

5

A principle-based approach for impact maximisation

Social impact measurement can accompany social economy entities in their quest to increase the effectiveness and long-term sustainability of their activities. Social economy entities can incorporate the evidence stemming from their measurement efforts and management processes in their operational and strategic decisions related to organisational growth, impact scaling and internationalisation. This chapter offers a set of guiding principles that can help social economy entities maximise their impact over time.

Impact maximisation is about growing the depth and reach of positive social change in a sustainable and balanced way (Arvidson and Lyon, 2014^[1]).

Independently of their size, social economy entities can enhance their capacity to promote social change by incorporating the impact evidence distilled from impact measurement and management processes in their decision-making. This allows them to adapt their activities as needed, based on the results they see through measurement. Social impact measurement and management enables them to capitalise on social innovation around their goods and services, as well as adjust their business models. It also helps them improve collaborations with stakeholders through increased engagement. Finally, impact data contribute to strengthening the recognition and visibility of social economy entities and their mission (Arvidson and Lyon, 2014^[1]).

Social impact measurement and management offers social economy entities an opportunity to move towards an impact-based culture, where decisions are grounded in evidence. This transition happens through a continuous learning process, where they derive lessons from their experience. Not only does establishing feedback loops and promoting stakeholder engagement help them stay true to their social mission, but it also enables them to scale their impact.

For the social economy as a whole, the process of impact measurement, management and maximisation is essential, not only to substantiate the “repair” function, but also the “transform” function. Indeed, much of the social economy activity around the world is not limited to responding to market failures or providing emergency relief. Rather, it aims to promote systems change and (social) innovation to support a just transition, since social economy representatives need more and better evidence to advocate for change in local, national and global fora. Social economy entities can transfer their long-term commitment to impact maximisation to other stakeholders (funders, suppliers, users, customers, researchers...) by embedding it in their external co-operation relationships.

Use impact evidence to inform the long-term organisational strategy

Social impact measurement can accompany social economy entities in their quest to increase the effect of their activities. Entities can “maximise” the positive change generated by their activities through:

- *organisational growth*, for example by increasing the volume of operations or the number of employees,
- *scaling their impact*, either by reaching a higher number of stakeholders or diversifying activities,
- *internationalising their presence*, by combining organisational growth strategies in new geographies with the ultimate objective of scaling their social impact.

Organisational growth

Social economy entities differ from conventional companies because of their commitment to improving social value for stakeholders, as opposed to prioritising value maximisation for their shareholders. Increasing the scale of their operations can help them deliver goods and services with greater efficiency. While some social economy entities may deliberately operate at a smaller level, some may choose to expand to cover a greater number of users and beneficiaries, or larger geographic areas. Sustaining an entity over the long-term requires decision makers to experiment with new ways of delivering, partnering or funding (Smith and Besharov, 2019^[2]). Impact data can help provide the evidence to assess the effectiveness and efficiency of these new strategies.

Social impact measurement can help social economy entities understand the effectiveness of their inputs with regard to achieving social change. Among other methods, change and valuation frameworks may help entities identify the most effective ways to deliver the desired social change with given resources. They can then conduct an evidence-based decision-making process to underpin resource allocation and growth strategies. Impact data can help entities understand their progress. They provide a compass for them to follow their social mission and improve its delivery with the objective of reaching a higher number of stakeholders through greater coverage (Ometto et al., 2018^[3]).

Organisational growth entails not only growing in numbers, but also putting in place mechanisms to identify gaps and opportunities through continuous learning. Social impact measurement and management empowers social economy entities to build an impact culture within the organisation. This helps them review and evaluate their activities and strategies continuously, looking for innovative ways of meeting their social mission. Social impact measurement and management can facilitate organisational innovation, so that social economy entities can better structure their activities and resources around the ultimate objective of generating positive social change.

