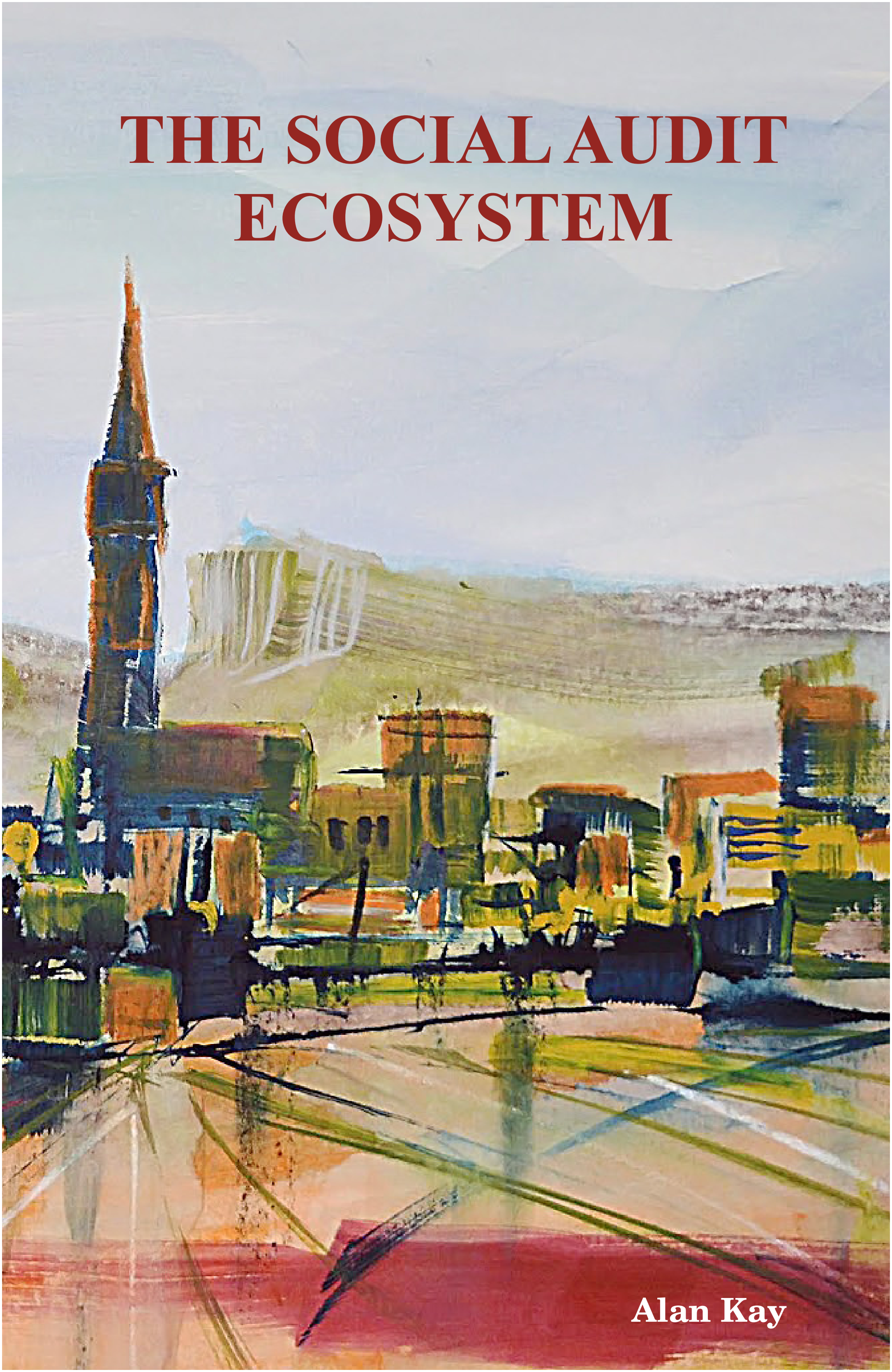
THE SOCIAL AUDIT ECOSYSTEM



Alan Kay

The Social Audit Ecosystem

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A compilation of articles on Social Audit featured in Conversations Today – 2017 & 2018

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Preface

Different people have interpreted the term 'Social Audit' differently. To some, it means a way of disclosing the organization's social performance and to others it is a way of evaluating the organization's social responsibility performance.

While Social Accounting is a systematic assessment, which reports on the organisation's activities, Social Audit refers to the systematic evaluation of an organisation's social performance.

During the early 90's Alan Kay co-founded Social Audit Network, UK along with his friend John Pearce. He got interested in social accounting and audit in 1990 while carrying out research on behalf of Community Business Scotland. The duo were particularly interested in developing a simple, systematic method to give value to the social benefits provided by community enterprises. Thus, evolved the Social Audit Network, UK and a framework to measure social impact.

Alan has been penning a blog on Social Audit since 2016, discussing topics like 'The need for Social Audit' and Social Capital. This book is a compilation of articles written by him that was published in Conversations Today in the last two years.

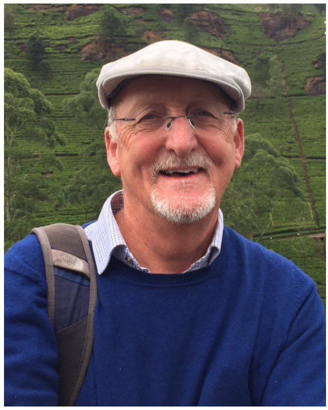
Alan has always been interested in art and has been drawing and painting since an early age. He specialises in landscapes and structural paintings. The cover page has one of his paintings, which synchronises with the title of this book.

I hope this book serves as a toolkit for beginners who want to explore what Social Accounting and Audit is all about.

CSIM is happy to be associated with Alan Kay and we hope our journey continues for a longer time.

Marie Banu
Director, CSIM

Alan Kay - The Author



Alan Kay has more than 30 years of experience in community development and social enterprise sector in the UK and overseas. His formal qualifications include a BSc (University of Aberdeen) and an MA in Rural Development (University of East Anglia).

Alan's background is in overseas development and he has lived and worked in East Africa and South East Asia. He has been associated with a variety of organisations including HelpAge International, ActionAid and VSO. Since returning to Scotland in 1988 he has mainly worked with community-owned enterprises and social enterprises.

Alan has worked for CBS Network and then for a community enterprise support unit before carrying out commissions for a wide range of clients in the statutory, charitable, public and third sector in the UK and abroad. With the late John Pearce, Alan was instrumental in founding the Social Audit Network , UK. He has particular experience in the social economy, social accounting and audit, evaluations and social capital.

He recently retired as an Associate lecturer at Glasgow Caledonian University where he taught for five years. He was instrumental in establishing a Diploma and MSc in Social Enterprise in this University.

Alan believes in empowering people to get involved in economic activity in order to create sustainable communities. Over the years he has developed links with a wide range of organisations and carried out research, planning, training/ facilitation and evaluations, both within the UK and around the world.

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1. The need for Social 'Audit'

Is it me or is there a huge increase of almost epidemic proportions of social impact reporting amongst organisations and social enterprises that wish to explain the social difference they make.

This is to be welcomed, but it does raise the question of how much credibility we should attribute to these reports. Some of them are well-researched and detailed, others are more grandiose in their claims – but surely there must be some way of ensuring they possess integrity and are a true representation of what the organisation has achieved and the social impact it has made.

Understanding what changes as a result of an organisation's actions is important, but it is also important to know that the claims made, have integrity. Thus, in the same way that financial accounts are given credence with an independent audit of the financial detail, it is clear that an account of the social change achieved by or organisation should be independently audited. This would enable on organisation to be confident of its claims and would show it to be accountable to a wide range of its stakeholders as well as to the wider public.

Organisations often employ independent evaluators to assess the degree of change that has happened as a result of their activity. This is fair enough, but it is expensive. Should an organisation not, therefore, keep social accounts using a social book-keeping system comprising of output and outcome information – and then subject that account to a 'social' audit? This would lie alongside the financial accounts and provide a more holistic picture of an organisation's performance and impact.

The Social Audit Network (SAN) has be wrestling with these issues since the early 1990s. Through the experience of working with grassroots organisations and believing that organisations themselves can be empowered by keeping a track of their own monitoring and evaluation, we developed a process of 'social accounting and audit'.

Annually an organisation would produce a social account of its performance and impact. This would then go to audit. In the early development of the process, a single 'social auditor' was used and this worked up to a point. However, a single person does not know everything and we plumped for the idea of having a panel of people – one who is a 'social auditor' and chairs the Panel meeting; at least one who knows the field of the organisation's operation; and at least one other that knows the geographical area in which the organisation operates. To keep the costs down only the chair gets paid and the others volunteer.

The independent panel meets with the organisation for one day, having received the Draft Social Accounts in advance, and goes through them in detail suggesting changes, revisions, etc. There is a process which allows for feedback and discussion and also includes a random trail back to source materials and a checklist matching the draft against the eight social accounting principles (include here).

The Panel is not evaluating the organisation but, instead is assessing whether or not the Draft Social Accounts are credible. Once revisions have been made the Panel issues a statement – similar to a financial audit statement – that says, in their opinion, the social accounts are a fair reflection of what the organisation has achieved in terms of its performance and impact over the last social accounting period. The accounting process and audit is then built into the life cycle of the organisation.

In assessing the operations and activities of complex organisations over, say, a year, can be complex and result in long and complicated reports that have to be audited. For this reason often an organisation will write a summary version that is more widely distributed. However, this summary could not be written as an accurate document if the evidence had not been included in a more substantial report.

The social accounting and audit process is not completely fool-proof, but actual experience shows that it is effective and can provide valuable and impartial feedback to an organisation that not only wants to prove what it does but also want to improve in its effectiveness.

SAN believes that the audit part of social accounting and audit is essential. If not, we are going to get swamped with detailed reports, purporting to explain the social, environmental and cultural change that has happened as a result of and organisation's activities… without necessarily knowing if we, as the wider public, can take them seriously or not.

The social audit should not become a way of consultants and other companies making money. It is about subjecting what one says about the performance and impact of an organisation, is true, meaningful and based on acquired and collected information – both quantitative and qualitative. It would re-assure the wider public of the authenticity of 'social impact reports' and at the same time can be used to plan focus and future actions.

These are key reasons why social audit is badly needed – particularly for organisations with a central purpose around social change.

Lastly it has to be said that carrying through with social accounting and audit is not for the faint hearted… An interesting early quote about 'ethical accounting' (which has much in common with social accounting) is…

"Ethical accounting is not for softies or funks. It takes guts to hang your dirty linen in public and to walk your talk." – Jorgen Giversen, former CEO of SBN Bank

2. Assessing Social Enterprise and their impacts? Are we looking at the right stuff?

With the rapid expansion of what is now really an 'industry' surrounding the measurement and assessment of social impact, it may be beneficial to reflect on whether or not we are looking to assess the 'right' things. Are social enterprises, in particular, focussing their energy on the things that matter?

I would like to look at two things. The first is the seemingly dogged emphasis on 'impact' and not always paying sufficient attention to the performance of an organisation. Linked to this is a lack of attention to an organisation's approach, its values and its way of doing things that make it different from other organisations – particularly privately owned businesses.

The second is much wider and I shall argue that the accepted and traditional triple bottom line impacts of social, environmental and economic should be questioned. Arguably, social enterprises should be aiming to impact on people, the environment and society or 'culture'.

