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Measurement as legitimacy versus legitimacy of measures - Performance evaluation of social enterprise

Abstract

Purpose – This paper reviews the growing emphasis on quantifiable performance measures such as social return on investment (SROI) in third sector organisations – specifically, social enterprise - through a legitimacy theory lens. It then examines what social enterprises value (i.e. consider important) in terms of performance evaluation, using a case study approach.

Design/methodology/approach – Case studies involving interviews, documentary analysis, and observation, of three social enterprises at different life-cycle stages with different funding structures, were constructed to consider ‘what measures matter’ from a practitioner’s perspective.

Findings – Findings highlight a priority on quality outcomes and impacts in primarily qualitative terms to evaluate performance. Further, there is a noticeable lack of emphasis on financial measures other than basic access to financial resources to continue pursuing social goals.

Social implications – The practical challenges faced by social enterprises in evaluating performance and by implication organisational legitimacy, is contrasted with measures such as SROI which are resource intensive, have inherent methodological limitations. Hence, findings suggest the limited resources of social enterprises would be better allocated towards documenting outcomes and impacts as a first step, in order to evaluate social and financial performance in terms appropriate to each objective, in order to demonstrate organisational legitimacy.

Originality/value – Findings distinguish between processes which may hold symbolic legitimacy for select stakeholder groups, and processes which hold substantive, cognitive legitimacy for stakeholders more broadly, in the under-researched context of social enterprise.

Keywords: performance measures, evaluation, legitimacy, social enterprise, third sector, SROI

Paper type - Research paper

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1. Introduction

Within the wider third sector, social enterprises - which we define as organisations that exist for a social purpose and trade (both formally and informally) to fulfil their mission (Barraket et al., 2010; Ridley-Duff and Bull, 2011) - are an important and growing component. Using market based techniques to achieve social goals (Talbot et al., 2002), social enterprises balance social and financial objectives (ref. Emerson and Twersky's (1996) double bottom line) to address a gap left by the public and private sectors. As a result, social enterprises that establish financially sustainable operations have the potential to create long-term solutions to long-standing social challenges. While approaches to effectively measuring performance within these organisations remains in the early stages, the emphasis on quantifiable performance measures has raised concerns, given social enterprises' dual objectives and the complexity of measuring mission-related outcomes.

While individual performance measures applied within the private and public sectors vary (Brignall and Modell, 2000; Silva & Ferreira, 2010), the underlying principle of identifying and evaluating realised outcomes remains central. Somewhat less attention, however, has been given to performance measurement in third sector organisations, such as social enterprises. Social enterprise as a form of hybrid organisation incorporates aspects of for-profit objectives typical of the private sector, but has a primary focus on producing community or public benefits traditionally associated with the public sector. The dual functions of organisations such as social enterprise raise the issue of *how performance can be appropriately evaluated*.

Relatively recent interest in this issue is informed by the expectations and demands of funding bodies, and the growing number of third sector organisations such as social enterprises in an

increasingly competitive marketplace, as well as demands for new forms of engagement with both external and internal stakeholders. Calls have been made for transparency, comparability, and legitimacy by external stakeholders; while needs for feedback, guidance, and information on future resource allocation decisions have been identified by internal stakeholders (Arvidson et al., 2010; Social Ventures Australia, 2012). Hence performance evaluation and measurement not only serves organisational legitimacy for external stakeholders, but also internal stakeholders in terms of rational and strategic decision-making (Nicholls, 2009).

Organisational legitimacy of social enterprise has been considered from various perspectives (Dart, 2004, Nicholls, 2010). There are concerns, however, that the value of quantitative performance measures promoted in the third sector, are perhaps limited to symbolic legitimacy – communicating in accepted (financial) terms (Suchman, 1995), but not necessarily communicating information of substance. Hence, before promoting the use of these evaluation approaches, it is first necessary to establish the legitimacy (appropriateness) of the approaches and underlying process. Various measures of ‘value’ have been employed within the third sector including social return on investment (SROI), socio-economic economic value and variations thereof (Emerson and Cabaj, 2000). Yet the legitimacy, relevance, and decision-usefulness of these measures have at times been questioned (Gibbon and Dey, 2011). While the need for performance evaluation is widely accepted across organisations in all sectors, the use of measures such as SROI in third sector organisations raises the issue as to whether this approach to performance evaluation is more about measuring value or merely valuing measures.

We research this issue by comparing performance measures such as SROI promoted in the third sector, with the evaluation priorities of social enterprise practitioners to examine the question of '*what performance measures are valued (considered important) by social enterprise in practice?*', through an examination of three social enterprises at different life-cycle stages, with different funding structures, located in rural North West Tasmania. Specifically, we adopt a case study approach to explore the notion of organisational legitimacy through performance from social enterprises' perspective.

The following sections of this paper review the literature on performance evaluation measures within the third sector, and consider *why undue emphasis on financial measures may be misleading*. The research method and details of the case study organisations follow. Findings highlight what measures of performance each of the case study organisations value (i.e. consider important), with implications for practitioners, policy-makers, and donors outlined in the conclusion.

2. Measuring performance in the third sector

2.1 Measurement as legitimacy

Measuring performance has long been a priority in the private and public sectors due to both internal and external stakeholders' needs for relevant and reliable information. This information is used both to assess past performance and plan for the future. Accounting measures such as profit and calculations relative to profit (e.g. return on equity, return on assets¹) are considered to play a key role in providing decision-useful information in a for-profit context, which influences the actions of both management and investors in the allocation of scarce resources (Griffin & Mahon, 1997). More recently, this approach has

¹ Return on equity = profit / total equity; Return on assets = profit / total assets

been applied to the institutional environment of third sector organisations (Social Ventures Australia, 2012) such as social enterprises, which not only compete with commercial private sector firms, but also operate within an increasingly competitive environment for donations and support (Arvidson et al., 2010; Balabanis et al., 1997). Thus, adoption of performance measures such as SROI and socio-economic value reflect the need to establish organisational legitimacy with both internal and external stakeholders, demonstrating achievement (Carruthers, 1995; Nicholls et al., 2012).

Organisational legitimacy is referred to as ‘a generalised perception or assumption that the actions of an entity are desirable, proper, or appropriate’ based on socially constructed norms, beliefs, and values (Suchman, 1995, p. 574). At an organisational level, legitimacy can be viewed as a resource (Dowling & Pfeffer, 1975), establishing credibility and assisting in continuity through ongoing support and access to resources. At an institutional level, however, legitimacy may be a constraint (Dowling & Pfeffer, 1975), giving rise to pressures regarding expected behaviour (Di Maggio & Powell, 1983). In the context of social enterprises, organisational legitimacy is particularly important given these enterprises typically rely on external funding and support. Thus, to establish legitimacy, it is important social enterprises’ actions are perceived as appropriate by stakeholders. However, the way in which legitimacy is evaluated differs between stakeholder groups (Sonpar et al., 2010).