Scaling impact

Social economy entities can consider different long-term strategies to scale their impact. “Scaling” does not only point towards organisational growth, like increasing the number of employees or improving the volume of operations. Social economy entities can also scale their social impact – meaning that they can produce a significant effect on a societal problem on a larger scale. They can pursue two different (but not mutually exclusive) approaches (OECD/EC, 2016^[4]). They can scale:

- *widely*, by reaching a greater number of users or beneficiaries than would be helped by organisational growth, or
- *deeply*, by diversifying their activities to address emerging needs at the local level or tackling the same needs from multiple angles.

Social impact measurement provides the much-needed evidence to inform these different scaling strategies. Both approaches translate into expanding, replicating and adapting innovative ideas, organisational structures and processes. They can also mean entering into new and strategic partnerships with public and private stakeholders, and sharing knowledge. Each social impact measurement cycle offers a check-in opportunity to understand the effectiveness of these scaling strategies. Since operating in a larger service area may not necessarily translate into greater social change, impact data provide a clearer picture of the outcomes deriving from the chosen strategies.

Here again, stakeholder engagement can be particularly useful in assessing the effectiveness of scaling strategies. Scaling can often entail serving or working with a higher number of people, launching new partnerships and engaging with stakeholders from more diverse contexts. Integrating stakeholder opinions systematically in the impact measurement and management practices helps social economy entities understand how this increased interaction with stakeholders leads to social change.

Internationalisation

Social economy entities are increasingly internationalising their presence to deliver their social mission on a wider scale, combining strategies to grow organisationally with strategies to scale social impact. They may engage in international activities to respond to shocks and crises, or to seize new opportunities. They may also use internationalisation as a way to generate direct social impact for a larger group or geographic area – or to improve access to resources (such as technology and funding) in order to strengthen their impact on the same target group. Both motivations require informed decisions based on impact evidence, which in turn necessitates a formalised narrative of change, data collection and analysis.

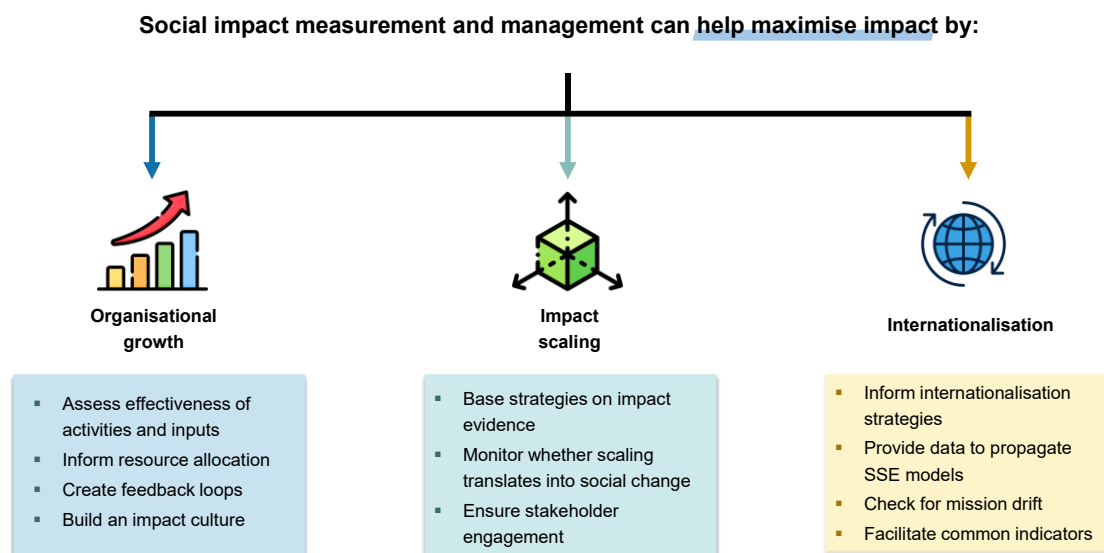
Higher engagement by social economy entities in the flow of goods and services, investments and intangible assets (such as specific know-how, branding, data and licences) can propagate the social economy culture internationally, making value chains more inclusive and sustainable (OECD, 2023^[5]). Indeed, scaling up their international operations can help disseminate social economy models, influencing the way work and people are organised to deliver goods and services globally (Bloom and Chatterji, 2009^[6]).