So taking the first…and to do this I want to look at the history of social accounting and audit. Back in the 1990s social and community enterprises, along with voluntary organisations tried reporting regularly and in a systematic way on their overall performance against their objectives. In the mid-2000s, there was a pendulum swing away from performance and much more stress given to the impact an organisation has on its stakeholders. This was largely linked to the meteoric rise in Social Return on Investment (SROI) and, I believe, driven by investors and funders wanting to get a bigger bang for their buck. Reporting by social enterprises and similar third sector organisations focussed almost entirely on the outcomes for stakeholders and not nearly so much on how well the organisation performed given the context in which it was working, or on what type of organisation it was trying to be – its approach, its shared values and so on.

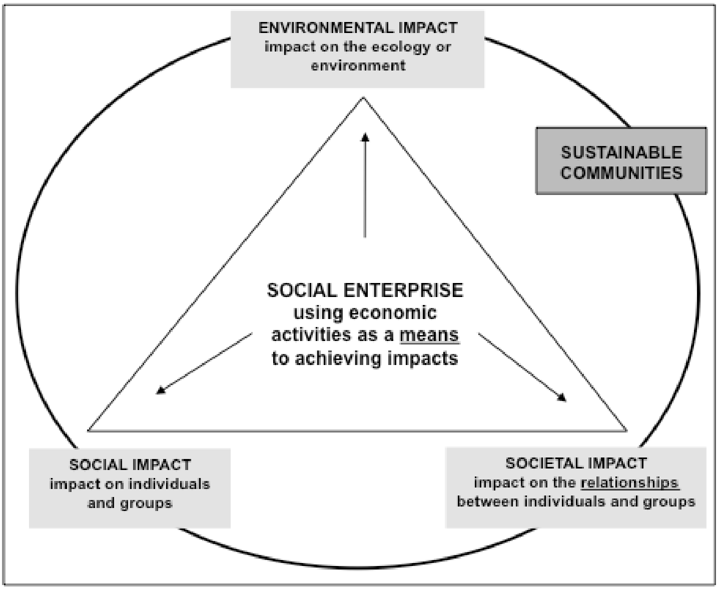
There are recent signs that this pendulum swing is beginning to move back and people are now also wanting to know if the organisation is performing well – not least of all the organisation itself. There is also a need to know if it is a 'good' organisation to be seen to be investing in, to be working for and to be proud to support.

With Social Accounting and Audit (SAA) an organisation is expected to report not only on its outcomes and impacts on stakeholders, but also on its performance against its overall purpose and objectives. Again, context is important as often organisations are operating under difficult circumstances and providing goods and services in often the most challenging of situations.

In addition, and using the SAA framework, organisations are obliged to report on their internal processes and values. This is mainly through the use of a simple checklist called the Key Aspects Checklist which prompts the organisation to consider its own approach to 6 aspects common to all organisations:

- how the people who work for an organisation are treated;
- how the organisation is governed and how accountable is it;

- how surplus is used and whether or not there is an asset lock;
- its financial sustainability;
- how it impacts on the environment; and finally
- how it contributes to the local economy if it is community based.



Turning to the second thing I want to look at…the impacts. Traditionally, it has been widely regarded that social enterprises have a 'triple bottom line' of social, environmental and economic impacts.

I am increasingly of the opinion that social enterprise should be using economic activities as a means to an end – the end being working towards social, environmental and societal impacts

Rather than perceiving the economy as an 'impact', the use of economic activities is what a social enterprise does – a means. But this is different from the final ends, which are impacts on individual and groups (social), impacts on the planet (environment) and impacts on the relationship between people and groups (society). Thus, economic activities are a means to an end and not an end in themselves.

A social enterprise has to ensure that it impacts on people and their livelihoods in a positive way ensuring prosperity and well-being. I am defining prosperity here, as being more than money and distinct from wealth for its own sake. All organisations and people have an impact on the environment. At the very least, a social enterprise can monitor that it does not have an adverse or negative affect on the environment. In this model society is defined as the relationships between people and groups. It includes the culture of a society – the way we do things, the rules and behaviours and the expectations of how things should be. All social enterprises operate in a societal context and social enterprises in particular should monitor and at least account for their impact on the wider society in which they it operate – their contribution to a culture that promotes fairness, equality and the 'common good'.

Social Accounting and Audit is not rocket science. It is a holistic framework that enables an organisation to report on all aspects of its performance and impact, internally and externally. It is only in having this well rounded view that an organisation can be in a position to improve and at the same time be able to prove thus evidencing its achievements and its contribution to social change.

3. Should we put a financial figure on all the impacts made by a Social Enterprise?

In Jonathan Coe's book 'Number 11 or Tales that Witness Madness' one of the characters joins the 'Institute for Quality Valuation' that is intent on putting a financial value on practically anything and everything. The character is describing society in general when they say…

> "We are dealing with people who have no notion at all that something is important unless you can put a price on it. So rather than have them dismiss…well, human emotion, altogether, as something completely worthless, I think it's better if someone like me comes along and tries to help them out. Makes some sort of case for the defence. Se we've coined a new term – 'hedonic value' that might refer to, say, the feeling you get when you look at a beautiful stretch of coastline. And we try to prove that this feeling is actually worth a few thousand pounds…"

This is, of course, fiction and other characters in the book are skeptical at the idea of putting financial value on all things. But it is surprising how in a relatively short period of time the seemingly accepted way of assessing social impact for organisations with a central social purpose is to convert all their social outcomes into a financial figure.

This idea was first introduced into the UK by the new economic foundation who built on and developed pioneering work carried out by the Roberts Enterprise Development Fund in California. It was referred to as Social Return on Investment or SROI. This has led in the further development of the 'social impact industry' although there is a whole array of other measures which are forming part of that industry – such as 'value for money' figures, extending the role of Cost Benefit Analysis, and so on.

But should we really, as a society, be trying to put a financial value on all things? Certainly, to do this has a function. If you were a policy-maker and trying to decide how to spend restricted financial resources on, say, building more care homes for elderly people or putting the resources into taking care services to people in their own homes, you could then assess the costs, use an 'impact map' to identify outcomes, provide them with a financial value and finally work out the most cost effective path.

As a tool to decide on investment, it might work well. Investors like the idea of providing a more tangible value on things that, although valued, have not traditionally had a financial value put on them. Very often investors and funders want to know the 'bang they get for their buck' – what amount of 'social value' comes from their initial investment expressed in pounds and pence.

But my argument is that if this is what is required by investors then investors should be the ones that calculate the social return on their investment. It does not follow that all social enterprises should be encouraged to measure their success by using an approach that monetises all the outcomes from the social enterprises' activities.

To go back to Coe's entertaining book, the same character as before was trying to put a price on the myth (is it a myth?) of the Loch Ness Monster. Belief in the Monster does contribute to the tourist industry and you can translate the myth into some sort of financial figure. I would argue that that should be done by people wanting to sustain the myth and support the tourist industry. We do not put the onus on the Loch ness Monster to carry out an SROI! They, no doubt, are busy being monstrous…

We at the Social Audit Network (SAN) believe that although looking at the social return arising from an input of resources has a place, it is much more helpful for an organisation with a social purpose to keep an account of their performance and to try as much as possible to demonstrate their impact on people, the environment and the society more generally. Since the mid-2000s SAN has engaged with SROI colleagues, discussing and considering our different approaches, undertaken research which helped to shape underpinning principles to this whole area of social impact. However, whilst SROI has its place, for us there are a number of central reasons that make our approaches distinct. I would like to outline them here.

Firstly, context matters. Where a social or community enterprise is working and with whom, can matter tremendously. Therefore, within social accounting the contextual information is encouraged – as it provides background and explains more fully the social need being addressed.

Secondly, by requiring to put a financial figure on all outcomes, there is a tendency to see the solution to addressing the social need as financial. Often people working in the development of communities or in addressing a deficient social need will tell you that putting money into addressing these needs solves only part of the problem. A social need requires social solutions.

Thirdly, social accounting and audit tries to get organisations to address their overall performance against their objectives and does not only ask for the impact an organisation has. For us, it matters what type of structure and values an organisation espouses – and this should be reported on.

Fourthly, there is a danger in having to put a financial figure on all the outcomes in order to come up with a financial ‘return’. We believe that not everything can be valued in financial terms and the extensive use of financial proxies (which is often the case using

SROI methodology) can lead to spurious claims and begins to move further away for a ‘real’ or tangible ‘return’.

Fifthly, although developing an ‘impact map’ of inputs, outputs and outcomes can be really helpful for a social enterprise to plan its strategy, carrying out an exercise in looking at the social return does not necessarily help the organisation to perform better. The SROI process is often very specific and focussed – whereas social accounting is more holistic and a broader approach – thus of more directly related to improvement.

Sixthly, the value for an organisation to regularly report on its performance and impact can be hugely beneficial when the organisation does it themselves. Many exercises in calculating the social return on investment are done by consultants and people outside the organisation. The real value of not only proving the impact you might be having, is also in improving through learning more about your own organisation and retaining that knowledge.

So where does this leave us? Certainly, reporting on one’s own organisation in terms of how well the organisation has performed and what kind of impact and degree of social impact one has had, is important. In the future it will inevitably become a requirement – particularly for those organisations in receipt of funding or investment.

The argument that SAN has, is that financialising everything is not a desirable avenue to be going down. A social enterprise should be assessing whether or not it is performing well and what sort of beneficial social change is happening as a result of its activities. But having to stick a financial value on all of that changes seems to us to be crazy.

There are other characters in Coe’s novel who listen to the reasons for monetizing social value and poke fun. I do not advocate this, but feel that putting a financial value on all the intangibles that make up a life is a diversion. Instead we should be supporting organisations that improve people’s lives and livelihoods and to report regularly on their performance and impact – more generally…

4. The importance of Social Capital and its link to Social Accounting…

I have worked with a wide range of social and community enterprises over the years and I am becoming increasingly convinced that an understanding of social capital can help significantly in accounting for how a social enterprise has an impact on its stakeholders and wider community.

I must admit that I was sceptical about the notion of social capital when I first came across it back in the late 1990s. But the more I found out about it, the more it appeared to make sense and nowadays I see social capital in all relationships between people, between organisations and between people and organisations.

The main refuge for social capital seems to be in the world of academia which abounds with articles and learned papers about what it is and how it works. This theoretical analysis has not really been adequately translated into practice. Arguably it should be, as I believe social capital can be useful in understanding community development, business relations, health and well-being and urban and rural regeneration.

In trying to get to grips with the concept of social capital, it may be useful to consider it within an historical context – albeit an overly simplified one…

Back in the 1960s there was a belief that communities could be developed through improving housing and the physical environment. In the 1970s emphasis was laid on instigating social change through the provision of what were called 'basic needs'. The focus in the 1980s was much more on helping people with developing their skills that would enable them to get a job – or a better paid job. In the 1990s there were an increasing number of community initiatives that tried to mobilise groups encouraging community capacity building. Linked to this was a recognition that organisational development can contribute significantly to community change. More recently there was been more emphasis on social and community cohesion and this is where social capital plays a major role.