Suchman (1995) identifies three types of organisational legitimacy: moral or normative (relating to acceptable standards and values), pragmatic (addressing stakeholders’ interests), and cognitive (a higher level of legitimacy where activities are consistent with social understandings of what is appropriate and meaningful). To date, social enterprise has been examined from the perspective of moral and pragmatic legitimacy (Suchman 1995 in Dart

2004; Nicholls, 2010). In terms of managing legitimacy, three approaches are presented (Suchman, 1995): conforming (isomorphism through coercive, mimetic, or normative pressures (DiMaggio & Powell, (1983)), informing (communicating through legitimated or accepted symbols and vocabularies), and manipulating (encouraging valued activities outside established or recognised norms). Thus, while there are different forms and approaches to legitimacy, a form which encourages valued activities rather than symbolic approaches without substance, lends itself to higher order cognitive legitimacy.

One way of communicating legitimacy in the context of social enterprises is through evaluation of performance in terms of outcomes and impacts. SROI is one approach to performance evaluation which has gained increasing attention in the third sector. In symbolic terms, it represents a concerted effort to evaluate performance through the calculation of a quantitative measure. Yet there has been limited critically informed analysis regarding the presumed importance and relevance of this measure to third sector organisations such as social enterprises (Gibbon and Dey, 2011), particularly from an accounting perspective. Further, only limited consideration has been given to the practical challenges faced by small and medium sized social enterprises in particular, in undertaking such assessments. Hence, concerns have been raised as to whether this process is limited to symbolic legitimacy (forming part of a recognised accounting-orientated vocabulary), or whether it also has substantive cognitive legitimacy, providing a meaningful measure of performance.

2.2 Legitimacy of social enterprise

While social enterprises blur the boundaries between for-profit and not-for profit activities (Chell, 2007; Dart, 2004; Mair and Marti, 2006), commercial activity is seen as a means to address social objectives or ends. Profits or surpluses made by social enterprises are

commonly reinvested in the business, such that the not-for-profit role traditionally associated with third sector organisations is often more appropriately explained as profit-for-purpose in the context of social enterprises (cf. Dees and Anderson's (2003) social purpose venture). Thus, it is both trade and the underlying purpose of trade, the fulfilment of social mission, which differentiates such organisations from traditional non-profits. This alternative to relying solely on donated funds is viewed as an innovative response to market gaps, responding to pragmatic and moral legitimacy (Dart, 2004; Nicholls, 2010).

The practice of performance evaluation or measurement in the third sector is perhaps complicated by terms and identities such as 'not-for-profit', reflecting the emphasis on social goals and not-for-*personal*-profit financial goals. While funding may be sourced from commercial transactions, donations, grants, or a combination of each; long-term viability (underpinned by financial sustainability) remains a central objective. Hence the term 'not-for-profit' could also (and perhaps more usefully) be viewed as 'not-for-loss' (Milbrandt, 2008). Essentially, the underpinning objective of social enterprises is to be financially viable such that they can continue operating to serve their social mission.

The financial objective of social enterprises might be evaluated in terms of the financial performance (profitability) of the organisation. However, concerns regarding mission drift (financial objectives overriding social objectives), suggest financial viability (through income generation and/or other means) rather than profitability may be more appropriate, such that the organisation is financially sustainable (through commercial or other avenues) (Huang & Hooper, 2011). This approach to financial legitimacy is particularly relevant to early stage social enterprises which typically rely on grant funding in addition to internally generated profits. Nonetheless, the social enterprise model (organisations which trade to fulfil a social

mission) suggests financial independence is the ultimate financial objective of these organisations.

In contrast, the social objective of social enterprise should be evaluated based on the specific aims of the organisation. Considering the diversity of social enterprise and the range of industries in which they operate, it is not surprising that a single measure, financial or otherwise, is inadequate in evaluating performance (Emerson and Cabaj, 2000) and by extension social legitimacy. Further, the social nature of such organisations' objectives suggests a financial measure would be unlikely to capture, communicate, and adequately evaluate performance based on the organisations' core purposes. As noted by Atkinson et al. (1997), strategic performance evaluation in any business must be linked to the objectives of the organisation, taking a stakeholder approach. Hence, a range of stakeholder groups and needs must be considered when evaluating performance.

2.3 Evaluating performance in the third sector: Measures, stakeholders, and legitimacy

Various performance terms and measures have been introduced to the third sector since the late 1990s, for the purposes of providing a more holistic, 'sophisticated' assessment of organisational performance outcomes and impacts (Arvidson et al., 2010; Gibbon & Dey, 2011; SVA, 2012). From a qualitative perspective, concepts such as the balanced scorecard (Kaplan & Norton, 1992), dashboard (Paton, 2003), and universal performance dashboard (Frumkin in De Bruin & Stangl, 2011) have been promoted as tools to evaluate performance and communicate social legitimacy. Questions have been raised, however, regarding whether these tools are more suited to performance measurement or management (Marr and Schuima, 2003), given the tailored, individualistic, and rarely comparative measures employed (Nicholls, 2009).

From a quantitative perspective, concepts such as SROI, social accounting and audit, social return ratio, and socio-economic value are part of a social accounting language being promoted to more ‘effectively’ evaluate and measure blended value creation in the third sector. A summary of these quantitative terms and the associated calculations is presented in Table I. Among these, SROI has become one of the most prominent measures, gaining support from Government in the United Kingdom and Scotland (Gibbon and Dey, 2011), and being called on for support by Governments in other countries such as Australia (Productivity Commission, 2010).

[insert Table I here]

Referred to as ‘a simple financial assessment of socio-economic value’ (Emerson and Cabaj, 2000, p. 11), SROI applies accounting principles to a stakeholder approach (SVA, 2012). In quantitative terms, SROI compares the net benefits of a project to the investment required, similar to the return on investment (ROI)² measure adopted in accounting. For the purposes of calculating SROI, Emerson and Cabaj (2000) refer to net benefits as two forms of ‘cash flow’: net income (profit) and net ‘savings’ (government savings such as reduced welfare spending, additional tax revenue), less any donated funds. Calculating estimates over a period of time (e.g. five years), returns are then reduced to present values and compared to the funds invested to calculate SROI.

There are several issues which arise, however, in relation to this calculation. First, net income is based on revenues and expenses typically (and more meaningfully) recorded under accrual accounting, and as such, is not a cash flow (IASB, 2011). Second, not all benefits can be meaningfully quantified (Arvidson et al., 2010). Hence, Gibbon and Dey’s (2011) concern

² ROI = profit / investment cost

that SROI results in reductive rather than summative information; a loss of value through lack of meaningful measurement. A further issue is the variation within the approach or formulae used to calculate SROI, and the inherent variation between calculations of SROI for individual organisations, such that SROI is not a comparable measure across organisations (Nicholls et al., 2012; SVA, 2012). Further methodological concerns relate to the bias inherent in different stakeholder perceptions (Arvidson et al., 2010), such that different amounts of social value within these calculations would likely be derived from different stakeholder perspectives.