Social economy entities that increase their international presence may face concerns over mission drift, as the trade-off between social and financial objectives may be tilted. Balancing these two objectives requires careful consideration. Impact management produces an internal learning culture, which allows weighing the pros and cons of strategic decisions transparently. Instituting social impact measurement and management within organisational processes, therefore, can inform growth strategies and integrate mission-driven values in corporate decision-making.

However, measuring social impact across multiple geographies may prove difficult. Some impact indicators may be more relevant to specific country contexts and less so in others. Efforts to converge towards an established and standardised system of impact metrics and indicators can help address this variation in impact measurement across countries. Such a standardised system would also significantly bolster data-collection efforts on the aggregate social impact of social economy entities worldwide.

In summary, social impact evidence will underpin the definition of social economy entities' impact maximisation strategy, whether through organisational growth, impact scaling or internationalisation (see Figure 5.1). Basing social economy entities' organisational decision-making on impact evidence helps direct their mission of facilitating social value creation at every step of their organisational development and growth. The core characteristics of social economy entities, which set them apart from conventional enterprises, provide the guiding framework for making the most of impact measurement and management.

Figure 5.1. Measuring and managing to maximise social impact



Source: OECD.

Six guiding principles co-constructed with the social economy

Growing calls to demonstrate impact have been coupled with efforts to mainstream the way impact is measured, managed and reported. These are often driven by the urgent need to exploit credible, aggregate evidence on the impact of the social economy in an accurate and transparent manner. Social economy entities differ widely from one another, not only in terms of legal forms, but also in terms of the societal problems addressed, the stakeholders reached and the specific context of their intervention. Given this diversity and richness of the social economy, it is not feasible – nor desirable – to impose a one-size-fits-all solution (OECD, 2021^[7]). Instituting a guiding set of principles helps social economy entities make the most of their social impact measurement and management processes.

Like conventional enterprises, social economy entities differ in terms of maturity, size or areas of activity. These differences become important when choosing a particular method to measure and manage impact. A large entity operating in more than one area may require multiple social impact measurement and management frameworks to better reflect the situation in each particular sector. A smaller entity with fewer resources may start with small steps and use simpler methods to demonstrate its contribution to society. As social economy entities grow larger or expand into new areas or markets, they will need to revisit and change their methods of data collection and impact monitoring and reporting. The impact measurement principles should reflect this flexibility and multiplicity, both over time and across different levels of the organisation.

A principle-based approach could facilitate voluntary uptake by social economy entities and open the way for a progressive convergence of social impact measurement and management practices. Different approaches to impact measurement and management exist, not only across different organisations but also within them, at the programme and project levels. The principles help establish the main considerations when conducting social impact measurement and management, but do not overwhelm social economy entities by introducing overly rigorous requirements that will weigh down their processes.

Jointly with social economy representatives, the OECD has steered the elaboration of guiding principles on social impact measurement and management (Infographic 5.1). These principles offer flexible guidance without introducing new standards. They build on the available international guidance¹ and were co-constructed through extensive dialogue with representatives from the social economy who are actively engaged in social impact measurement, as well as experts in social impact measurement with significant experience in the social economy.² The principles identify core notions of social impact measurement and management, amplifying the perspective of the social economy in the debate. While they are centred on the characteristics and needs of the social economy, they are also aligned with the existing guidance on social impact measurement and management.³