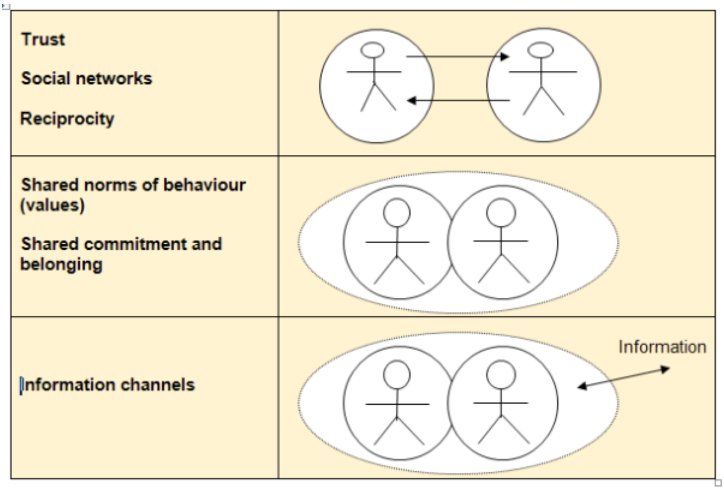
So what is this thing called social capital?

Back in the 2000s I wrote a chapter in John Pearce's Social Enterprise in Anytown and described social capital as being 'that intangible "something" that exists between individuals and organisations within a community; the connections and trusting contacts that people make while going about their daily business'.

Following the work of the CONSCISE Project and work since, six elements to social capital have been identified and these fall into three categories:

- Trust, social networks and reciprocity/mutuality are about the relationships between individuals and organisations;
- Shared norms of behaviour (values) and shared commitment and belonging are about more than one individual and/or organisation sharing values and sharing a way of thinking
- Effective information channels permit individuals and organisations to access information from outside and within the community

This can be summarised diagrammatically…



So how does all this work in the context of a community enterprise keeping social accounts and compiling a social report? (In this blog I shall use the term 'community enterprise' but much of what is said can equally apply to 'social enterprise' and voluntary organisations, and so on.)

One way is to carry out what we called a 'stocktake'. This assesses whether or not a community enterprise is committing itself to a social capital approach. The Social Capital Stocktake is a tool that any social enterprise can use in a heuristic way to ascertain the extent and depth of social capital and its generation within a community enterprise.

Here is an example of some of the questions around trust that could be included in the stocktake. The questions might be completed individually, then discussed in a group of those involved in the community enterprise with the aim of bringing about a 'healthier' score. ('5' means that one totally agrees with left hand statement; and '1' means that one totally agrees with the right hand statement).

In general we trust the organisations we work with	5 4 3 2 1	We are not very trusting of other organisations
We think that the organisations we work with are very much trusting in us and feel we are reliable	5 4 3 2 1	We no not think that other organisations trust us to deliver and be relied upon
We trust our staff and Board members to do things well on our behalf	5 4 3 2 1	Relationships between people doing work for us and on behalf of us is not based on trust

Very often community enterprises (and indeed others within the wider social economy) do not acknowledge social capital and dismiss it as 'common sense' or 'networking' or 'what we do anyway'. I would argue that it is only when you take stock of social capital, that you begin to recognise it and understand its value to your community enterprise.

The above self-assessing stocktake could be part of a social report and could be used to recognise trends – while at the same time flagging up the importance of taking social capital into account in future planning.

The other side of this, is assessing levels of social capital within communities and then trying to work out whether not a community enterprise contributes to those levels. This is much harder. People have developed a series of questions asking residents in a community how they would respond to a certain situation and then from these responses make a judgment of the levels of social capital within a community. Or alternatively others ask a series of questions to be answered by the wider community. Here is an example of some possible questions (the numbering applies as above).

People in this community are ready and willing to help others	5 4 3 2 1	People in this community are only concerned with their own lives
It is easy to get involved in community activity here.	5 4 3 2 1	It is difficult to get involved in community activity here.
People mix well across all social groups in this community	5 4 3 2 1	People don't mix well across social groups in this community

Back in the early days of social accounting and audit and especially when the practice centred around community enterprise, there was an expectation for a community enterprise to assess and describe the socio-economic profile of the area served by the community enterprise. In recent years, the guidance in keeping social accounts is to only include the community context and details on the community needs the enterprise will focus on.

There is also a question of attribution. How does one know that the raised level of social capital in a community, say, can be because of the actions of the community enterprise? This is difficult and it is best to assume that if the actions and objectives of the community enterprise are clear, and the levels of social capital reportedly rise, then it can be said that the actions of the community enterprise have at least contributed to the increase in levels of social capital.

All types of enterprises do not exist in isolation but as part of a web of interconnected relationships. In getting things done and in making things happen they should be able to tap into contacts and use good relationships to carry out effectively what they want to do.

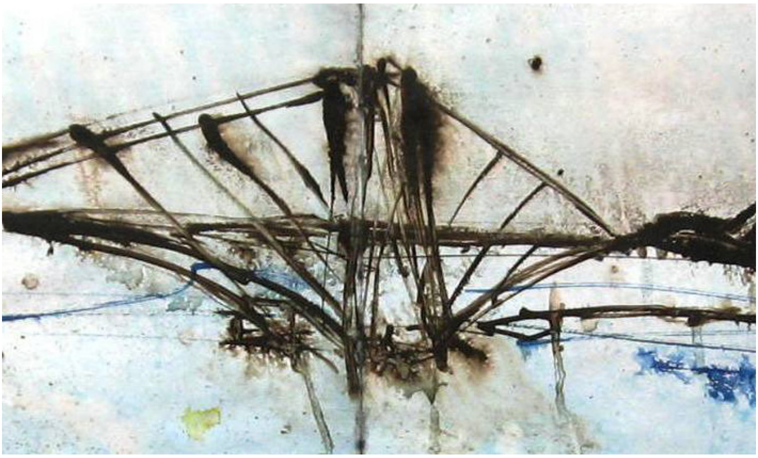
There are, however, limitations to what high levels of social capital can do. It has to be used in conjunction with other forms of capital – financial, human, environmental and cultural.

Despite this, making an assessment of social capital generated and used by a community enterprise as part of a social report, I believe, is important. An analysis of the form and nature of relationships a community enterprise has with other organisations is crucial and can show where it should focus in developing and enhancing those relationships.

This link between social capital and the actions of a community enterprise can be reported within a social impact report – benefiting the enterprise in terms of future planning and resource allocation; and its wider community in terms of more cohesion and enhanced inter-relationships.

5. Understanding the Principles & History of Social Accounting & Audit

History is not another name for the past, as many people imply. It is the name for stories about the past.
–A. J. P. Taylor



I increasingly believe that to understand why things are the way they are and why they are not something else we have to know about the past and try to understand it.

I am currently helping to advise on a research programme called CommonHealth which is co-ordinated by the Yunus Centre for Social Business and Health at Glasgow Caledonian University. One of the really interesting elements of the research is a look back at what happened with the community business movement mainly in Scotland in the 1980s and 90s. It is extraordinary how we interpret the past in different ways adding and detracting bits and pieces to fit our view of the present. The past is definitely open to interpretation but, if we manage to be as objective as possible, it can help us see the present and the immediate future with more clarity.

One interesting aside, and an issue that has arisen within the research project, is that the years 'post-internet' are much more widely accessible than the time before the internet which is sometimes overlooked as it involves reports and archives on dusty shelves…

Involvement in this research has recently led me to think about the historical roots of social impact assessment – where it has come from. In this blog I want to consider the reporting on impact and in particular the historical development of the principles around social accounting and audit.

Long before the establishment of the Social Audit Network and back in 1993, Community Enterprise Lothian (who I worked for at that time) worked jointly with others to hold a conference in Edinburgh called 'Counting Community Profit!: Defining and Measuring Community Benefits of Local Development and Business Enterprises'. The conference attracted a number of important speakers – George McRobie (new economics foundation and Founder of the Intermediate Technology Development Group), James Robertson (author of 'Future Wealth' and 'Future Work'), Rob Gray (then Professor at University of Dundee and author of 'The Greening of Accountancy') – to name just a few.

The conference was over-subscribed and pivotal in many ways as the Institute for Social and Ethical Accountability (ISEA) – now called Accountability – was formed shortly after and the new economics foundation went on to explore 'social audit' more and subsequently wrote the 'Social Audit Workbook' with John Pearce. Those working in 'social audit' as it was known then, used much of what had been discussed in the conference to devise principles for 'social audit'.

After further consideration following the conference 'social audit' adopted the following principles:

Multi-perspective: reflect the views of (all) those involved with or affected by the organisation.

Comprehensive: (ultimately) embrace all aspects of an organisation's social etc. performance.

Regular: take place regularly (annually) and not on a one-off, occasional basis, and become embedded in the culture and operation of the organisation.

Comparative: offer a means whereby an organisation can compare its own performance over time; relate performance to appropriate external norms; and make comparisons with other organisations doing similar work.

Verification: audited by one or more persons with no vested interest in the organisation.

Disclosure: findings made available to all stake-holders and published for the wider community.

The over-arching principle of continuously improving social performance.

It is interesting that the principles do not include measurability as it was recognised at the time that many social aims are not measurable in the sense that you use a standard yardstick and give it a numerical or standardised value. Those pioneers in social accounting accepted that it would be a nonsense to try and measure everything – but where you can, do; and where you cannot, still try to assess the change in qualitative terms.

The above principles were espoused for quite a number of years. In the mid-2000s connections were made with those keen on advocating Social Return on Investment and following a joint meeting in 2008 the fledgling SROI Network and the more established Social Audit Network (SAN) agreed to share a number of the same principles. There was not complete agreement as SAN felt it was not possible to financialise all outcomes. However, in the interests of collaboration a joint document (updated in 2010) was written and made publicly available.

Shortly after this meeting both organisations changed them slightly and adopted slightly differing principles to satisfy their differing audiences – the current Principles of Social Value have been published by Social Value UK (previously the SROI Network and the Social Impact Analysists Association). And for reference check out the eight SAN principles.

So what does mean for us now?

Certainly principles around social impact are important especially with the expanding interest in enterprises with a central community or social benefit. Both approaches – Social Accounting and Audit; and Social Return on Investment – use their respective set of principles to assess the veracity of social reports using one or other of the approaches. My problem with both sets is that 'process' has got in the way of 'principles'. That is some of the 'principles' are really about the process itself.

I would like to suggest that with the benefit of hindsight – which is where this blog started – we should have a rethink about the principles of social impact. Concurrent with the evolution of these principles we should also look at the key aspects of all organisations to see if they are socially responsible. Those key aspects being how an organisation treats its staff and volunteers; how is it governed; how it uses surplus; its financial sustainability; its impact on the environment; and how it affects the local economy.

By building on what has happened in this field of social impact in the past, we should be able to develop tools, approaches and key principles for the future.

The 'stories about the past' provide the bedrock for understanding the present, and the development of the future. Is this what progress is?

Finally – and I hesitate – I would like to suggest a tweaked set of principles for social value…

Clarifying the true change and purpose that an organisation is working towards	**Focus**
Tracking changes so that comparisons can be made over time and between organisations	**Improvement**
Embedding the social impact process and making it central to what the organisation does	**Regular**
Considering more than one view in assessing social value created by an organisation	**Multi-perspective**
Demonstrating that data and information used is important and significant	**Materiality**
Checking that the interpretation of the change that happens is as true as possible	**Verification**
Involving stakeholders in assessing change that happens	**Engagement**
Being open and disclosing what an organisation has achieved or not	**Transparent**

Bingo!