Methodological issues and terminology aside, the nature and underlying principles of SROI also raise concerns. Essentially, calculations such as SROI are a monetisation of the social benefits and costs relative to the financial costs (or inputs in financial terms); ‘the net present value of non-market impacts in dollar terms’ (Lingane & Olsen, 2004, p. 119). While actual costs and opportunity costs are commonly factored in to these calculations, the mission-driven nature of social enterprises, with a predominantly social purpose, raises the question of *‘whether a dollar value is always appropriate?’* Arguably for some benefits, a monetary value can be identified (e.g. unemployment benefits no longer payable for someone who has re-entered the workforce), yet for other benefits (e.g. social inclusion, a sense of belonging) assigning a monetary value seems arbitrary based on assumptions and approximations, and is thus potentially misleading (Gibbon and Dey, 2011). As noted by Emerson and Cabaj (2000, p. 11), ‘no measure of socio-economic value can hope to be comprehensive in its quantification of benefits’. Further, for any measure to evaluate performance, and thus organisational legitimacy, the legitimacy of the measure must be established.

Limitations regarding the decision-usefulness and relevance of measures such as SROI suggest they have minimal pragmatic or cognitive legitimacy in evaluating performance (Suchman, 1995). Paradoxically, however, the promotion of such measures as sophisticated tools by some third sector funders and consultants, affords pragmatic legitimacy where such calculations are required in order to satisfy funding expectations or requirements (Richardson & Dowling, 1986). This suggests a risk of coercive isomorphism (Di Maggio & Powell, 1986) via expectations such tools are adopted by more sophisticated (or better resourced) social enterprises in order to gain acceptance or legitimacy (and funding). Further, there is a risk of mimetic or normative isomorphism if the use of these tools is replicated and thus recognised as accepted practice within the sector (Richardson & Dowling, 1986). Hence the perceived legitimacy of social enterprises adopting such measures risks overshadowing the legitimacy of the measures themselves.

While measures such as SROI may be used to establish organisational legitimacy, typically the communication of these measures is directed to more powerful stakeholders such as funders (Mitchell, Agle and Wood, 1997). Although securing funding is an important task within social enterprise, ultimately the organisation's social legitimacy or worth depends on the value to its less powerful, more dependent, and equally legitimate stakeholders; such as beneficiaries and the wider community. Thus, allocation of scarce resources for measurement purposes such as SROI (recognised as a resource intensive process) for a select stakeholder group raises further concerns regarding the effective use of resources in a resource limited context.

This issue is particularly important given social enterprise is an emergent pre-paradigmatic field (Nicholls, 2010) and institutional uncertainty typically encourages imitation (Di Maggio

& Powell, 1983). Further, as a sector largely influenced by government (in terms of funding and regulatory frameworks), with at times goal ambiguity, and a growing tendency towards more formalised structures and operations; the potential for isomorphic change within the sector is clear (DiMaggio & Powell, 1983). As such, a considered, systematic, and appropriate approach to performance evaluation is essential to establish a decision-useful process within the sector. As noted by Suchman (1995), organisations should be judged based on what they accomplish and in order to evaluate performance, accounts must be consistent with the experienced reality of the organisation. Further, reporting must be presented in a meaningful, structured way, providing a basis for comparison (Suchman, 1995).

It is important to note the limitations identified above are relevant but not unique to SROI. Various measures of socio-economic value that seek to comprehensively quantify social benefits and costs are subject to similar concerns; a methodology Frumkin (in De Bruin & Stangl, 2011) refers to as a ‘fantasy’. It also important to note, that SROI evaluations provide both qualitative and quantitative information. As highlighted by Arvidson et al. (2010), however, the calculation of SROI tends to be a distinctive and dominating aspect of the SROI analysis, to the detriment of other relevant information.

Ebrahim (in Hanna 2010, p.12) contends ‘what you should measure is contingent on what you’re trying to achieve’. Hence, for social enterprises, identification and (where relevant) measurement of social outcomes is central to providing decision-useful information. Further, in the context of third sector organisations such as social enterprises, the resource intensive process of calculating measures such as SROI is perhaps inappropriate. Availability of data (Gibbon and Dey, 2011), and limited human and financial resources (SVA, 2012), are openly

acknowledged as common obstacles to undertaking such calculations. While calls have been made for improved availability of information on outputs and impacts from the third sector (Productivity Commission, 2010), Arvidson et al. (2010) acknowledge the significant cost in undertaking assessments such as SROI. Wood and Leighton (2010) note the majority of organisations within the sector are not 'SROI ready'. Ebrahim (in Hanna 2010) questions the trade-off in terms of the best use of scarce resources. Hence a further issue to consider is whether allocating scarce resources to calculations such as SROI (at the expense of core social business operations) is justifiable. In simple economic terms, does the benefit outweigh the cost?

2.4 Alternative approaches and measures

In considering alternatives, it is useful to return to the principles on which measures such as SROI are based: (1) performance evaluation linked to mission and stakeholders, and (2) accounting principles (Arvidson et al., 2010). As noted previously, the measurement of performance in the third sector, similar to performance measurement in other sectors, is dependent on what the organisation aims to achieve, as set out in its mission and objectives, and communicated to stakeholders (Clarkson, 1995). While accounting measures such as ROI are well established, more recent developments within accounting have focused less on accounting measures and more on stakeholders' needs and expectations. Atkinson et al. (1997) emphasise the importance of a stakeholder approach to strategic performance measurement, which centres on strategic planning issues rather than accounting calculations. Promoted as a more integrated, comprehensive approach, it considers the modern organisation as a web of explicit and implicit contracts; relationships which are defined by how they contribute to the organisation's mission. This approach encourages potentially inconsistent objectives to be reconciled through a process of prioritisation, and evaluates performance

based on the objectives of the organisation in terms (financial or non-financial) that are most appropriate. According to Eccles (1991), this approach to evaluation, linked to strategy rather than proxy measures, is what guides organisations to long-term success, and is consistent with other accounting and management tools such as the balanced scorecard (Kaplan and Norton, 1992), which consider accounting and non-accounting values in the context of management priorities. Hence, approaches to performance evaluation which effectively capture both financial and social dimensions serve to evaluate organisational legitimacy from dual perspectives.

Returning to accounting principles on which SROI is based, arguably fundamental accounting concepts such as measurement and a true and fair view of an organisation's (financial) performance and position have been overlooked. With respect to measurement, the Framework for the Preparation and Presentation of Financial Statements (IASB, 2010) provides that items should be recognised (recorded in financial terms) provided they can be measured reliably. In this context, the term 'reliably' refers to being free from material error and bias; a faithful representation. Where items cannot be measured reliably, disclosure (in the form of notes) is considered appropriate to communicate the information in descriptive terms (e.g. words and numbers where appropriate), rather than mis-communicate the information in recognised or recorded numbers based on assumptions, approximations, and estimates. This is an important conceptual distinction which measurements such as SROI could easily adopt, and highlights issues of transparency and materiality which are often implicit rather than explicit in SROI calculations.