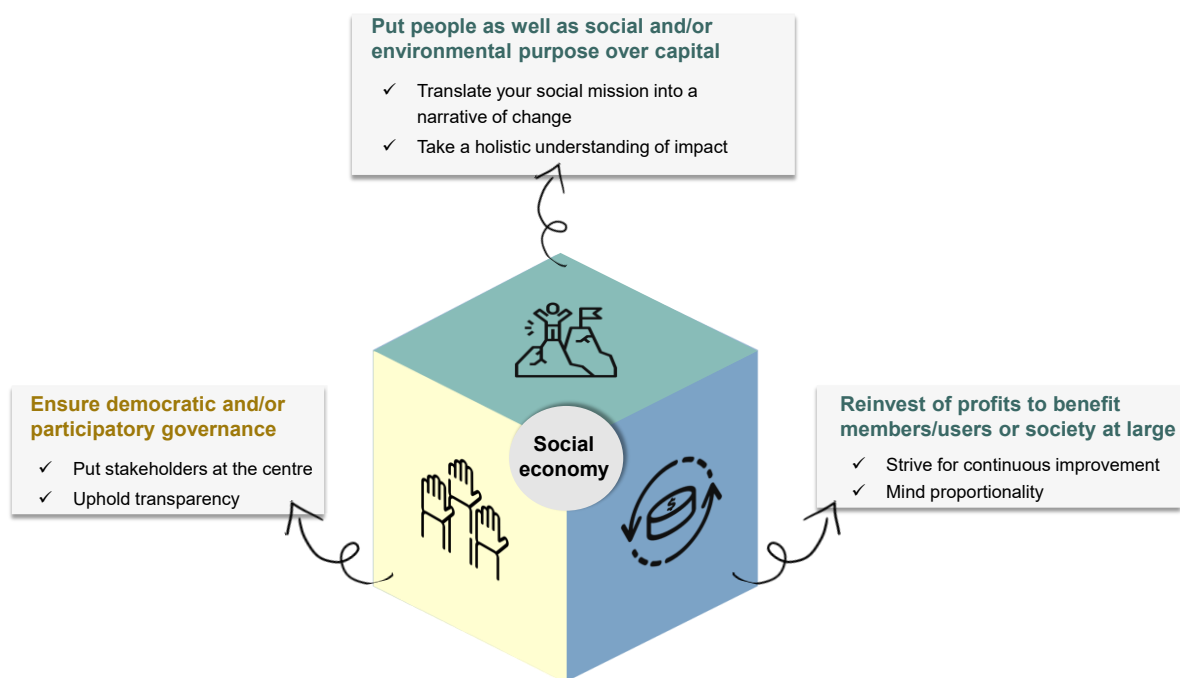
Infographic 5.1. Guiding principles for social impact maximisation in the social economy

TRANSLATE YOUR SOCIAL MISSION INTO A NARRATIVE OF CHANGE	
✓	Create a story of change to describe what you are trying to achieve
✓	Accompany this narrative with impact targets to show how the social economy activities will contribute to the expected medium- and long-term changes
✓	Focus on a meaningful pathway from your activities to the desired changes, whether through a full-fledged theory of change or taking small steps to understand change
✓	Use this narrative of change to identify opportunities to innovate your social mission
TAKE A HOLISTIC UNDERSTANDING OF IMPACT	
✓	Account for the intended and unintended, and positive and negative consequences of activities
✓	Keep in mind that social impact is often driven by more than one actor and intervention
PUT STAKEHOLDERS AT THE CENTRE	
✓	Co-construct the social impact measurement and management process with the stakeholders to enforce inclusiveness and mobilise uptake
✓	Take into account the voices of different stakeholder groups to incorporate diversity throughout the social impact measurement and management processes
✓	Avoid consultation fatigue from over-consulting stakeholders, and instead design an effective stakeholder management strategy to listen to their inputs when and where relevant
MIND PROPORTIONALITY	
✓	Weigh the costs of social impact measurement and management practices against the benefits accruing from them
✓	Consider the level of resources required when choosing measurement method(s) and go for simpler methods when necessary
✓	Prioritise actionable evidence and collect data on what is relevant
✓	Feed impact data into decision-making to improve evidence-based management
UPHOLD TRANSPARENCY	
✓	Disclose any biases, gaps and limitations in what has been measured
✓	Demonstrate clearly how impact data are collected, assessed and reported
✓	Remain accountable to your internal and external stakeholders
STRIVE FOR CONTINUOUS IMPROVEMENT	
✓	Create a feedback loop between decision-making and impact measurement and management systems that is open to continuous improvement
✓	Ground operations and strategies in impact evidence, and build an impact culture within the organisation
✓	Look for what does not work in addition to what works to derive learnings from the process
✓	Build in-house capacity for measuring and managing social impact