6. The art of making Social Impact interesting…

Lots of people have heard of 'social accounting and audit' but they are not sure what it actually is and what it entails. Rumour often has it that it is complicated and involved. However, I would argue that it actually is quite simple…

…you re-assert what you, as an organisation, aims to do and how whilst at the same time identifying who you are working with and for;

…you collect information – both quantitative and qualitative – to see if you are meeting your overall purpose;

…you bring all that information together, usually (but not always), into a report; and then…

…you get it independently checked to provide the report with integrity.

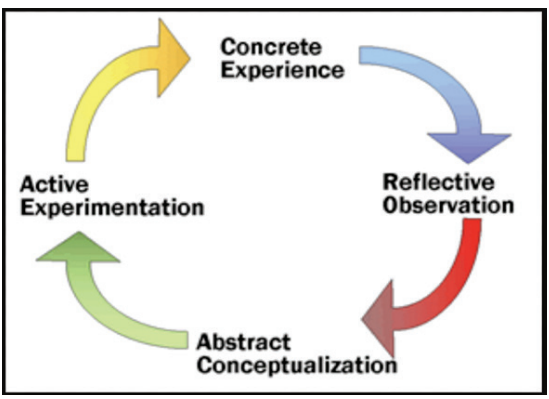
Thus, four easy and simple steps with the last one being the 'audit'.

I believe that there is no getting away from having to apply the first three steps. In the last few years there are an increasing number of people and institutions reformulating these steps in different ways

– adding to what seems like a confusing plethora of different approaches. The contrary is the case – they are all very similar and all maintain the three steps albeit dressed up in slightly different packages.

In introducing some form of social impact assessment into your organisation, be conscious of where it is 'located' within your organisation. Often organisations will tack it on as an additional activity as can be seen in the diagram on the left – an add-on that may persuade funders to continue to support the organisation.

The real trick – and the thing that makes a difference in adopting an integrated social impact process, is to try and 'locate' social impact at the core of the organisation as in the diagram on the right. This will mean that social impact assessment is an integral part of what you actually do. This can then contribute hugely to planning, reporting, as well as decision-making – it can have multiple uses.



Moving social impact into the centre or your organisation requires a bit of thought and planning but it means that the process of collecting data becomes part of what you do and not seen as an 'extra' to what you do. In many ways this relates to the way we learn which is epitomised by the Kolb Cycle (see diagram) where we bring forward a concept, test it out, experience the change, then reflect on that experience and this leads back into new forming new concepts. Social impact for organisations resides in the reflective part of the cycle.

So far I have tried to show the process of social impact and where that process lies within an organisation that is trying to make social change. But why would we want to do it? For me it is really about seeing if you, as an organisation, are really making a difference. And if you are, can you prove it and thus can you improve as a more effective organisation.

Within the world of social impact there is a lot written about measurement. What cannot be measured easily is often ignored – but many of the social changes that an organisation with a central social purpose aspires to achieve, are difficult – if not nearly impossible to measure.

So should we be trying to measure them at all? For the purposes of assessing the social impact you are making, is it not sufficient to assess as fairly as possible whether or not you are making a difference and to what degree?

Back in the 1970s I remember reading Zen and the Art of Motorcycle Maintenance. Many people had it stuffed in their corduroy jacket pockets to take it out to impress people on trains and such like. Despite using it as an accessory, it is an amazing book and much of it is about how we understand quality. This is not an easy thing to do and the book illustrates how we seem to understand quality without being able to measure it – just like many things in life that we truly value. An illustrative quote typical to the book is…

Quality… you know what it is, yet you don't know what it is. But that is self-contradictory. But some things are better than others, that is they have more quality. But when you try to say what the quality is…it all goes poof!

So this leads us on to reporting your social impact – not only on the quantitative data which is relatively easy to understand – but also how to consider the qualitative data. In the social accounting and audit process there is a recommendation to collect qualitative opinion and views from several different stakeholder groups. This multi-perspective approach (which in academia is referred to as triangulation) means that if you are more or less getting the same sorts of views from different groups' perspectives then you can be reasonably sure you are getting closer to the truth.

Let's go back to the original title of this blog. How can we make social impact, not only more relevant by placing it at the core of the organisation, but also interesting to do and interesting for participating stakeholders?

I was recently involved in supporting the GENERATION Co-production programme and helped them keep social accounts on their outcomes. This outreach programme worked with five separate arts projects across Scotland – all of them exposing young people actively to the creative arts. The programme lasted almost two years and what was really interesting was that the social accounting process used the medium of art itself in collecting qualitative information from the young participants. Instead of the traditional questionnaires/interviews/events/etc., young people were invited to draw pictures and 'storyboards' of their experiences. They were then filmed telling their stories and all the information was put up onto a website.

This illustrates how the consultation with stakeholders can be integrated into the core of what the organisation is trying to do. Similarly, different types or organisation can find ways to integrate the consultation process into the delivery of their initiative. It is not outside the bounds of possibility for nurseries and schools to have evaluative games, for those holding training or events to have dialogue sessions on assessing change, for sports clubs to have physical challenges in obtaining feedback and so on.

This thinking and subsequent implementation means that the social impact process becomes part of what you do and not just an add-on.

At the end of the GENERATION Co-production programme the social accounts were, however, written up in a more traditional report form but they drew on the information collected on the website. Both the final detailed report and the illustrative summary will be publicly available soon.

In conclusion, in working to encourage organisations to adopt a social impact framework we have to encourage them to pull the process of social impact into the centre of the organisation – a crucial and integral part of what the organisation is actually trying to do. At the same time organisations should explore how to consult on the quality of their services in a way that is appropriate to what they do…Eureka!

7. Looking into the future development of Social Impact…

"When eating, an elephant takes one bite at a time."
- Creighton Abrams

Not without a great deal of hesitation, I want to try and look into the future and try and 'see' the future development of social enterprise and more particularly the role of social impact. In attempting to predict how present trends will unwind in future years is a fairly dangerous game and one that is setting oneself up for a fall. But here goes…one bite at a time.

As far as context goes we are living in an increasingly connected world with a globalised market. Governments have shrinking control over the wider economy as large privately owned corporations play a more influential role in the shift from public sector to private ownership. Collective working and organised mutuality are frowned upon in the belief that society exists as the sum functioning individuals.

Over the next decades there will be increased inequality, a decrease in forms of united action by trade unions (or equivalent), welfare will become more dependent on philanthropy and at the behest of the super-rich, personal debt will rise and will continue to be used to control the mass of the population. And despite the UK voting narrowly to stay in Europe there will be a rise in a destructive and xenophobic form of nationalism – dividing the 'us' from the 'them'.

Amid this turmoil sits what can be referred to as the 'third sector'. This includes civic society, volunteering, business with social purpose, community development, clubs and societies. In times gone by they might expect some form of support from the state as they aim to improve social and economic livelihoods. In the future their funding will become more and more difficult and they will be pushed into working alongside and with private sector institutions. Some of these institutions will be benign but some will expect the third sector organisations they support to 'toe the line' and act in their interests.

Some of the more established, and it has to be said, bigger voluntary enterprises will survive and grow at the expense of smaller organisations. This will happen as competition rather than collaboration is encouraged and sanctified by the dispensers of funds and capital.

However, within this bleak landscape, I think there will be a counter swing at a local level. As services to communities are gradually withdrawn, local people who are concerned with their community's future will react by forming local multi-functional community based enterprises intent on improving the 'good' of the community. The future of 'social enterprise' will be community. It will be based on local mutual self-help and in a way that erases the divide between 'economic', 'social' and 'environment' impacts. Instead it will try to address all these three aspects for the benefit of their particular community.

Essentially, there will be a split in the 'social enterprise' sector – and indeed the term 'social enterprise' will become more and more meaningless. There will be large competitive organisations taking on government contracts alongside the private sector and they will operate so well in the market place that the difference between them and privately owned businesses will be academic. Then, in the alternative direction, there will be the community-based enterprises hanging on to socialist and collective principles in the belief that solidarity and a sense of belonging can provide for the good of all.

So where does 'social impact' fit into all of this? Looking into the crystal ball of the future, it is necessary to consider the past. In the mid-2000s, just as social accounting and audit was beginning to gain traction, along came a US import in the form of Social Return on Investment (SROI). It burst on the social reporting scene but over the years it has been increasingly criticised as an approach. It is changing its spots and recognising that monetisation of outcomes is not an absolute necessity in measuring the impact social enterprises have on stakeholders.

In the future this trend will continue and there will be a gradual realisation that the focus in this area should be on regular and systematic reporting by all organisations that want to demonstrate to themselves and others the positive social and environmental changes that happen as a result of their activities.

Over the next decade, the split in the social enterprise 'movement' will be mirrored in a 'split' in the world of social impact. On the one hand there will be an industry around social reporting with an array of tools, structures and off-the-shelf aids to help organisations report on their social impact. Despite this there will be confusion and a call for standardisation. I should imagine Social Value UK and others will be at the forefront of this call – and possibly quite rightly.

On the other hand, there will be community based enterprises, operating at a small and local level who will look to report not only on the impact that they have but also on the type of organisation they are, their ethical credentials, and the way they deliver their impact.

This is where the Social Audit Network (SAN) comes in. SAN was set up to support organisations in the community sector. It was established to help organisations account for how they delivered change as well as the degree of change that happened as a result of what they did. In the past and currently there has been an emphasis on this two-fold approach.

In the next decade, I think there will be a shift to emphasise the auditing of social reports – and not so much on how social reporting can be done.

As the decade pans out, more and more people will realise that social reports can be written in many different ways while the developing standards should be around the audit process. You can evaluate enterprises that have a social purpose with clever consultants going in and writing a report. This is not sustainable in the short term and actually dis-empowers the enterprise. Far better to get the organisation to take charge of its own monitoring and evaluation and then get it externally verified through a thorough and well-constructed audit.

SAN currently has a set procedure for the audit. A set of criteria has been developed based around the principles of social accounting and audit. All reports will be expected to include:

- **What the organisation is all about** (Vision, Mission, Values, Objectives, Activities, expected Outputs and outcomes) and who it works with and for (stakeholders)
- **What the social report covers and what was done** (Method, Scope, Omissions)
- **A checklist on internal functions** or key aspects (Human Resources, Governance, 'Asset Lock'' Financial Sustainability, Environmental, Local Economic)
- **Report on outputs and outcomes** (usually relating to the Objectives and through them back to the overall purpose)
- **Key findings, conclusions and future recommendations**

Where does this leave us? I think the global outlook is pretty horrendous and capitalism continues to wreak havoc on communities, societies, cultures and the environment. The glimmer of hope is through community action which will include community-owned enterprises and businesses. But they want to know they are making a positive difference. How do they do this? I would argue through adopting and gradually introducing a form of social accounting with an audit attached that provides external and peer review to help them regularly keep track of what they do and how they do it.

We shall not be able to eat an elephant with one gulp – instead it will have to be eaten in small bites… (I can avow it was certainly not the elephant that said this!)

8. Are we really creating 'value' and how do we know?

I attended two events recently and both got me thinking about the question in the title of this blog.