Arguably, performance calculations would be more valuable if restricted to clearly identifiable and reliably measurable costs and benefits (e.g. determined under social

accounting principles which adopt a level of rigour from established and accepted financial accounting principles), based on costs and benefits that have been realised, and are attributable to a particular accounting period (IASB, 2011). Such calculations would then be comparable across organisations and over time. This approach is compatible with a cost-benefit framework which considers opportunity costs (e.g. unemployment benefits no longer required for individuals who have rejoined the workforce), but does not extend to more abstract concepts of costs and benefits which cannot be measured or matched to the relevant period (Arvidson et al., 2010). This distinction is important in terms of external reporting, where abstract projections (inherent to SROI) have limited information value compared to actual outcomes; but does not prevent information being disclosed in note form, or included in calculated projections being undertaken for internal reporting and evaluation purposes.

2.5 Levels of analysis

A final issue in relation to communicating measures of value (i.e. meaning) for external reporting involves analysis at different levels, given this issue has not been considered in previous social enterprise measurement approaches (*cf.* Emerson & Cabaj, 2000). While this concept is not embedded in financial accounting principles, it has been applied in various contexts (Clarkson, 1995; Davidsson and Wiklund, 2001) to provide meaningful information on outcomes and impacts, particularly for activity with commercial and social dimensions. Performance in general and social performance in particular has been explored on multiple levels including individuals, organisations, and institutions (Clarkson, 1995). A multi-level approach provides the opportunity to comprehensively and systematically explore social outcomes and impacts, and can easily be applied to third sector organisations. While some benefits may extend to more than one level of analysis, the process of identification introduces rigour lacking from alternative measurement processes (Arvidson et al., 2010)

which involve assigning approximate values for outcomes and impacts in future periods which have not yet been realised.

This approach reinforces the notion of social enterprise as typically an organisational level activity, with micro (individual or organisational), meso (community or regional), and macro (society or national) implications (*cf.* Luke, Verreynne & Kearins, 2007 in the context of entrepreneurship). For example, a social enterprise's operations and growth may result in increased employment within the organisation presenting opportunities for individuals, but may have adverse implications (competition, loss of market share, profits, and job redundancies) for other competing organisations. Hence, it is important to undertake a holistic view, identifying outcomes (both positive and negative), in order to more effectively evaluate performance and impacts.

In summary, attempts to comprehensively measure performance in the context of the third sector have been hampered by institutional complexity (e.g. the broad scope of social enterprises, dual objectives, and diverse range of financial and non-financial inputs, outputs and outcomes). Further, various tools such as SROI which attempt to provide a comprehensive, sophisticated measure of performance are based on implicit assumptions, inconsistencies, and contradictions, suggesting their role is limited to symbolic rather than cognitive legitimacy (Suchman, 1995). The benefits of documenting outcomes and the availability of periodic, comparable data are acknowledged. However, the limited resources of social enterprises, many of which are small to medium sized, also highlights the importance of identifying a manageable and pragmatic approach to performance evaluation and measurement. Further, the value of this process relies on developing legitimate and effective measures. Thus, a legitimacy theory lens highlights the importance not only of

measurement as legitimacy but also examining the legitimacy of measures; exploring both the symbolic and substantive dimensions of legitimacy (Richardson, 1985; Richardson & Dowling, 1986).

3 Methodology

Upon reviewing the literature on performance measures in the third sector, this study examined three social enterprises in terms of how they evaluate performance. Taking an interpretivist approach (Putnam, 1983), the research aimed to explore and delineate performance evaluation from the practitioners' perspective, identifying and translating what types of outcomes and impacts were valued (i.e. measured, monitored, and/or considered important) among the three social enterprises, to represent and compare performance evaluation across the case study organisations. Exploratory case studies were developed (Yin, 2003) based on interviews with social enterprise managers, observation during the interview process, and review of (limited) publicly available documents (e.g. websites) relating to each social enterprise. This range of data sources, and the individual and collective analysis amongst the three researchers (with backgrounds in accounting, sociology, and anthropology), provided the opportunity to explore a range of differentiated realities (Llewellyn, 2007) through the eyes of the participants and the researchers.

Interviews provided the opportunity to explore the history and background detail on each social enterprise, as well as its operating environment, developments and achievements, opportunities and challenges, evaluation and measurement of performance. Specifically, interviews uncovered the nature of the benefits generated, and the different groups of stakeholders to whom these benefits related. Initial interviews were conducted in person in June 2011 by all three researchers at either the offices of the social enterprise, or a place

convenient to them (given two of the social enterprises did not have formal offices). Interviews were semi-structured, lasting approximately 1.25 - 2 hours each. Discussion was shaped by a comprehensive schedule of questions relating to each social enterprise's history, developments, funding, activities, outcomes, and plans for the future (see Appendix A for a summary of the interview protocol).

3.1 Case study setting and organisations

Interviews were conducted with the sole operator of Produce to the People Tasmania (PTTP) (the smallest of the three social enterprises), three committee members of the Bloomin' Tulips Festival (BTF) (a medium sized social enterprise), and two senior managers of Devonfield Enterprises (DE) (the largest of the three social enterprises); each of which were located in North West Tasmania. Despite the Australian economy being recognised for its strength on an international platform in recent years, challenges in rural regions such as North West Tasmania remain. These challenges include finding a balance between an established mining industry and environmental conservation³, unemployment rates which exceed the national average, and a general perception within the region of social and economic disadvantage compared to mainland Australia due to an aging population, and relatively low income and skills levels (RDA Tasmania, 2010). Against this background, three social enterprises at different life-cycle stages with different funding structures were selected as case studies for detailed examination. Collectively, the three social enterprises selected represent activities with different missions, in different industries and markets. The underpinning commonality, however, is that each enterprise was established for a clear social purpose, in response to unmet needs identified in the local community. A brief overview of each social enterprise follows.

³ Approximately 20% of Tasmania is National Heritage listed.

Produce to the People Tasmania

PTTP started in early 2009, in the North West town of Burnie. Inspired by an excess of tomatoes in founder Penelope Dodd's backyard, she looked at ways spare produce could be allocated to those in need. A growing (re-)distribution channel resulted, initially covering three areas in the North West Tasmania region. Members of the community, including small and large businesses, gradually became involved, donating excess produce at designated locations. The program created opportunities for those in need to receive material assistance, 'food for thought' for those in a position to give assistance, and an appreciation of community spirit for both. As PTTP grew, it expanded both the scope and reach of its activities, working with other non-profit agencies and local businesses to co-ordinate food collection (made available at universities, youth, drug, and alcohol shelters; government assistance agencies, cafes, community houses, and banks), developing health and education promotion activities such as cooking lessons to support people's use of the available food, providing work experience opportunities for local people through an employment services program, and introducing snack gardens into local schools. As an early-stage social enterprise, PTTP relied heavily on grant funding, with time allocated between social objectives and funding applications to secure PTTP's ongoing operations.

