaches we are studying today are most likely to be found.

To summarise: the three units of analysis that are caught up in talk of measuring impact are the third sector, individual third sector/social economy organisations and individual programs mostly run by individual organisations and designed to address social problems.

The most important point to keep in mind from this identification of three units of analysis is that it is not easy to move from level 3 to level 2 and not possible to move from levels 2 or 3 to level 1. For a small organisation running only a single program, levels 2 & 3 are synonymous, but for larger organisations, the impact of the organisation is likely to be more than the sum of its several program impacts.

Note also that some of these impacts may not be socially beneficial. As a result it is perhaps smarter to talk of net benefits and to recognise that the social impact or social; benefits of an organisation may be less than the sum of its programs.

If the effort of determining the impact of even one large third sector organisation is complex, imagine how impossible it would be to measure the impact of all 700 000 social economy organisations is much more than the sum of all of their “programs” – anyway to even think thus is silly. The same point applies even if the unit of analysis is only the 40 000 nonprofits that are economically significant.

### **Intellectual paradigms underlying efforts to measure social impact**

The reason for the near impossibility of moving from one level to another is to be found in the logic of the various efforts to measure (or predict) program impact.

A program is a specified set of activities designed to achieve an objective. Ideally, and mostly in practice these days, the objective and the activities to be pursued to achieve that objective are specified. If so desired the program can be dissected so that inputs and outputs can be clearly specified. In addition, outcomes can be specified. These are effectively the same as the program’s objectives, although they may be spelt out a bit differently. They are not as easy to specify and measure. For example, in programs designed to address social problems, the outcome might not be evident for years. Often proxy measures are needed to assess or evaluate if the program is on track. These measures and indeed the program design rely on social research to support the link between program activities and sought outcomes. This is where a claim that the program is evidenced-based has to be demonstrated.

Now, sometimes programs will produce unintended outcomes. These might be beneficial or not. These unintended consequences might or might not be measured as part of an attempt to measure the programs impact. Ideally, they should be.

When a nonprofit (or for-profit in the same industry or field) operates several different programs, the organisation itself as well as the programs it operates will have

impacts that are probably unintended. For example the organisation may utilise volunteers to help fundraise for several programs. This activity may have beneficial effects for the volunteers but it is unlikely that the production of these effects is part of the mission or one of the objects of the organisation. Nonetheless it is important. Of course, other unintended effects might not be socially beneficial.

There is another reason why movement between the three levels of measuring impact is near to impossible is the behavioural model that underlies approaches at level 3. The measurement of program impact is generated within the rational actor model of behaviour; in this case applied to a program. At a pragmatic level this is a useful model for managers.

But it is limited when it comes to understanding larger social formations, such as a large organisation and certainly a sector. 700 000 organisations do not collectively have a set of objectives; neither can these be easily (or possibly) deduced from a bit of speculating. Yet this appears to be what the Productivity Commission is proposing in its framework for measuring the impact, outputs, outcomes and impacts. Allen Consulting in a similar study undertaken for the Strengthening Community Organisations Project in Victoria used a similar framework but talked of intended outcomes and unintended outcomes instead of outcomes and impacts.

Of course, once you get past aggregated inputs which are either dollars or persons, you have problems aggregating outputs and face an impossibility to do more than obtain a few highly speculative measures of outcomes. The difficulties here are to do with the long time before the realisation of many “outcomes” – and then how can you be sure these were the product of the activities of particular nonprofit organisations?? Rather than trying to get such measures the Productivity Commission should recognise that a lot more serious and theoretically informed research needs to go on simply to understand better the way social economy organisations interact with economy, society and politics.

These remarks are designed to quarantine efforts at levels 2 & 3 to measure the impact of particular programs or organisations, from the conceptually different work that needs to be done at level 1, the sector level.

The remarks have also given me a chance to outline the intellectual basis for measuring program and possibly organisational impact. It is important to recognise that there is nothing new about the rational actor model applied to organisations. A similar intellectual strategy informs and underpins many other common organisational practices, such as decision science, strategic management, quality assurance and continual improvement and of course most forms of evaluation. It is also worth noting that this approach to ordering human behaviour is not without its critics such as Lindblom, who argue that it is based on a false understanding of how humans make decisions and because of its unrealistic demands for information.

### **We have been here before**

A further observation that needs to be made, an observation that leads to a warning, is that we have been here before. The interest in, and enthusiasm for measuring program impact is not new. It is very similar to the social program evaluation that

was popular for about a decade from the mid-1970s. The holy grail of social program evaluation was to measure the effectiveness of a program (achievement of objectives over inputs), but along the way its efficiency (outputs over inputs). Attempts were made to evaluate organisations as well as programs. The push came from the United States, especially from Social Work departments and was embraced by both the community sector and government welfare departments. But it made great demands on time and resources and various modifications to the original model were made to make it less numerically rigorous or more descriptive (eg process evaluation which largely described what people did in a particular program). In short, it was high cost, was oversold and eventually the movement ran out of steam.

What was left was an understanding that conducting a program or organisational evaluation could be useful as a tool for organisational review and development, rather than producing objective and comparable measures across organisations. There are survivors of the movement around today, eg the Australasian Evaluation Society, a professional association for people who do or teach or research evaluation.

I think there are lessons in this for the protagonists of the current interest in measuring social program impact. Like social program evaluation, it has emerged from the US – in this case mainly from the dot com billionaires and their foundations. It is they who reframed giving as social investment and then started to look for ways of assessing the “social benefit” return on that investment.

Along the way it has revived the fortunes of Logical Framework or Log Frame an older technology developed by the US Aid in the days of social program evaluation, but surviving because of its backing but also because it is more flexible than other approaches and allows each organisation to describe its activities in different ways.

Contemporary efforts to measure social impact or social return on investment that emerged in the US have been picked up and further developed in the UK and from there are being exported to countries like Australia: thus SROI and social accountability and auditing, the other two technologies on display today.

The history of social program evaluation suggests that there is a risk that this new approach to program evaluation will be oversold. This risk will increase if governments get involved and start making it compulsory and mandating a particular model. The objective of conceptualising and articulating the impact of programs – either in the design phase or after they have been operating is important; measuring these impacts is a further important step, but one that is expensive in terms of staff time (or money if outside specialists are used). It will need to be used sparingly. At some stage it might be interesting to do a SROI analysis on applying SROI.

### **Corporations and their social impact**

Nonetheless and to finish on a positive note: thinking about social impact is more advanced in the social economy than in the corporate sector. This observation is based on some scoping research that Bronwen Dalton, John Neil and I have done trying to find out how the various indexes for measuring corporate responsibility measure the social impact of corporations. We were expecting to find sophisticated thinking and approaches to measuring. Instead we found very little: mainly measures

to do with staff and customer satisfaction. Only in those indexes that are directed at Northern companies operating in the South were there efforts to acknowledge (rather than measure) the effects they have on existing peoples or on workers who reside in or are flown into remote mining communities. There was also little or no evidence that these claimed social impacts would be subject to independent auditing.

An obvious assumption is that corporations find rigorous measuring too hard, too demanding of resources. There is a certain irony here, in that it is successful business people and corporate foundations that are the strongest advocates for having the nonprofit sector measure social impact, while corporations are reluctant to measure their own social impact.

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