One was a seminar led by Stephen Osborne which examined the 'value' created by public services. The other was the Social Audit Network (SAN) Annual Gathering.

Stephen Osborne is an esteemed and well-regarded academic at the University of Edinburgh Business School and has written extensively on public services. He was speaking at Glasgow Caledonian University and three things struck me about his talk and the subsequent discussion.

The first was that delivering services in response to public needs requires a quite different approach from running a business that sells products. Apparently, legislation states that public sector organisations have a duty to respond to 'need' in the population. Some discharge this by delivering services, others commission or buy the services from others.

The key point is that the public sector must address 'need' which is evidenced in the population rather than creating demand for a service or product. In any case, the delivery of the service should use a 'different business logic' which is dependent on the co-operation and trust of citizens. This working together and collusion is about adding value and positive change for citizens – in terms of meeting the needs, improving people's quality of life, creating capacity within the community and generally making a better society.

The second was that public service delivery has fundamentally different values and a different end-game in comparison to running an enterprise. The delivery can use business management methods to improve internal systems, but it is essentially quite a different animal with a different set of values. This possibly has implications for social and community enterprises that also address social needs – they may need to look at their values as well as their financial bottom line.

The third relates to the discussion following the presentation, where there was a debate on accountability and the need to track, measure and report on whether or not the public service delivery was actually achieving its goals. The verbal exchanges recognised that tangible and often measurable indicators can be used to explain what has been delivered and to what effect, however, the less tangible, outcomes in terms of happiness, confidence and self-esteem are harder to account for.

Osbourne said that these highly important factors require a more investigative approach and one that often is inevitably more time-consuming and more expensive. It is interesting, in passing, that many local authorities have not re-instated previously abolished national performance measures – mainly due to cost. There would seem to be an opportunity to set local and meaningful targets on 'social impact' which is happening in Salford and reportedly across Greater Manchester as part of the devolution agreement.

The SAN Gathering was held in Liverpool on 20th October and was in two parts.

The morning looked at the basis of social accounting and audit and a number of case studies were presented which examined things that had worked well and others that were more of a challenge. There appeared to be a general consensus that regular reporting on the change that happens as a result of what a social or community enterprise does, is a good thing.

The afternoon concentrated on how we can believe what is contained in social reports.

An increasing number of annual social reports are being written by a wide range of organisations – from the small community-based enterprises running lunch clubs to the mega-corporate bodies providing a range of social services – both often under contract to, or at least working alongside, the public sector. With more and more organisations being contracted to deliver services for citizens in our society – how do we know they are doing a good job?

Looking at unsubstantiated and unverified social reports makes me concerned that self-reporting as advocated by approaches such as social accounting, may descend into purely marketing exercises. There must be some kind of 'audit' of social reporting to ensure faith in, and the rounded integrity of, social reports.

Over many years SAN has worked with social, voluntary and community organisations in developing a 'social audit process' where qualified SAN social auditors chair a Panel meeting which is a learning and supportive process as well as providing rigorous and robust scrutiny of an organisation's social report.

The afternoon session at the Gathering also considered standards for audit processes and in particular, the forthcoming BSI standardsfor social value assessment reports were mentioned. This has to be welcomed as a way of ensuring that social organisations are not pedalling 'fake news'.

A nagging concern, however, is that standards will be created by umbrella bodies without the active involvement of organisations on the ground – things will be done to people and grassroots organisations rather than with them. In applying national standards across the board, there is a significant danger of turning the 'social audit' into yet another tick-box compliance exercise, especially if it is controlled by a national standards institute.

In conclusion, I want to tie these two events together as in my mind there would appear to be common threads.

- 'Value' for society is being created, but as a society, we need to be able to track it and in doing so, we need to see the degree of value created and how to improve on it, thus being as effective as possible.

- Self-reporting is the only practical way of tracking change created by the expanding plethora of different organisations that soon will be delivering all sorts of public services – either off their own bat or on contract to the public sector.

- We, the public, need to have faith in the social reports and one way of creating this is to insist on some form of 'social audit'.

- Standards have to be established for the 'social audit' to ensure a procedural uniformity – but those standards should not be created in a vacuum but in some form of co-creation with social and community organisations. Thus, ensuring that they are understandable, transparent and trustworthy – and perhaps there is an opportunity to recognise the context with local measures.

Finally, there would appear to be a considerable degree of consensus within the public and social sectors on the need for social reporting – not only of the tangible but also the intangible.

There is wide recognition that there has to be some form of check or audit to ensure that reality is reflected in the reporting.

My plea is that in setting social audit standards they are not too complicated but are understandable and accessible (in all its meanings). Only that way will they become accepted and adopted by all.

9. Social Impact and our Peculiar Understanding of 'Community'...

Many social enterprises, and perhaps more accurately, community enterprises, say that they are having an impact on The Community. But do we really understand what we mean when we talk about 'community'?

I have been involved with a number of EU funded projects over the years and conversations with European partners turns to semantics and discussion on whether or not there is a shared understanding of some of the major concepts that we in the UK bandy about with abandon.

One of those, and one that often forms a bit of a stumbling block, is the word 'community'. The Germans say it is untranslatable; the French use it in other ways; the British say it all the time in the hope that the others get their meaning.

Turning to definitions, the Oxford Living Dictionaries states that it is, 'a group of people living in the same place or having a particular characteristic in common', which implies a 'geographical community'. But it also goes on to say that community can be, 'the condition of sharing or having certain attitudes and interests in common'. This suggests more of a 'community of interest'.

These discussions remind me of when I worked with community businesses in Scotland in the late 1980s. Talking about a geographical community made sense as local people in hard pressed areas got together, formed an enterprise that created benefits for the locality by providing employment for long term unemployed and much needed services to benefit residents in the area.

But then 'community of interest' emerged. This broadened the definition and at one meeting we realised that a golf club could be a community business serving the 'community of golfers'. Was this right? And so the argument continued within, in those days, a smoke-filled room of activists…

Added to this are two critical dilemmas worthy of consideration.

The first is that 'community' is not a homogenous unit. Within a geographical area there are a range of different people with differing values, outlooks, social and economic status, faiths and ethnic groupings. How do we, as community-based organisations, whose central purpose is to work for community benefit, serve the whole community?

What are the priorities; how are they decided; and so on? Local people on a Board of a community enterprise would be expected to understand the local community better than an outsider – but they may have their own interests and views that may not address the problem of all people living and working in the community.

The second is how the geographical community is defined. Where are the boundaries outlining the community? For some communities this is relatively straightforward as they may be islands, or particularly remote and self-defining, or they may be a housing estate squeezed into an area bounded by a major road or railway line. But for many community based organisations this is an issue and one that has to be tackled and re-addressed.

Many community enterprises over the years have tried to report on the impact that they have on their community. If they keep social accounts they are expected to draw out a local stakeholder map that charts the nature of the relationship they have with different stakeholder groups.

This is an exercise that many find particularly useful as it exposes many in their organisation to the dilemmas mentioned above. Often there is not total agreement, but the discussion over stakeholder relationships can create a better understanding of differing positions within and around the organisation.

Also, as part of social accounting, there would be a need to consult or engage with the ‘community’ – some refer it to as the ‘wider community’. This presents a problem as the community may be made up of thousands of households. Through my involvement with social accounting and audit, I have tried to do and suggest a number of things.

One time we worked with a community enterprise in carrying out a survey that involved a questionnaire going to each household distributed in a community newsletter. The returns were few.

Another time we worked on visiting a random selection of households in an area and conducted interviews. This was more successful but fraught with difficulties over people being out, not wanting callers, not to mention fatigue and a wearing down of shoe leather…

However, something that did seem to work well, was the creation of a kind of ‘community jury’. The community enterprise identified a local councillor for the area; a head of school, a local social worker, a prominent business person, a faith leader, a local MP. These were people who were not close stakeholders but who would know about the community enterprise and a little about its work and impact.

Ideally this group would be brought together and issues about the performance and impact of the community enterprise would be discussed. In practice this was very hard to achieve and the fall-back position was to interview these people with the same questions.

The consultation and engagement with a 'community of interest' may be clearer in some ways, as the community enterprise may only be consulting those people that have expressed an interest in what the enterprise is trying to do. But that leaves out all the people that could be in the community of interest but do not know about or have never used the services provided. Difficult or what?

I think defining and understanding 'community' is crucially important. At a meeting several years ago a prominent member of the social enterprise sector in Scotland was asked what he thought was the future of social enterprise. He said he thought it would be 'community based enterprise'. This harks back to the burgeoning community business movement in Scotland in the 1980s – plus ça change, plus c'est la même chose…

I also think that community enterprises are going to be more and more important.They tend to be tenacious organisations due to their close connections within communities. This is evidenced by the number of community co-operatives in the Highlands and Islands that are still around in one form or another.

Community enterprises are also like 'anchor organisations' – a conduit for local development. They usually have a clearer purpose compared to the plethora of recent social enterprises that are currently emerging – which are not community-based and struggle to show their distinction from being traditional businesses with a philanthropic arm.

Finally, we all live in 'communities' in one form or another. We are not only individuals but part of something that underlines the connections and relationships between us that make life worthwhile. I leave you with a quote from Cesar Chavez (1927 – 1993), an American labour leader and civil rights activist…

We cannot seek achievement for ourselves and forget about progress and prosperity for our community… Our ambitions must be broad enough to include the aspirations and needs of others, for their sakes and for our own.

10. Social Impact: Should We Be Talking Process Or Product?

I was reminded recently of the story about Jason and his quest for the Golden Fleece. It is the well-known story of a young man with a goal in mind but in order to achieve that end, he has a long, challenging and arduous journey. It was an adventure, and throughout the journey Jason grew as a person, became wiser, tackled problems and overcame obstacles. Although the final product was obtaining a prize, the process involved in trying to attain the prize was equally important.

The lesson learned from this story being…the journey is as important as the destination. In today's media parlance – we were on a journey and it was a bit of a rollercoaster but we got through it!

With a bit of a stretch of the imagination it is similar with social impact reporting. The activities that are done to understand the degree that one's organisation is making a difference can be as important – if not more important – than the resultant social report.

I have been involved with social accounting and audit for many years. Working with others, we developed a PROCESS to help organisations collect relevant quantitative and qualitative information relating to their central purpose. This happens each year in the same way that financial accounts and 'books' are kept.

Organisations then bring this information together and report on their performance and on their impact on their stakeholders. The process is internal to the organisation, owned and controlled by the organisation – thereby empowering it to self-monitor and self-evaluate.

At the end of a year the organisation will produce its own social impact report – this is the PRODUCT. Thus. the process can be regarded as the 'journey' and the social report is the 'destination'.

With social accounting and audit there is a wee sting in the tail in that the product is externally verified with an audit – again similar to financial annual accounts. The audit ensures that the final product of the report is valid and a true interpretation of what the organisation has, and has not, achieved during the year. On passing the audit, a statement is issued – not golden fleece I am afraid – just a signed certificate.

Organisations who regularly keep a set of social accounts and subject them to audit report a number of significant benefits.

The PROCESS helps them understand more clearly what they do to achieve an overall purpose; it forces them to listen to a wide range of different stakeholders; it can keep them on track; it can help them in explaining more clearly what they do; it can be used in organisational record-keeping and learning; it can get people to work together more effectively; and so on.