Bloomin' Tulips Festival

BTF started in the early 1990s, for the purposes of building a community event around a local tulip farm in bloom each spring. A local weekend market was subsequently introduced to help fund the festival, and gradually became an important community event itself. The benefits of the two initiatives from a social perspective include bringing the community together, and ensuring community spirit and a sense of volunteering are passed on to the next generation.

Economic benefits include increased trade and tourism, with an estimated 15,000 people attending the festival each year, including local and interstate visitors. Challenges regarding growth resulted in management being passed to the local council in order to facilitate managed growth in the future. BTF was partly funded by revenue (stallholder fees) from the weekend markets and relied on local council to subsidise the festival.

Devonfield Enterprises

DE began in the late 1950s, providing services to people with disabilities. Through training and support, DE's programs involve helping people with disabilities or experiencing disadvantage develop skills to live and work in the community. By 2011, the scope of DE's operations included commercial businesses in gardening, catering, forestry, hospitality, administration, accommodation services, and training; and it employed approximately 150 people within these businesses. Benefits from DE's operations extended to the individual clients, the local community, and the regional economy through business supply chains. Benefits also extended to other regions as DE expanded the reach of its services and shared its expertise with other social businesses. DE had established profitable operations, providing the flexibility to invest in new projects and programs. While not all projects were profitable (particularly those in the early stages), DE was confident the projects they pursued would be financially profitable in the longer-term.

Examining dimensions of performance considered important from an internal perspective – based on interviews with management – provided valuable insights into social enterprises' priorities and needs. Interviews involved open-ended, stem-probe questions, regarding the operations, roles, outcomes, and impacts of each social enterprise. Interview recordings were transcribed and coding of more than 80 pages of transcripts was then undertaken in two

phases: manually, and later with the use of NVivo, facilitating deconstruction of the data whilst also providing the opportunity for a holistic analysis. Data categorisation and thematic analysis was an iterative process which resulted in a number of themes emerging.

Analysis of publicly available secondary data was limited, given one of the three social enterprises did not have their own website in 2010, and the other two social enterprises had websites with limited information. However, representation of the social enterprises on other websites, and documentation (e.g. grant reports, industry presentations) prepared for external stakeholders provided insights into the nature of performance related information (outcomes, achievements) communicated by the social enterprises. Further, the lack of detail provided insights regarding resource availability (and constraints) (Arvidson et al., 2010). A comparison of interview transcripts and secondary data analysis revealed a number of findings in relation to financial and social performance evaluation, and are detailed in the following section.

4 Findings: Performance evaluation in practice

Consistent with the dual objectives of social enterprises, managing financial and social performance, this section examines performance evaluation within the three social enterprises with respect to each objective. With respect to social performance, we consider findings from three levels of analysis: micro (individual and organisational), meso (community and regional), and macro (society and national), to evaluate performance across these levels. Last, we examine how performance is recorded and reported by the social enterprises to external stakeholders.

4.1 Financial performance

Within each of the social enterprises, findings on financial performance reinforce a priority on the availability of continued funding (either generated internally or sourced externally), rather than profits, by social enterprise management. While this may have been a reflection of life-cycle stage for PTTP (the small social enterprise which had been operating for less than five years), even DE, the large and mature social enterprise expressed little concern regarding projects' financial outcomes, particularly in the short-term.

For PTTP, for example, significant time and effort was allocated to applying for funding, which was often short-term in nature. As an operation based on non-cash transactions, grants and donations were an essential source of funding on which the enterprise depended. Without this assistance, continued operations (much of which was supported by donated time) were threatened.

It's a full time job but I only get two and a half day's funding. If I actually put in a timesheet for all the work I did and then costed it out, then no – it wouldn't break even because I only get funded for half of what I do (PTTP management, June 2011).

Uncertainty regarding continued funding raised questions around the longevity and perceived legitimacy of the enterprise from an internal and external perspective.

Maybe it's just a really nice idea...that everyone really likes and loves but at the end of the day nobody loves it enough except me to kind of keep it going (PTTP management, June 2011).

Following the interview, however, PTTP received confirmation from the State Government of funding for a further two years. This financial support was viewed internally as a highly successful outcome for PTTP, confirming its perceived legitimacy as a 'valued' enterprise by external funders, and enabling continued operations.

In relation to DE, a mature social enterprise which had established profitable operations, security through self-funding provided flexibility within the organisation to expand its programs, and pursue new projects which may not be commercially viable in the short-term.

We don't look at the bottom line, but obviously you've got to survive...Over time the dollars will come. We're convinced of that.

We...make sure that we do not lose sight of what we're here for; that is to provide services in response to the need. Sure we need to make money to survive, but that [service is] what we're here for (DE management, June 2011).

Hence financial independence of the organisation meant support for projects relied only on legitimacy from an internal perspective, satisfying management. Similarly, for BTF, the emphasis from a financial perspective was ensuring the availability of funding (a combination of internally generated revenue and local council subsidisation) to continue the social ventures. Thus, BTF's survival as a social enterprise relied largely on the external perceptions of a single stakeholder (the local council). As such, for all three social enterprises, financial security through ongoing funding (generated internally or granted externally) was the fundamental financial priority. Further, there was no perceived loss of value or organisational legitimacy by social enterprise management through reliance on external grants or donated funds, but rather a sense of satisfaction that the work undertaken was valued (considered important) and perceived as worthy by funders.

4.2 Social performance

With respect to social performance, a range of outcomes and implications was identified by the three social enterprises. These included developing and reinforcing a sense of community, creating community capacity and identity, 'giving back', facilitating social inclusion, developing the economy through local supply chains, and giving people with

disabilities the skills and opportunity to be integrated into the community and live rewarding and independent lives.

With respect to PTTP for example, outcomes included collecting and redistributing otherwise unused produce, ensuring food security; with impacts of reducing waste, nourishing community spirit, and educating children about gardening and nutrition.

You hear stories of ‘the cauliflowers were too creamy in colour so the supermarket wouldn’t take them’...so that’s kind of what it’s about. Capturing that waste...but also building community capacity involvement where it makes people feel good because they’re helping each other out...I’ve got a real bee in my bonnet about communities looking after each other, because I don’t think we do...

One of the local schools heard about PTTP and wondered if they could get access to the vegetables we were collecting because they were saying a lot of the kids were coming to school without any breakfast. I decided wouldn’t it be a great idea if we could put a snack garden in so the kids could actually grow snack foods (PTTP management, June 2011).

Comments from BTF committee members revealed outcomes such as creating an identity while giving back to the community, increased trade and tourism, and educating the next generation about the importance of volunteering.