Source: OECD.

The guiding principles on social impact measurement and management are aligned with the three main characteristics of the social economy: 1) primacy of people, as well as social and/or environmental purpose, over capital; 2) democratic and/or participatory governance; and 3) reinvestment of profits to benefit members/users or society at large (see Figure 5.2). Understanding whether it has achieved its social mission is a priority for any social economy entity, which is why guidance on social impact measurement and management needs to correspond to one or more of its core attributes.

Figure 5.2. Guiding principles and main characteristics of the social economy



Source: Authors' elaboration, based on (OECD, 2023^[8]).

When social impact measurement and management abides by the principles above, it can help inform the social economy's scaling strategies for impact maximisation.

References

- Arvidson, M. and F. Lyon (2014), "Social Impact Measurement and Non-profit Organisations: Compliance, Resistance, and Promotion", *Voluntas: International Journal of Voluntary and Nonprofit Organizations*, Vol. 25/4, pp. 869-886, <https://www.jstor.org/stable/43655037>. [1]
- Australian Government Treasury (n.d.), *Australian Government principles for social impact investing*, <https://treasury.gov.au/programs-initiatives-consumers-community/social-impact-investing/australian-government-principles-for-social-impact-investing>. [21]
- Bloom, P. and A. Chatterji (2009), "Scaling social entrepreneurial impact", *California management review*, Vol. 51/3, pp. 114-133. [6]