There are benefits too from producing a report – the PRODUCT. It can be summarised and distributed widely to stakeholders and the wider public; it can be used to report back to funders; it can be the basis for future planning; it can track change that an organisation has had to deal with; it can be used, in part, to brief outsiders; and so on.

So in social accounting and audit both the PROCESS and the PRODUCT have value.
The Social Audit Network (SAN) was set up to help third sector and community organisation to introduce social accounting and

audit into their organisations – and to help them with the process of social accounting as well as producing a social report.

Within SAN we often have the debate – is process more important than the product or vice versa.

I fall more into the process 'camp'. For me the final report does have value and I can see the advantages of having the statement endorsing the social accounts. But it is going through the process that can have a more influential effect on the organisation. It can help all parts of an organisation not only to take stock on a regular basis but also to reflect on what the organisation is trying to do and how it is doing that.

So many social and community enterprises see a need, respond to it, try and address it, and then get caught up in delivering whatever it is that they do. Building into the annual organisational cycle a process of data collection and stakeholder engagement to quantify outputs and to understand and to be able to report on outcomes, can be hugely beneficial. Is the organisation doing the best it can? Could it be doing something better or more effective? How can it change? How can it plan to improve?

The folk in the product camp stress the value of a report in that it can be used as the central document in an organisation. It can be used to prove or evidence the work that has been done by the organisation in achieving its ends.

Now if you are a process-type person, you have to be able to accept that processes can be messy. Through trial and error… and trial again, one learns – and through that learning a deeper understanding begins to emerge.

In researching this blog I came across a website – Prek and K Sharing which deals with working with children to create art. They argue that in encouraging art the PROCESS of doing is more important than the final PRODUCT.

In the picture below the process is messy and undefined but reflects the learning, while the well-structured neat product is more presentable and more accepted.

It is the same with social impact reporting. The process of collecting, collating and making sense of information and opinions can be messy – while the learning from it can be immense.

So which would you choose? The process (read Jason’s adventurous journey) or the product (read ‘golden fleece’) or both…

11. Social Impact: The use of language and why it matters…

In this world of a Trump election in the USA and Brexit in the UK – where facts and 'truth' are being stretched to a frightening degree, I am reminded of George Orwell and his concept of doublethink. He writes…

War is peace. Freedom is slavery. Ignorance is strength. The very concept of objective truth is fading out of the world. Lies will pass into history. (George Orwell, 1984)

This idea of words and language being used to manipulate thinking is at the heart of Orwell's work. He recognised that language and words are crucially important.

As we enter a world of post-truth and increasingly instantaneous information and communication, we are going to have to be more scrupulous in filtering out fact from a tidal flood of fiction which has been designed to influence the way we think.

Of course, language can be used to explain and clarify things. The late James Cameron in an article in the Guardian in the 1980s wrote about how he did not really know or understand his opinion on things until he had tried to express it in words. He relates how he became surprised at the opinions – often strong opinions – that he held which only really come to light when he put his thoughts into words.

This resonated with me at that time – and it still does – as it reveals the strong link between our culture – the way we think about things in the world, and the language we use to explain it to ourselves and to others.

But language can also be used to confuse and obfuscate the truth intended in the meaning.

Often there is a difference between what people say they are doing and what they are actually doing. This lack of a clear link with reality may just the absence of clear thinking, but it may be deliberate to manipulate how others think about things and what they do about it.

In the world of social enterprise, words are used in ways that intend to influence. Indeed, the term 'social enterprise' originated from the French, 'economie sociale', and its early use was not to explain the impact of economic activity in 'social' ways or in benefitting people. Rather the term was used to explain that the economic activity was owned by people. For me this is an interesting distinction, and one that is often forgotten. But, of course, the term has evolved from its roots into what we understand 'social enterprise' to mean today, that is, the impact on people.

Another example from the history of social enterprise…

A precursor to social enterprise in the UK was the Scottish community business movement that started in the 1970s with rural community co-operatives supported by the then Highlands and Islands Development Board (now Highland and Islands Enterprise).

The idea of community ownership of economic activity spread to urban areas with community-owned businesses supported by local authorities using Urban Programme funding. This movement flourished, became established and mainstream. In the early 1990s it came in for a lot of criticism (some of it quite valid) but this led to people changing the terminology – if not the concept. They started to refer to these types of organisations as ‘community enterprises’. Not the old guard, ‘community business’, but the fresh and new, ‘community enterprise’.

Similarly, in the early 1990s a range of versions of community-owned businesses emerged. In my view, they were more-or-less the same thing but with a new twist: ‘development trusts’, ‘social firms’ – to name but two. Old wine in new bottles. The newly formed terms implied a new concept.

Turning to the world of ‘social impact’ there are similar things happening.

I have been actively involved in ‘social accounting and audit’ for many years. We started to use this term in the early 2000s replacing ‘social audit’ as we felt the longer term more accurately described the two parts of ‘social accounting’ and ‘social audit’. As you can imagine it is not a particularly popular term and we thought of changing it into something more immediately appealing like, ‘SEE Visioning’ or similar.

It was thought that a change of name might attract those that associated ‘accounting’ and ‘audit’ with arduous and stressful connotations. For better or for worse we stuck with the accuracy of ‘social accounting and audit’. You get what is says on the tin…

More recently I have become aware of a subtle change of word usage in the social impact field.

A few years ago, the term ‘impact measurement’ was on everyone’s lips. We were being encouraged to ‘measure’ the change that happens on people, the environment and on the local economies. If we could not, the argument was that the impact could not be managed – or so we were told.

The Social Audit Network has always disputed this and said that just because one cannot measure something, one can still put a value on it. In fact, many of the things that most people personally would value in their lives, cannot be measured – like love, close friendship, the warmth of company, the delight in a beautiful view, the exhilaration of achievement, and so on. Others in this area of social impact insisted that ‘measurement’ was key.

Inevitably, those that insisted on measuring things and often reducing the good things in life to a financial value are now recognising that they may have been wrong. But instead of accepting that – yes, you are right – they change the words. ‘Impact management’ has been introduced. Recognising the absurdities of trying to measuring everything, which one cannot sensibly do, let’s change it to managing and understanding our impact.

Perhaps what is not so strange is that those advocating ‘impact management’ now are not a million miles away from what ‘social accounting and audit’ has been suggesting for decades.

So the use of language may just be a minor skirmish within the social impact. But it is arguably a reflection of something much more important – that is, the way we use language and what we really mean.

I can see that in a future more nationalist, more fearful, more defensive and exclusive world, the connection between language and ‘truth’ will become more divergent.

The writing of Orwell will no doubt come back to haunt (or is it taunt us?). In his work, ‘Politics and the English Language’, he writes…

The great enemy of clear language is insincerity. When there is a gap between one's real and one's declared aims, one turns, as it were, instinctively to long words and exhausted idioms, like a cuttlefish squirting out ink.

I am not sure what a cuttlefish is, but there seems to be a lot of them about.

12. What is the role of funders in social impact matters?

He who pays the piper calls the tune. Old British saying

Explanation in Cambridge Dictionary: the saying is said to emphasise that the person who is paying someone to do something can decide how it should be done…

This above saying is widely used and often in connection with funders and investors – those that provide funds to enable social economy organisations to get on and do things that have social or community benefit.

There is a fine dividing line between those that provide the financial resources and those organisations that carry out the work. How much right have funders in dictating what the work should be, who should do it, how it should be done and how should the benefits be reported back? It is not an easy and straightforward relationship, as often the funders are not always fully aware of the context, do not always understand the difficulties in the delivery of services, and, at times, can get overly involved in how the delivery organisation is managed and how it reports.

At times those that provide the money can over step the mark. I used to work with overseas aid organisations and UK Government departments that provided much of the funding in the 1980s and they used to dictate to the aid organisations which consultants they should use, what suppliers they should buy from and so on. In a benign way, this may have been meant to be helpful; but at worst it could be seen as interfering and dictatorial.

In the distant past when I worked for a community enterprise support organisation in Scotland we received a grant from the local council. Each year we were expected to report on how the money had been spent. They trusted us to deliver beneficial impacts arising from how the money had been used.

Over the past ten years the situation has changed dramatically. Organisations in receipt of funding are now asked to provide proof of the positive differences that they have made – and, on top of this, the funders themselves are increasingly getting involved in how an organisation reports on its social and community impact. This may be very positive but I feel it is important to understand that there is now a shift in the relationship between funders and the recipients – and that this shift may not be entirely positive.

It comes down to who actually is guiding the social and community change. Should it be funders with often limited staff most of whom have distribution and monitoring roles? Or should it be the delivery organisations who know the social and community needs, the local situations and the way needs can be addressed?

As the UK currently appears to be turning its back on Europe and aping the culture and traditions of the United States, we are placing more emphasis on philanthropy as a substitute for state funding – especially in areas of social and community change. Personally, I feel this is a very worrying trend as economically successful individuals are now resorting to use the profit they have gained from neoliberal business practices in doing ‘good’. Often, they will want to give 'something back' through redistribution to those less well-off. There is nothing intrinsically wrong with this, but the nature of the relationship between the philanthropic funder and the recipient requires more open understanding.

There are a number of factors that can considered in understanding this relationship:

- funders often want to fund organisations that are familiar to them in what they do, and how they practice
- funders are sometimes remote from the sharp end of delivery. What do they really know of juggling social and business objectives, of having to lay people off, of struggling to make ends meet?
- funders will often talk of working in partnership. But is it really a partnership when one partner wields financial power over another
- when it comes to reporting back on the difference made by the recipients of the funds are we really reporting on the 'right' things and the real change that has happened or just on a bunch of targets

So now turning to social impact. In the Social Audit Network we believe that the monitoring and evaluation process should be owned and controlled by the organisation. Without doubt, the recipient of funds should report back to a funder on what has been done with the money and what difference has occurred – but the control of the evaluation should be empowering the organisation and not undermining it by funders pushing for only their agenda to be addressed.

We argue that accounting for social and community change is an integral part of what a social economy organisation should be doing. And perhaps more controversially, we feel that funders are just one of a number of stakeholder groups that have to be reported to… They are often highly influential stakeholders but should not be dominant.

Another important element to reporting on social impact, is that mechanistic and highly structured impact reporting can miss the point.

I read an article from Australia recently called The politics of social impact: ‘value for money’ versus ‘active citizenship’. The author, Jenny Onyx, argues that we can get too bogged down in filling out output, outcome and impact boxes that we miss the point of how a community-based organisation can have a wider impact on local and active citizenship – with all the socialistic, caring, roles and responsibilities attached to that….