It puts us on the map a little bit... It’s [the community’s] day and they feel that...that the Council cares for the people of this municipality. It’s something that the people feel good about.

It’s almost like succession planning for lifelong learning...an engagement of young people...to get them to become involved as volunteers. Not just in the festival, but in the broader context (BTF management, June 2011).

Similarly, discussions with management of DE revealed outcomes such as establishing profitable businesses which helped to develop the regional economy through local supply chains, assisting people in need to lead independent and rewarding lives. These outcomes were facilitated through a two-way exchange with the community where DE both received and gave support.

We've opened up a lot of services now for a whole range of [people with] disabilities...We're one of, if not the very first organisation, that developed what we called a community living program...The community supports us and we strive to support the local community. We spend a lot of dollars in the local community.

We are seeing the personal growth of the individuals...some fantastic comments from their families...and not just their families but the wider [community] can see the development in the sons and daughters of that community (DE management, June 2011).

In each case, the achievement of these goals resulted in a sense of organisational legitimacy; satisfaction through fulfilment of social objectives. Further, social enterprise management within each organisation were aware of the extent of social impact at a micro (individual or organisational), meso (community or region), and macro (national or society) level. In the case of PTTP for example, micro level impacts included reconnecting with the disadvantaged in the community. Meso level impacts included capturing waste, and macro level impacts included integrating social projects in training and employment programs. While these outcomes were not always articulated in terms of micro, meso, and macro level impacts, comments by interviewees indicated an awareness of the extended impacts, and direct and indirect outcomes from each social enterprise. A summary of the range of outcomes and impacts from the three social enterprises is detailed in Table II, identifying the nature of the implications (e.g. social and financial), and the relevant level(s) of analysis. As detailed in Table II, while some implications maybe social in nature, they also have financial implications. None, however, were referred to in monetary values by the interviewees. Similarly, benefits may extend beyond one level of analysis, as indicated below.

It's not just for the person; it's for the family, it's for the [Government department], the wider people that support us. This person is now off [Government benefits]. It's a ripple effect (DE management, June 2011).

[insert Table II here]

4.3 Recording and reporting value

While each of the three social enterprises acknowledged the importance of documenting and recording outcomes and impacts, the two smaller social enterprises noted they had not yet done this due to resource constraints (e.g. lack of time and human resources). Both, however, referred to anecdotal evidence regarding outcomes and impact.

The feedback that you get is just amazing...I've heard quite a lot of anecdotal comments about people coming to the festival and deciding to buy or live here (BTF management, June 2011).

The only measurement recorded by BTF was the number of festival attendees (estimated to be 15,000 people per annum). Thus, organisational legitimacy was reinforced not by formal measurement of outputs, but by the social impacts referred to in non-monetary terms, extending to individuals and the wider community. Informal feedback channels included commentary in the local paper and comments from locals after the festival. While surveys were conducted to obtain more comprehensive feedback, data and results had not yet been collated and analysed, again due to lack of resources. With the appointment of a project officer, however, more formalised feedback and analysis was planned.

Similarly, PTTP's records were minimal, and involved primarily non-financial data. Performance related measures in PTTP's grant report for example, referred to volume of food distributed (up to 3,300kgs per month), geographic range of collection and distribution (five towns within the North West region), number of partnerships developed, number of people accessing the food per week (approximately 500), and number of followers on social media (approximately 800). PTTP also received feedback informally (e.g. community feedback, government departments commenting on the changed, markedly improved, demeanour of people waiting for assistance, when donated produce was available), and hoped to introduce processes to obtain systematic feedback in the future.

In relation to DE, external communication at an industry conference reinforced the importance of non-financial measures, with detail regarding the number of DE's employees with disabilities (91), number of services provided to people with a disability (225), number of trainees completing training and placed in mainstream employment (43), range of accredited training programs provided (11), and awards received (6), reinforcing external legitimacy.

With respect to formally valuing or measuring the costs and benefits associated with each social enterprise, there was a level of awareness regarding this issue, but no formal evaluation such as SROI was reported to have been completed. Again, this was in part due to lack of resources for two of the three social enterprises, but also due to ambiguity regarding the values involved (e.g. determining the 'value' of volunteer labour), and a sense that a dollar value could not appropriately account for the value created.

Council does understand that things must be done for the community, [but] I don't think much value has been placed on the festival [by them]...There have been suggestions that a neighbouring council take it over from one of our Councillors. I think they felt the financial support or subsidisation of the festival was too great, because they don't value what the festival is (BTF management, June 2011).

Even for the larger social enterprise where profit for each business unit was monitored, the outcomes emphasised were those of a social nature, expressed in qualitative terms.

The lives that are changed through this program are unreal (DE management, June 2011).

For PTP, quantitative data required for grant applications helped to highlight the extent of the program's cost, and the contributions of the volunteers. Concerns were expressed, however, that costings or values for some inputs (e.g. volunteer labour) were unclear. Despite this uncertainty, ultimately there was a sense the enterprise was valued (i.e. appreciated), as funding and public support continued, reinforcing its social legitimacy.

5 Discussion

Drawing from the findings, several issues emerge with respect to the diverse range of objectives relevant to the different social enterprises, the close relationship between the social and financial dimensions of their operations, and the identification of value across various levels of analysis; each of which is considered below.

The broad range of outcomes and impacts, much of which cannot be meaningfully measured or quantified in monetary terms, highlights that an evaluation of performance should not necessarily be reduced to quantifiable values, but valued (considered important) for what it represents. Even within a profitable or surplus-generating organisation such as DE, the ‘returns’ that were prioritised focused firmly on the personal development within the individual (with implications at other levels of analysis), and no attempt was made to ‘devalue’ that benefit by symbolically quantifying it. Similarly, for PTTP, the ‘value’ created through the social enterprise’s operations was not considered to be something which could be meaningfully quantified. Rather, ‘legitimised’ performance was evaluated and communicated in non-financial terms considered relevant to the performance outcomes.

In each of the three cases financial objectives and performance remained a means to a social end. Thus, while the social enterprises balanced dual objectives (Emerson & Twersky, 1996), organisational legitimacy was perceived by the social enterprise management primarily through social performance, with financial performance (particularly through profitable operations) being a secondary factor. Further, if financial performance had taken precedence due to mission drift, from an internal perspective organisational legitimacy would have been compromised.

...whilst [various]... aspects of our operation are [financially] successful, we always continue to come back and make sure that we do not lose sight of what we here for (DE management, June 2011).

It's not so much about the volume of produce that we're collecting. It's actually the community spirit that's brought about (PTTP management, June 2011).

In contrast, calculation of the SROI ratio does not place a value on change such as increased quality of life and community spirit (Arvidson et al., 2010), risking devaluation of these outcomes or changed priorities if an organisation's performance objectives are governed by returns such as SROI.