- EDFI (2019), *Principles for Responsible Financing of Sustainable Development*, [https://edfi-website-v1.s3.fr-par.scw.cloud/uploads/2017/09/EDFI-Responsible-Financing-SDG Principles final_190515-1.pdf](https://edfi-website-v1.s3.fr-par.scw.cloud/uploads/2017/09/EDFI-Responsible-Financing-SDG_Principles_final_190515-1.pdf). [23]
- Equator Principles (2020), *Equator Principles*, https://equator-principles.com/app/uploads/The-Equator-Principles_EP4_July2020.pdf. [24]
- Frontiers Lab Asia (n.d.), *Impact Measurement Principles for Entrepreneurship Support (IMPES)*, <https://frontierslab.asia/solutions/guiding-principles-for-eso-impact-measurement>. [22]
- GECES sub-group on impact measurement (2014), *Proposed approaches to social impact measurement in European Commission legislation and in practice relating to EuSEFs and the EaSI*, European Commission, <https://op.europa.eu/en/publication-detail/-/publication/0c0b5d38-4ac8-43d1-a7af-32f7b6fcf1cc>. [16]
- International Association for Impact Assessment (2003), *International Principles for Social Impact Assessment*, <https://www.google.com/url?sa=i&url=https%3A%2F%2Fwww.iaia.org%2Fpdf%2FSections%2FSIA%2FIAIA%2520SIA%2520International%2520Principles.pdf&psig=AOvVaw226b5e4kJauxaNiTH7iva-&ust=1708079873787000&source=images&cd=vfe&opi=89978449&ved=0CAkQr5oMahcKEwJQosHCK62>. [15]
- OECD (2023), *Promoting internationalisation of the social and solidarity economy: From local to global*, OECD Local Economic and Employment Development (LEED) Papers, No. 2023/12, OECD Publishing, Paris,, <https://doi.org/10.1787/7287db10-en>. [5]
- OECD (2023), *What is the social and solidarity economy? A review of concepts*, OECD Local Economic and Employment Development (LEED) Papers, No. 2023/13, OECD Publishing, <https://doi.org/10.1787/dbc7878d-en>. [8]
- OECD (2021), “Social impact measurement for the Social and Solidarity Economy”, *OECD Local Economic and Employment Development (LEED) Papers*, No. 2021/05, OECD Publishing, Paris, <https://doi.org/10.1787/d20a57ac-en>. [7]
- OECD/DAC (2019), *Managing for Sustainable Development Results*, [http://chrome-extension://efaidnbnmnibpcajpcgclclefindmkaj/https://one.oecd.org/document/DCD/DAC\(2019\)37/FINAL/En/pdf](http://chrome-extension://efaidnbnmnibpcajpcgclclefindmkaj/https://one.oecd.org/document/DCD/DAC(2019)37/FINAL/En/pdf). [12]
- OECD/EC (2016), *Policy Brief on Scaling the Impact of Social Enterprises*, Publications Office of the European Union, <https://www.oecd.org/cfe/leed/Policy-brief-Scaling-up-social-enterprises-EN.pdf>. [4]
- OECD/UNDP (2021), *OECD-UNDP Impact Standards for Financing Sustainable Development*, Best Practices in Development Co-operation, OECD Publishing, Paris, <https://doi.org/10.1787/744f982e-en>. [9]
- Ometto, M. et al. (2018), “From Balancing Missions to Mission Drift: The Role of the Institutional Context, Spaces, and Compartmentalization in the Scaling of Social Enterprises”, *Business & Society*, Vol. 58/5, pp. 1003-1046, <https://doi.org/10.1177/0007650318758329>. [3]
- Operating Principles for Impact Management (n.d.), *The 9 Principles*, <https://www.impactprinciples.org/9-principles>. [11]

- Smith, W. and M. Besharov (2019), “Bowing before dual gods: How structured flexibility sustains organizational hybridity”, *Administrative Science Quarterly*, Vol. 64/1, pp. 1-44. [2]
- Social Performance Task Force (n.d.), *Guidelines on Outcomes Management for Financial Service Providers*, https://www.google.com/url?sa=i&url=https%3A%2F%2Fsptf.info%2Fimages%2FGuidelines-on-Outcomes-Management-for-FSPs.pdf&psig=AOvVaw1gjcK_TE1VzWk6kjSADSSH&ust=1708080217115000&source=images&cd=vfe&opi=89978449&ved=0CAkQr5oMahcKEwjY3JnmIK2EAXUAAAAHQAAAAQBA. [19]
- Social Value International (n.d.), *The Principles of Social Value*, <https://www.socialvalueint.org/principles>. [10]
- UN Global Compact (n.d.), *The Ten Principles of the UN Global Compact*, <https://unglobalcompact.org/what-is-gc/mission/principles>. [18]
- UN PRI (n.d.), *Principles for Responsible Investment?*, <https://www.unpri.org/about-us/what-are-the-principles-for-responsible-investment>. [20]
- UNDP (n.d.), *SDG Impact Standards for Enterprises*, <https://sdgimpact.undp.org/enterprise.html>. [13]
- UNEP FI (2017), *The Principles for Positive Impact Finance*, <https://www.unepfi.org/industries/banking/principles-for-positive-impact-finance/>. [17]
- UNEP FI (n.d.), *Principles for Responsible Banking*, <https://www.unepfi.org/banking/bankingprinciples/>. [14]