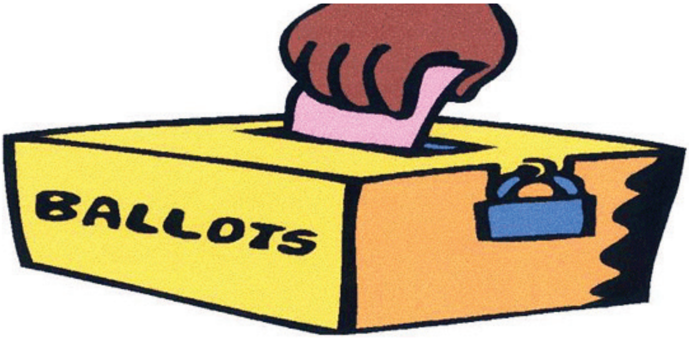
So, having said all this – what’s to be done? I met a representative from a large funding organisation in Scotland recently. They stressed listening, partnership, exchange, trust, openness…and I agreed with them. But the relationship is often precarious – but here goes with some suggestions:

- trust is often quoted glibly but it is crucially important as the basis between a funder and a recipient. The thing about trust is that it takes time and shared experience to build up and, unfortunately, can be broken easily and suddenly;
- linked to trust is for both parties to adopt a more enlightened attitude to failure. If funders recognised and accepted failure, more risks can be taken, new things tried, and importantly learning can result from failed attempts;
- if possible, funders should be less prescriptive in how an organisation reports on the difference it is making. Of course, some parameters need to be set down and agreed but the contextual situation should be understood fully by both parties;
- there is also an issue over size and familiarity. Generally, those providing funds want to deal with larger organisations with recognisable ‘business’ systems and procedures. This is often to the exclusion of smaller organisations. This tension around ‘size’ will not go away especially when neoliberal economic systems measure success by how much entities

> have 'grown'. There may be a way of getting round this – but I am not sure what it is…

Finally, and to go back to the quote at the beginning – arguably 'he' in the saying should learn from social economy organisations how to play the pipes and learn the tune before putting his hand in the funding pocket…

13. Social Impact And Going Beyond The Potholes Of 'Democracy'…



It has been said that Democracy is the worst form of government except for all those other forms that have been tried from time to time. Winston Churchill

The quote above is often used by many who find the whole idea of democracy becoming more and more perplexing. What is it? Why is it a method of governance that we should follow? Are we aware of the dangers of swallowing it whole?

Was Churchill alluding to some of the contradictions inherent in the democratic process?

In 2014, we allowed the democratic will of the people in Scotland to decide on whether or not to become independent from the rest of the UK. Despite a negative vote – 55% to 45% – the result fuelled a nationalist drive which, even now, seems to be constantly simmering just below the political consciousness. It was followed by a general election in 2015 where the electoral seats won by the Scottish National Party (SNP) was 56. This was against only 3 seats won by all the other parties put together, although the SNP polled under half of those that voted. Funny thing, this democracy…

Then, in 2016, we had a UK referendum on staying or leaving the European Union. To most people's surprise the Brexiteers won forcing a new government to lead a messy withdrawal from Europe. This was based on only 52% wanting out of the EU and 48% wanting to stay in. A small margin, but the majority of voters wins for absolute change and a change that will affect generations to come.

In the USA Donald Trump's election was even more bizarre as he managed to become president with only 46% of the popular vote when his rival, Hilary Clinton had 48%.

So what is going on? I am going to argue that we should not idealise 'democracy' as it possesses a number of faults or contradictions. So here goes with nine contradictions or potholes to consider.

1. Democracy is often dependent on a geographical area where the inhabitants have the right to vote. A person who is chosen to represent that area is elected by a majority of the people living within specified boundaries. However, it depends on the definition of that area and where the borders have been drawn.
2. There is often the problem of access to a vote amongst the electorate. Many people are excluded from the electoral roll, some choose to be. The roll may be out of date or there may be a transient population. The electorate is not always a true representation of the people who live in the area.
3. There are lots of people who appear on the electoral register who do not vote. Some countries make it compulsory to vote but most do not. So we follow the will of only those that actually vote.
4. There is a belief that voters elect someone to represent their wishes and desires at a higher level of government. In most democratic countries, this does not happen as prospective candidates usually align themselves with a particular party

or grouping. Political parties have policies which reflect the party's values. This is all very well but local issues tend to get lost in the expedience of party interests.

5. There are differing democratic systems to consider. In the UK general elections, we have a first-past-the-post system which has the advantage of giving a clear result where only slight swings in opinion from one political party to another can result in clear parliamentary majorities. It has the disadvantage of not being a true reflection of the feelings of the whole of the electorate. An alternative is proportional representation where seats in government, generally speaking, are divided according to the numbers of people who have voted for particular parties. On the surface this appears to be fairer but in countries where this system is in place it usually results in an over-abundance of parties and the minor parties tend to have a disproportionate amount of influence in government as they hold sway on tricky or closely divided issues.
6. There is a belief that those politicians that have been democratically elected, actually govern. In established democracies, there are often other governing bodies. In the UK, the civil service, with its hierarchy and powerful mandarins, unelected persons can influence the decisions that emerge from the well-trodden corridors of power. Similarly, people are often appointed by those who possess power into positions of authority that can dictate their decisions to the mass of the population.
7. There is a danger of forming a dictatorship of the majority where the minority's wishes are over-ridden by politicians elected by slim margins. They then push for major societal changes that do not take account of the wishes of all the people.
8. Democracy is not inherently fair or inclusive. Within a democracy single-minded people can form pressure groups to lobby government and political parties trying to influence the debate if not the outcome on particular issues. Resources can be used to by private companies and others to disproportionately influence policy. Money talks and those that have it recognise this completely and use their money to

influence decisions or policies.

9. Under multi-party democracy there is always a fight for the middle-ground. The battle over the centre of the political landscape in the UK is all very well – but is there any real choice left with previously principled parties sacrificing their values to gain power by attracting the middle ground?

This brings us to the question of relevancy. Is parliamentary politics relevant to the average person whether "in the street" or aboard the No 29 bus to Auchtermuchty?

In theory it certainly is relevant and can affect the lives of all the citizens but in practice people only want to get on with their lot and barely see the importance of party politics. On the other hand, organisations want to know that they are operating 'democratically' and in a way that reflects some form of social equity or social justice.

And what about social impact?

Community-based enterprises and local organisations serving the communities they are located in have tried to demonstrate their democratic credentials by counting how many people came to their AGM; how many members they have – regardless of how active they were; and the level of engagement by local people. This all adds up to something that goes beyond casting votes and looking at majority margins.

Organisations who apply social accounting and audit as a process to monitor and evaluate an organisation's effectiveness and 'social impact', have used all the above factors in describing their links to their constituents. They go beyond counting votes and look at local involvement, opportunities where local people can engage with others and develop connections.

It can be argued that democracy works best at a local level where there are much clearer channels of accountability between an organisation and the community residents. Perhaps organisations have to get closer to communities and people, allowing them the chance to take more control over their own destiny. This might be through more active community politics with more decisions devolved to local people.

So Churchill is right, I think, in recognising democracy is ‘the worst form of government’. What we need to try is more local involvement and community development, not focussed on ‘democracy’ as an ideal, but rather on social and economic justice.

14. Social impact: Success or Failure? Nothing succeeds as much as learning the lessons from failure…

I have written several obituaries in my life. It is not easy to describe what someone has done and what they have achieved in a few paragraphs. It also raises the question of success – have these people succeeded in what they have done? Have they attained their individual goals? Can we consider their life as being a success – or a failure?

This got me thinking about what do we mean by success – what yardstick can we use; and, indeed, are the conventional yardsticks the ‘right’ ones?

In introducing this, allow me a couple of anecdotes.

A relative of mine is just graduating and his father was saying that he hopes he gets a job in the City of London and makes lots of money. Why? Because he will then be regarded by his peers and others as a ‘success’.

Mmm…

About twenty years ago I met an elderly Irish priest in Central Java. He had moved there donkey's years previously and worked in what we used to call 'community development'. He worked with community groups supporting them to improve their and their children's, livelihoods. He did this very successfully but with little recognition.

Mmm…

These contrasting examples raise several points about what we mean by success. 'Success' (or indeed failure) is dependent on the definition of 'success' – and more particularly the parameters used to define 'success' which are often dictated by the society and culture that one is a part of…

Defining and measuring success is as important for enterprises as it is for people. With enterprises, assessing success depends on the type of business as different types of enterprise use different measures for assessing their success or failure:

1. With mainstream commercial business, recognising success is relatively easy. If a business is growing, if the turnover is increasing year on year, if the profit margins are widening; if shareholders' dividends are increasing – then it is seen as a successful business.
2. With a business that has a social conscience and a strong commitment to social responsibility, success can be assessed by the normal business measurements alongside how much money and resources are given for charitable or social aims.
3. With a social or community enterprise, assessing success gets a bit more complicated. These are enterprises that use economic activity to benefit people and communities, provide value to society and are consciously not adversely affecting the environment. Achieving these things is their core business – not just an add-on to a mainstream business activity.

However, in reporting on success/failure, a social or community enterprise has specific challenges. One of the most immediate problems is to regularly report on how they affect people, communities, the environment, the local economy and the prevalent culture.

Social enterprises often consider that it would be good to do this – but why, as it is not a statutory requirement? And then how can it fit in with what they are already doing? How do they know it is a good use of resources to report regularly? And how do they understand and demonstrate whether or not they are successful in achieving their main purpose? In other words, how do social and community enterprise assess their success or failure?

In the Social Audit Network (SAN), we have been grappling with some of these key questions. Social accounting and audit is the framework used by SAN. In supporting social and community enterprises to keep track of successes and failures, we believe enterprises should be clear about what they do, how they do it and who is affected; collect qualitative and quantitative information; report on successes and failures; and get the report verified through a 'social audit' process.

The framework is flexible and should include evidencing data on outputs and outcomes, the different views and reported outcomes from all stakeholders, costs and reported benefits and targets. The subsequent reporting brings together quantitative and qualitative information – including an internal report on the organisation's approach and ethos. It then discloses this independently audited information and invites the wider society to assess its success or failure.

Adopting the framework is not rocket science. We think that it is a sensible approach to showing others an organisation's progress (how it proves itself) and this then relays back into how it can improve as an effective organisation. The verified report highlights and recommends new directions, changes, improvements; and all this can be fed into planning for the future.

By its nature, the recommended structure for a 'social report' encourages a range of data from different sources and goes beyond Key Performance Indicators (KPIs) – and such like. Indeed, a note of caution should be attached to 'targets' and KPIs. We have found that targets are really useful if they are presented alongside other information. But if they become the 'report', the focus moves away from overall improvements in quality to changing the actions to fulfil the target.

In essence, regular social reporting is crucially important – particularly for organisations whose social and community benefits are its raison d'etre. Through this reporting, they can assess the degree of success (or failure) they are having in different areas of their work.

The success parameters applied by an organisation are multi-perspective and set by the organisation – but crucially these parameters are then tested by subjecting the social report to an independent audit

Subsequent systematic social reporting can then track the progress of an organisation, and in looking critically at that story people in the wider society, can assess themselves on the success or failure of that social enterprise.

So, going back to the wider anecdotes at the start of this blog… Success can be defined in different ways depending on values, the experience and the understanding of those trying to assess 'success'.

Lastly, and perhaps as an addendum, we should not perhaps ignore the importance of failure. I leave you with a quote from Kenneth Boulding (1910 – 1993), a British economist, educator, peace activist, poet, religious mystic, devoted Quaker, systems scientist, and interdisciplinary philosopher who wrote:

"Nothing fails like success because we don't learn from it. We only learn from failure."

Mmm…

Postscript: In 2005 John Pearce wrote Learning from Failure which focussed on four social enterprises that had failed. He wrote about why and how they failed and the lessons to be learnt from their experience. It was published by Co-active which I believe no longer exists.