The issues identified by each social enterprise in relation to measuring various inputs and impacts highlights the challenge inherent to undertaking a calculation such as SROI where all inputs, outcomes, and impacts need to be expressed in monetary terms to arrive at a single figure for performance. Further, a complete performance evaluation would need to consider the relevant objectives of the enterprise, which were clear within the cases, but could be overlooked within a calculation where 'success' is recognised as benefits exceeding costs even though social objectives may remain unmet (Arvidson et al., 2010).

Regarding the close relationship between the financial and social outcomes and impacts, there is clearly a risk that if what gets measured gets done (Osborne and Gaebler, 1992), favours the identification of financial impacts or those which can be monetised, then social impacts (which are less likely to be monetised accurately or valued in relevant and reliable terms) may inadvertently be 'devalued'. This issue is particularly relevant for social enterprises that rely on donated inputs (e.g. goods, services, time), and have outputs which are difficult to measure in monetary terms. In the three social enterprises examined, the priorities of each lay not in calculations, but in a passion for pursuing social causes to create positive social change, reinforcing organisational legitimacy from an internal and external perspective.

In relation to the quantitative measures required by external stakeholders, PTTP (the smallest of the three social enterprises, and largely reliant on grant funding), noted a need to provide budget calculations in order to comply with grant funders' requirements. While these calculations did not extend to SROI (and were acknowledged as time-consuming but informative from an internal management perspective), they represent an example of coercive (albeit constructive) isomorphism (Di Maggio & Powell, 1983). Yet, if those requirements subsequently extend to calculations such as SROI, there is a risk that social projects may be inappropriately valued and may not proceed.

A final issue from the cases is the identification of value across various levels of analysis, such that achievements at the individual level (for example) flow on to broader social and financial benefits impacting on the community, region, and economy. Hence, just as it is important to identify the social and financial dimensions of performance, it is also important to acknowledge the extent of impact. Of note from the findings was that each of the three social enterprises seemed aware of the benefits being created at different levels of analysis, but seemed to emphasise the importance of the local community in terms of being a necessary component of 'inputs', and an important beneficiary in terms of outcomes and impact. While this may be attributable to the regional location of the social enterprises, it highlights the potential value of regions (an input which also has no formal value under SROI) to addressing social challenges and the associated financial implications at broader levels of analysis.

6 Conclusion

In concluding, we return to the concerns previously raised in this paper:

1. How can social enterprises' performance be effectively evaluated? From a practitioner's perspective, what measures matter?

2. Why might undue emphasis on financial measures be misleading?
3. Is a dollar value always appropriate in evaluating performance?

Findings from the three cases reinforce the lack of formal documentation regarding returns, and thus documenting, rather than measuring outcomes and impacts in financial terms is an important first step. Emerson and Cabaj (2000) acknowledge that many returns go undocumented and as such are largely under-appreciated by practitioners, funders, and policy-makers. This process is valuable for both internal and external stakeholder communication, and an important priority within the third sector to address concerns raised regarding the lack of meaningful information available to assess organisational legitimacy through performance (Productivity Commission, 2010). This form of evaluation was acknowledged by all three social enterprises as useful to their operations, yet two of the three social enterprises noted they had not secured resources to systematically address this issue. As noted by Eccles (1991), enhanced competitiveness depends on strategic reflection, and reflection and evaluation in this form seems far more viable for small to medium sized enterprises with limited resources in order to begin to evaluate organisational legitimacy through performance outcomes.

Given the diversity of the social enterprises linked by a common goal of social objectives, it is perhaps not surprising that a single measure could not capture value across the three cases. Of note, however is the recurring theme of building or reinforcing a sense of community; something which is extremely difficult to place a value on. Hence in relation to the second and third questions, forcing a valuation on this impact for the sake of measurement is misleading and inconsistent with the basic principles of accounting. Clearly a dollar value is not always appropriate, particularly for some of the most important impacts identified in the cases. Thus, to appreciate and evaluate the legitimacy of social enterprise, identification and

evaluation of actual outputs and impacts is required reinforcing cognitive legitimacy to a broader range of stakeholders, rather than evaluation processes limited to symbolic legitimacy for a select group of stakeholders.

In view of the alternative approach of documenting outcomes and impacts as a first step, and then progressing to social accounting as a second step based on realised benefits and costs (including opportunity costs) which can be measured reliably and allocated to a specific accounting period, we argue there is no need to adopt 'calculated' values such as SROI. As noted above, this type of calculation will not capture the full value created (just as profit calculations do not capture the full value created by private sector organisations), but can be supplemented by disclosure of relevant social information, provide a basis for comparison between enterprises, and potentially provide a more decision-relevant and understandable tool for evaluation.

Processes such as this can be highly valuable for both internal and external stakeholders if used to reflect upon and refine strategy (e.g. identifying opportunities for revenue streams as an alternative to relying on donations and grants). SROI is considered to be at an evolutionary stage (Arvidson et al., 2010), and we hope the issues identified here can promote change for the better. As noted by Arvidson et al. (2010) a credible management tool needs both practice-based and academic scrutiny. While this study is based on only three social enterprises, it provides valuable insights into current practice (achievements and needs), and a basis for comparison with academic literature on performance measurement within the third sector. The need to demonstrate achievement and value (worth) (Nicholls et al., 2012) is acknowledged, but identifying and *where appropriate* measuring value through meaningful

processes which encompass cognitive legitimacy, should take precedence over simply valuing measures.

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Table 1 **Quantitative measures of social performance**

Measures	Details
Social return ratio (SRR) (Emerson and Cabaj, 2000)	<ul style="list-style-type: none"> net social benefits and business cash flow / philanthropic dollars invested
Social return on investment (SROI) (Emerson and Cabaj, 2000)	<ul style="list-style-type: none"> project's net benefits compared to the investment required
Social accounting and audit	<ul style="list-style-type: none"> externally audited report of social value created
Socio-economic value (Emerson and Cabaj, 2000)	<ul style="list-style-type: none"> income + net savings – grants/donations, calculated as present values
SROI rate (Emerson & Cabaj, 2000) (Social Ventures Australia, 2012)	<ul style="list-style-type: none"> internal rate of return calculation based on total socio-economic value compared to total 'costs'
Social bottom line	<ul style="list-style-type: none"> net social benefit from business operations
AtKisson Compass assessment for investors	<ul style="list-style-type: none"> evaluates social and environmental impacts in four areas linked to corporate social responsibility (nature, society, environment, wellbeing), together with 'Synergy' between these areas
Social impact (via the impact value chain) (Clark, Rosenzweig, Long, and Olsen (2003)	<ul style="list-style-type: none"> social outcomes – changes that would have otherwise occurred
Impact reporting and investment standards (IRIS) (Global social venture competition, 2012)	<ul style="list-style-type: none"> metrics developed for a range of sectors
Economic rate of return (World Bank International Finance Corporation, 2012)	<ul style="list-style-type: none"> based on an internal rate of return calculation where future benefits are calculated and discounted to present value equivalents investments are compared to returns, to calculate a percentage return from the project

