

Title: Tracking the Social Enterprise's Social Performance

By: Marc J. Lane

Copyright: The Law Offices of Marc J. Lane, A Professional Corporation

Date: April 19, 2011

The final chapter of my book, *Social Enterprise: Empowering Mission-Driven Entrepreneurs*, (American Bar Association, 2011) raises the provocative question: "To What End?"

The demand for metrics to evaluate social impact has never been stronger, and that demand comes from all quarters. Donors and investors want to ensure that their gifts, grants and investments are directed at the most effective social programs. Policy makers and lawmakers seek to focus on the most worthwhile and impactful segments of social enterprise. Government budget officials need to allocate funds among those social enterprises which most effectively tackle social problems. And, perhaps most important, social entrepreneurs themselves, along with their boards and other leaders, need to make informed decisions about their ventures based on hard empirical data.

Yet measuring the social good of a nonprofit, for-profit, or hybrid organization is tricky, given the wide range of social problems they seek to address. Some pursue their missions by providing products or services that address a social need directly to disadvantaged people as customers. Others provide job and career training services directly to disadvantaged people as employees. Still others combine both approaches.

Measuring success is very different for a substance-abuse recovery center than it would be for a literacy initiative or a workforce development program. But the process of discovering the social enterprise's impact includes the same elements:

1. Tracking performance using selected indicators.
2. Communicating performance both within the organization and to outsiders.
3. Using the results to make better decisions.
4. Implementing those decisions to improve both the organization's activities and its operations.

The process needs to be organization- and mission-specific, looking at inputs (the resources the organization uses to serve its beneficiaries), activities (the steps the program takes to meet its beneficiaries' needs), outputs (the program's units of service -- the number of people clothed, sheltered or fed, for example), and outcomes (the actual benefit created -- such as the number of once homeless people no longer homeless or the number of once unemployed now engaged in gainful employment).

In all cases, the outcomes must serve as a fair proxy for social impact, and never should activities be mistaken for outcomes. So a children's theater group shouldn't measure success by the number of children who see a performance, but rather by the number of children who now appreciate the performing arts. And a food pantry that seeks to break the cycle of poverty shouldn't look only at the number of meals it's served, but the number of nutritious meals it's served while preserving the dignity of those it hosts. Or perhaps even better, the number of newly self-sufficient people who no longer depend on free meals.

Where hard numbers may not be adequate predictors or measures of success, the task of measurement can be difficult. Still, measuring social impact should be a high-priority goal of the social entrepreneur: if social impact isn't reliably measured, it surely won't be valued by the stakeholders on which the venture depends and to whom it is accountable.