

What are best practices in impact measurement to support organisations in measuring the triple bottom line of sustainability?

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Introduction

The challenge of what to measure, how to measure, and for whom to measure are still critical questions facing many social enterprises today. However, the current pressing questions are: What social impact tools or frameworks are suitable for different organisational sizes? And which tools or frameworks are appropriate for measuring the triple bottom line of sustainability? Social impact measurement (SIM) is concerned with identifying and managing the social impacts of projects. It can also predict and mitigate adverse effects and identify opportunities to enhance benefits for local communities and broader society.

Previous research has revealed that social enterprises measure their impact due to pressure from policy-makers and funders. In my investigation into social impact assessment practices in the UK, I found that social enterprises are driven by the Board of Directors and senior managers who have different motivations. The Board of Directors has a long-term outlook for the organisation. They want to build trust with the beneficiaries, provide evidence-based outcomes to funders and be recognised for their quality in SIM. On the other hand, senior managers are driven by improving quality in the operational standards. Therefore, SIM is a risk assessment exercise that allows them to detect potential hazards and develop action-oriented plans to tackle the issues. I also found that for-profit and not-for-profit social enterprises produced evidence of financial and non-financial impact.

Despite the drive for SIM and a straightforward practice to evidence their social interventions, the organisations face a central dilemma - which tool or framework is suitable for their organisational size in assessing their triple bottom line of sustainability? The following section explains the five steps to SIM based on analysis from an academic [literature review](#) of articles published between 2009-and 2019.

The paper found twenty-seven articles that empirically examined social impact tools or frameworks in diverse organisational structures

Five approaches for measuring social impact

From the review of the academic papers, ICDEA is proposed as the best practice for SIM, especially for small-medium social enterprises. ICDEA stands for *Internal, Construct, Develop, Engage and Assess*.

Step 1. Internal environmental scanning

This first step is about assessing the organisation's internal environment, explicitly reviewing the resources (tangible and intangible), structure, and culture of how they do business. Analysing resources allows the organisation to determine its capabilities and competencies based on these questions - *what resources do we have to measure impact? Where are these resources situated in the organisation? Who is responsible for measuring impact? How often do we measure impact? Which stakeholders are involved in the impact measurement process?* Once this information is gathered, senior management and social impact assessors begin to cultivate a culture of SIM through regular communication about the organisation's impact strategy with internal stakeholders at different levels of the business chain.

Step 2. Construct a social impact assessment system

Following the internal analysis, the organisation must outline all impact assessment systems. Then review the goal of the impact assessment tool. For instance, local multiplier 3 measures how revenue entering a local economy circulates within a local economy across three rounds of spending. This tool is for measuring economic impact.

The central focus of this stage is to identify a tool or framework that reflects the organisation's mission or those applicable for specific project interventions. Then review the intention of the tool or framework to determine whether it captures social, economic and or environmental impact. After this, the correct system is constructed for the operational planning process, ready for impact indicators.

There is a plethora of methodologies for measuring social impact. For instance, the [New Economics Foundation Consulting](#) published over twenty tools and

frameworks for SIM. Similarly, [NCVO KnowHow](#) has tools and resources for measuring up.

Step 3. Develop impact indicators

Once a tool or framework is identified, the social impact team must set indicators to capture the project's impact. The team must carefully review each indicator to ensure it is achievable and complements the project goal. Then key performance indicators or the SMART tool formulate specific and measurable indicators. These indicators can be quantitative, i.e., the number of homeless people in full-time employment. It can also be qualitative, i.e., a case study about a sustainable agricultural practice that has transformed rural farmers' lives in Kenya.

Although indicators are reviewed, not all will be valuable for the project. The social impact assessors will need to engage stakeholders to select useful baselines for assessment.

Step 4. Engage stakeholders

Many reports on SIM suggest engaging stakeholders. But which stakeholders should organisations engage, and at what stage? In my investigation, social enterprises engaged internal stakeholders from stages one to three. The primary rationale for involving internal stakeholders is to build an impact culture. An organisational culture that is impact-oriented is transparent and mission-driven.

On the other hand, external stakeholders were engaged in stage three for selecting appropriate impact indicators. A focus group was the primary method to engage external stakeholders because the critical discussion of the indicators led to using meaningful targets. It is also important as what is captured influences what is reported.

Step 5. Assess and report

This is the final step of the SIM process. It focuses on two significant areas- first, redefinition of the SIM system constructed in step 2 based on the feedback from external stakeholders. Second, systematise the data collected in step 3 to begin data collection. After organising the data, it is consolidated into the measurement system. For instance, SROI is an outcome-based tool that captures the social, economic and environmental impact of small, medium and large enterprises. The data collected

and assessed can be quantitative data and qualitative data. On the other hand, the multi-dimensional controlling model is used to analyse the management of social enterprises (including the impact) that focus on the triple bottom line of sustainability. However, the model is only applicable to small and medium enterprises.

Once the impact data has been calculated, the analysis is written in a report format and disseminated to relevant stakeholders. The investigated cases published their impact report using a newsletter to their members. A launch meeting was held for internal stakeholders: the Board of Directors, senior managers, and the social impact team.

In summary, social enterprises face internal (board of directors and senior management) and external (policy-makers and funders) pressure to measure their social impact. Both for-profit and not-for-profit social enterprises measure impact using quantitative and qualitative methods. Whilst there are diverse methodologies for SIM, social enterprises face the challenge of identifying the right tool relevant to their organisational size and triple bottom line of sustainability. This article proposes ICDEA – *internal* environmental scanning, *constructing* a social impact assessment system, *developing* social impact indicators, *engaging* stakeholders and *assessing* and reporting impact. Adopting the guide will enable social enterprises to build an impact culture, produce evidence-based outcomes and build trust with different stakeholder groups. It will also allow the organisations to gather data relevant to their triple bottom line of sustainability.

References

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