Table 2 Social and financial outcomes and impacts at different levels of analysis

Social ent'prise	Outcome/impact	Soc /Fin	Level of analysis
PTTP	<p>Outcome</p> <ul style="list-style-type: none"> Reconnecting and actively including those who are disadvantaged or marginalised Capture waste (of unused produce) Build community capacity through involvement Encouraging giving Intrinsic value through helping others Integrating social projects in training and employment programs Educating children about gardening, healthy eating, and active lifestyles Developing cooking classes <p>Impact</p> <ul style="list-style-type: none"> Environmental benefit through decreased waste Better connected community; nourished community spirit Inclusion through participation in training and employment Changed demeanour of people waiting in government agencies 	<p>S S S S S S S, F* S</p> <p>S S S, F* S</p>	<p>I C C I, C I I, C I, C, N* I, C</p> <p>C C I I</p>
BTF	<p>Outcome</p> <ul style="list-style-type: none"> Venue for exchanging goods and buying products, opportunity to connect, Social forum for visitor to meet and connect Develop relationships with local, community, and state organisations Enhanced profile of the region and the state Revenue from markets represents valuable source of funding for festival Teaching future generations about the importance of volunteering, life lessons Enhanced local trade and tourism <p>Impact</p> <ul style="list-style-type: none"> Economic stimulus for the town Reinforcing a sense of community Fostering a sense of giving and belonging within the community (although some saw it as a net cost to Council, contributing approximately \$30,000 - \$35,000 p.a.) Intrinsic benefits from the value of volunteering Conflict/lack of support from some local business owners, due to perceived negative impact on their trading 	<p>F S S, F* S, F* F S, F* F</p> <p>F S S (F) S (F)</p>	<p>I, C I, C C, N C C I, C C</p> <p>C C I, C I, C I</p>
DE	<p>Outcome</p> <ul style="list-style-type: none"> Establishing a school for disadvantaged children (subsequently managed by the State Education Department) Provision of a local facility for family and parents of children with disabilities Training to assist people with disabilities transition into open employment Mentoring for both life and work skills through gradual change ; Public identity of organisation focusing on commercial services provided versus underlying social cause Organisational success through financially sustainable operations <p>Impacts</p> <ul style="list-style-type: none"> Facilitating social inclusion for long-term unemployed, indigenous, school leavers, those not engaging with the community Organisational learning shared with other social ventures, locally, nationally and internationally Helping people to be integrated into the community, living independent and rewarding lives Providing people with the confidence to build career pathways Intrinsic reward through success of individuals and the organisation Self development, increased self esteem and confidence, creating a ripple effect for individuals, families, the community Profitable self-funding businesses contributing to the local economy through taxes, local supply chains Strengthening the community through a two way exchange of support Networking and relationships with other organisations Opportunity costs (e.g. social welfare) forgone, through training and employment Competing with other local businesses 	<p>S, F* S S, F* S, F* F, S*</p> <p>F</p> <p>S, F* S S, F* S, F* S S, F* F, S* S, F S, F* F* (F)</p>	<p>I, C, N I I, C I C</p> <p>C</p> <p>I C, N I, C I I, C I, C I, C C C N I</p>

Key

S: social

F: financial

* indirect impact

() negative impact

I: individual or organisational (micro level)

C: community or region (meso level)

N: national or society (macro level)

Appendix A: Interview Protocol

1. Background on social enterprise's operations

Based on publicly available information (e.g. *annual report*), it seems your enterprise's main focus is ...(add brief detail)

- a. Can you give me an overview of the purpose and nature of the business?
- b. What is the organisation's mission?
- c. When was the enterprise established?
- d. How did the specific idea come about [prompts: How was the mission of the enterprise established? How was the nature of the goods and/or services you trade in decided?]
- e. When developing the enterprise, was there a deliberate strategic objective determined in advance, or an opportunity identified at a particular time?
- f. Who proposed the idea?
- g. How did it come to be established (i.e. funding sources/approval requirements/assistance required)?
- h. Are there plans to grow the organisation in the future? If so, in what ways do you plan to grow?
- i. What are the main challenges you currently face? [prompts: what challenges do you face in running the business successfully? What challenges do you face in fulfilling your mission/having a positive impact?]
- j. Do you think the enterprise benefits people in this region? If yes, in what ways? [prompts: In what ways do they benefit socially? In what ways do they benefit economically? In what ways do they benefit as consumers or users of your products/services?]

2. Details of the nature of the SE's activity

- a. What would you describe as your core business?
- b. Is the core business supported by additional activities? If so, what are these?
- c. What skills or resources are central to achieving your core business and related activities?
- d. How did the SE develop/acquire these skills/resources?
- e. Do you think there are significant gaps in the organisation's core skills/resources in relation to running the business or fulfilling your mission? If so, what are these?
- f. Have the skills and resources you need changed over time? If so, how?
- g. Have the skills and resources you have access to changed over time? If so, how?
- h. How successful do you think the enterprise is in fulfilling its mission? Do you have any particular ways that you assess or measure this success? If yes, what are these?

3. Details of strategic context for the enterprise/ activity

- a. Is there a particular approach to strategic planning or strategy development within the organisation? If so, can you describe this?
- b. Do you consider the enterprise to be innovative? If yes, can you give some examples of the way in which the enterprise does or has innovated in the past?

4. Wealth creation and regional development

- a. Are the SE's activity/operation(s) currently financially profitable?
- b. Do you receive external funding from sources outside the income you earn through trading? If yes, what sorts of sources are these?
- c. Approximately what percentage (approximately) of your funds are from external sources (e.g. donations, grants)
- d. How many people are employed by the enterprise [prompt: what is the total number? What is the full time equivalent number]
- e. What proportion of employees live in this region?
- f. Thinking about the supply sources for this business, what kinds and proportion of supplies do you purchase from other businesses in this region?
- g. Thinking about the products and/or services you provide, what proportion are purchased/or used by people in this region?
- h. Are there ways you cooperate with other organisations in this region? If yes, can you describe some examples of how you do this? [prompts: Are there ways you have cooperated to achieve a particular social or environmental outcome for this region? Are there ways you have cooperated to improve your business opportunities?]
- i. Are there ways you compete with other organisations in this region? If yes, can you describe some examples of this competition?

5. Industry and Sector Relations

- a. Are there ways in which you cooperate with other organisations in your industry but outside this region? If yes, can you please describe these? If no, could you outline why?
- b. Are there ways in which you compete with other organisations in your industry but outside this region? If yes, can you please describe these? If no, could you outline why?
- c. Are there ways in which you cooperate with other organisations outside this region who have similar missions to yours? If yes, can you please describe these? If no, could you outline why?
- d. Are there ways in which you cooperate with other organisations outside this region who have similar missions to yours? If yes, can you please describe these? If no, could you outline why?

Is there anything else you would like to tell us about your organisation?

Thank you for your time