Notes

¹ A thorough review of available guidance was followed by consultations with experts to understand what is specific to social economy entities when it comes to social impact measurement and management. The reviewed principles and standards include the “Proposed approaches to social impact measurement in European Commission legislation and in practice relating to EuSEF and the EaSI” (GECES sub-group on impact measurement, 2014_[16]), the UNDP’s “SDG Impact Standards for Enterprises” (UNDP, n.d._[13]), Social Value International’s “Principles of Social Value” (Social Value International, n.d._[10]), the “OECD-UNDP Impact Standards for Financing Sustainable Development” (OECD/UNDP, 2021_[9]), OECD/Development Assistance Committee’s principles on “Managing for Sustainable Development Results” (OECD/DAC, 2019_[12]), the “Operating Principles for Impact Management” (Operating Principles for Impact Management, n.d._[11]), “Principles for Responsible Banking” by the United Nations Environmental Programme Finance Initiative (UNEP FI) (n.d._[14]), the “Principles for Positive Impact Finance” (UNEP FI, 2017_[17]), “The Ten Principles of the UN Global Compact” (UN Global Compact, n.d._[18]), the “Equator Principles” (Equator Principles, 2020_[24]), “Guidelines on Outcomes Management for Financial Service Providers” (Social Performance Task Force, n.d._[19]), “Principles for Responsible Financing of Sustainable Development” (EDFI, 2019_[23]), the “International Association for Impact Assessment Principles Specific to SIA Practice” (International Association for Impact Assessment, 2003_[15]), the “Principles for Responsible Investment” (UN PRI, n.d._[20]), the “Australian Government

Principles for Social Impact Investing” (Australian Government Treasury, n.d.^[21]) and “Impact Measurement Principles for Entrepreneurship Support” (IMPES) (Frontiers Lab Asia, n.d.^[22]).

² These principles emerged from extensive consultations with experts on social impact measurement and management, and representatives from social economy entities and networks that engage in social impact measurement practices. An international expert workshop was organised on 27 November 2023 to co-construct a guiding set of principles on social impact measurement and management. In addition to international experts, the organisations consulted included ACT Grupa; Aiccon; Ashoka; Avise; Banca Popolare Etica; Beka Finance; Cases Portugal; CECOP; Centre of Expertise for Social Enterprises in Finland; CIRIEC International; Collaboration Ireland; Common Approach; ConcertES; Cooperative Development Portal of Poland; Department for Digital, Culture, Media and Sport of the United Kingdom; ENSIE; Erste Group; Euricse; the European Commission; the European Platform for Rehabilitation; the Federal Ministry of Social Affairs, Health, Care and Consumer Protection of Austria; Fundación ONCE; Giving Evidence; Impact Track; Innoviris; the Institute for Economic Research in Slovenia; the Institute for the Development of Social Responsibility in Slovenia; LUT University; the Ministry of Economic Affairs and Climate Policy of the Netherlands; the Ministry of Family, Labour and Social Policy of Poland; the Ministry of Labour of Luxembourg; Ohio University; the Panhellenic Confederation of Unions of Social and Solidarity Economy; Reach for Change; Rethink Ireland; Social Entrepreneurship Network Austria; Social Impact Ireland; Social Innovation Portugal; Social Value; Sopact; Spain NAB; Statistics Poland; STŘEP; Triangle Consulting; Universidad Pontificia Comillas; Università degli Studi di Milano-Bicocca; Universitat Pompeu Fabra; Université du Québec à Montréal; UNRISD; Warwick Business School; Windesheim University of Applied Sciences; and XES.

³ For further details, see Annex.



From:
Measure, Manage and Maximise Your Impact
A Guide for the Social Economy

Access the complete publication at:
<https://doi.org/10.1787/2238c1f1-en>

Please cite this chapter as:

OECD/European Union (2024), “A principle-based approach for impact maximisation”, in *Measure, Manage and Maximise Your Impact: A Guide for the Social Economy*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/c4b5c1cc-en>

This document, as well as any data and map included herein, are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area. Extracts from publications may be subject to additional disclaimers, which are set out in the complete version of the publication, available at the link provided.

The use of this work, whether digital or print, is governed by the Terms and Conditions to be found at <http://www.oecd.org/termsandconditions>.