15. Social Impact Reporting And Marketing: A Hazy Divide?

"Marketing is manipulation and deceit. It tries to turn people into something they aren't – individuals focused solely on themselves, maximising their consumption of goods that they don't need." Noam Chomsky

It is a powerful quote from Chomsky and not one that I entirely agree with as I feel that businesses have to promote and sell their products in the competitive environment which is part of our prevailing economic system.

The whole idea of marketing reminds me of a time I was wisely told by a colleague that there is often a difference between what people say they are doing and what they are actually doing. This brings me to the main thread running through this blog which is the relationship between 'marketing' and 'social impact reporting'.

In some ways it comes back to why should social and community enterprises regularly report on their performance and their impact on people, the environment and on the society in which they exist. They do not have to. So why do they?

Often social enterprises will say they are doing it in order to market what they do and to be able promote and 'sell' what they can provide – 'selling' it to investors or funders and other stakeholders. This is quite legitimate and to be applauded but I would argue should not be the sole reason to report on social impact.

The last few decades have shown a huge and pervading expansion and emphasis on 'marketing'. Entrepreneurs starting out or wanting to expand will come up with a 'product' and then spend an inordinate amount of time, resources and energy to try and sell that product in the market. Arguably, organisations with a central social objective should by definition not need to spend as much on this, as they should be responding to a social need and through their activities provide for that need to those that benefit from their work.

The area where social impact reporting and marketing meets manifests itself in Corporate Social Responsibility (CRS) reporting. It is admirable and to be encouraged that businesses report more holistically and include the positive impact that they are having on the environment, on people and on the wider culture. But this is basically philanthropy. Their core business, if you like, is to maximise profit for their owners or founders. They also have wider impacts but they remain secondary to their core purpose.

Social entrprises, on the other hand should be reporting regularly on their core business with is positive social change. Social enterprises should be assessed and judged on how well they are achieving their central purpose and the impact they are having.

Social impact reporting should not only be used for marketing but also to contribute to planning, to the management of the whole organisations, to review what has worked and what has not, to understanding priorities, to involve processes that listen to stakeholders, to understand costs and outcomes of differing strategies, and so on. It is about reporting and accounting and not just a way of providing marketing information.

Social Accounting and Audit takes organisations through a process that asks for a regular review of the mission, values and objectives alongside an analysis of stakeholders (all those individuals and organisations that can affect an organisation and are affected by it). It requires an 'impact map' identifying outputs and outcomes to emerge from the activities of an organisation. This is followed by collection of quantitative and qualitative data that is brought together in an annual set of draft social accounts. The social accounts should seek to accurately reflect the performance and impact of the organisation during the past year. This 'account' then is subject to an independent audit and the revised draft becomes the social report. The process runs parallel to the financial accounting and audit process.

A social report for social and community enterprises is about proving what your organisation has achieved – backing up the claims with evidence; improving as an organisation as inevitably decisions on the future will be based around hard facts; and finally, and this is of increasing importance, about being accountable to all stakeholders.

It is important to recognise that the audit checks the thoroughness and veracity of reporting and does not pass judgement. The judgement about performance and impact is left to stakeholders and the report should be openly disclosed to them. They then make a judgement about the organisation.

Some organisations going through regular social accounting and audit consider the final report as of huge importance. I would argue that going through the process is equally important.

It would be a mistake to think of social impact reporting only in terms of how it can be used to market the organisation.

The quote from Chomsky at the start of this blog reflects the cynicism around marketing – claiming that it is only about businesses trying to persuading people to spend their money.

Social and community enterprises are more about responsibly and regularly reporting on how they have effected change that contributes to benefits for people and the wider society. In social reporting what an organisation says it does should be as close as possible to what it actually does.

Telling people about what an organisation does is one thing; but doing this in order to sell more and more products and services is another…

…and never the twain should meet…

16. Are We Really Creating 'Value' and How Do We Know?

I attended two events recently and both got me thinking about the question in the title of this blog.

One was a seminar led by Stephen Osborne which examined the 'value' created by public services. The other was the Social Audit Network (SAN) Annual Gathering.

Stephen Osborne is an esteemed and well-regarded academic at the University of Edinburgh Business School and has written extensively on public services. He was speaking at Glasgow Caledonian University and three things struck me about his talk and the subsequent discussion.

The first was that delivering services in response to public needs requires a quite different approach from running a business that sells products. Apparently, legislation states that public sector organisations have a duty to respond to 'need' in the population. Some discharge this by delivering services, others commission or buy the services from others.

The key point is that the public sector must address 'need' which is evidenced in the population rather than creating demand for a service or product. In any case, the delivery of the service should use a 'different business logic' which is dependent on the co-operation and trust of citizens. This working together and collusion is about adding value and positive change for citizens – in terms of meeting the needs, improving people's quality of life, creating capacity within the community and generally making a better society.

The second was that public service delivery has fundamentally different values and a different end-game in comparison to running an enterprise. The delivery can use business management methods to improve internal systems, but it is essentially quite a different animal with a different set of values. This possibly has implications for social and community enterprises that also address social needs – they may need to look at their values as well as their financial bottom line.

The third relates to the discussion following the presentation, where there was a debate on accountability and the need to track, measure and report on whether or not the public service delivery was actually achieving its goals. The verbal exchanges recognised that tangible and often measurable indicators can be used to explain what has been delivered and to what effect, however, the less tangible, outcomes in terms of happiness, confidence and self-esteem are harder to account for.

Osbourne said that these highly important factors require a more investigative approach and one that often is inevitably more time-consuming and more expensive. It is interesting, in passing, that many local authorities have not re-instated previously abolished national performance measures – mainly due to cost. There would seem to be an opportunity to set local and meaningful targets on 'social impact' which is happening in Salford and reportedly across Greater Manchester as part of the devolution agreement.

The SAN Gathering was held in Liverpool on 20th October and was in two parts.

The morning looked at the basis of social accounting and audit and a number of case studies were presented which examined things that had worked well and others that were more of a challenge. There appeared to be a general consensus that regular reporting on the change that happens as a result of what a social or community enterprise does, is a good thing.

The afternoon concentrated on how we can believe what is contained in social reports.

An increasing number of annual social reports are being written by a wide range of organisations – from the small community-based enterprises running lunch clubs to the mega-corporate bodies providing a range of social services – both often under contract to, or at least working alongside, the public sector. With more and more organisations being contracted to deliver services for citizens in our society – how do we know they are doing a good job?

Looking at unsubstantiated and unverified social reports makes me concerned that self-reporting as advocated by approaches such as social accounting, may descend into purely marketing exercises. There must be some kind of 'audit' of social reporting to ensure faith in, and the rounded integrity of, social reports.

Over many years SAN has worked with social, voluntary and community organisations in developing a 'social audit process' where qualified SAN social auditors chair a Panel meeting which is a learning and supportive process as well as providing rigorous and robust scrutiny of an organisation's social report.

The afternoon session at the Gathering also considered standards for audit processes and in particular, the forthcoming BSI standards for social value assessment reports were mentioned. This has to be welcomed as a way of ensuring that social organisations are not pedalling 'fake news'.

A nagging concern, however, is that standards will be created by umbrella bodies without the active involvement of organisations on the ground – things will be done to people and grassroots organisations rather than with them. In applying national standards across the board, there is a significant danger of turning the 'social audit' into yet another tick-box compliance exercise, especially if it is controlled by a national standards institute.

In conclusion, I want to tie these two events together as in my mind there would appear to be common threads.

- 'Value' for society is being created, but as a society, we need to be able to track it and in doing so, we need to see the degree of value created and how to improve on it, thus being as effective as possible.
- Self-reporting is the only practical way of tracking change created by the expanding plethora of different organisations that soon will be delivering all sorts of public services – either off their own bat or on contract to the public sector.
- We, the public, need to have faith in the social reports and one way of creating this is to insist on some form of 'social audit'.
- Standards have to be established for the 'social audit' to ensure a procedural uniformity – but those standards should not be created in a vacuum but in some form of co-creation with social and community organisations. Thus, ensuring that they are understandable, transparent and trustworthy – and perhaps there is an opportunity to recognise the context with local measures.

Finally, there would appear to be a considerable degree of consensus within the public and social sectors on the need for social reporting – not only of the tangible but also the intangible.

There is wide recognition that there has to be some form of check or audit to ensure that reality is reflected in the reporting.

My plea is that in setting social audit standards they are not too complicated but are understandable and accessible (in all its meanings). Only that way will they become accepted and adopted by all.

17. Social Impact And The Argument Against Unqualified 'Growth'

In connection with business and the economy, we hear a lot about 'growth'.

Economists argue that the economy has to grow year on year. Investors claim that businesses have to continually grow as the alternative is for them to stagnate and get overtaken in an increasingly competitive market. Even social enterprises are being pressed into 'growing their business' – usually in business terms such as increasing turnover, improving profits, increasing staff and, generally, expanding market share. It would appear that the winners in the pervading and traditional economy are the enterprises that are growing and, if you are not growing, you join the losers.

I want to challenge that idea when it is applied to 'social and community enterprises'. I shall argue that social economy organisations are different from mainstream businesses as their core 'business' is achieving an essentially social or community goal. Therefore, they should operate differently – making different decisions for different reasons – and ultimately judging their success or failure, not in terms of growth, but in terms of positive, qualitative social change.

I suppose what I want to say about 'growth' is not particularly new. Barack Obama has said…

> Trade has been a cornerstone of our growth and global development. But we will not be able to sustain this growth if it favors the few and not the many.
> [Speech in Berlin, 24 July 2008.]

He was talking fundamentally about sustainability. Interestingly, this contrasts significantly with Benjamin Franklin one of the Founders of the USA, who several centuries previously, stated…

> Without continual growth and progress, such words as improvement, achievement, and success have no meaning.

Indeed, the context was quite different in Franklin's time and the world was not hurtling towards climate change and potential environmental Armageddon. Thus, the historical context matters in how we consider concepts such as 'growth'.

In 2009 Tim Jackson wrote Prosperity Without Growth: the transition to a sustainable economy. The second edition, Prosperity Without Growth: foundations for the economy of tomorrow was published last year (2017). In it, Jackson sees enterprise as a 'form of social organisation' with work representing participation in society where money should be used for the 'social good' – reducing inequality and supporting ecological stability.

This appears to me to be very close to what the pioneers in the social enterprise movement talked about. There has to be an alternative way of looking at the economy which is inextricably linked to notions around creating zero waste through recycling and working towards a more 'circular economy'.

I know of a number of social and community enterprises that responded to the urge to grow. They have tended to assess their success in increased turnover, improved surplus or profit, and in recruiting more staff. These are ways in which a traditional business measures their success and quantifies their achievements. But what of improving the quality of the social change that happens as a result of what they do? Is that to be sidelined in the drive for business success?

With community enterprises, in particular, growth can be difficult. They are community-based, often operating within a particular locality, and with no intention of growing through domination or expanding into other areas. They are often owned by the community to create community benefit on behalf of that very same community. They want to get better at what they do and make a difference to local people by working closely with local residents.

The Scottish Government published its Social Enterprise Strategy earlier this year. I was interested to see that it recognises the wide community-based nature of social enterprise in Scotland – often operating in financially perilous waters. To its credit, it does not bang on about 'growth' and in terms of 'scaling up' social enterprises. It states…

> In increasingly competitive and uncertain markets, scale can be a weakness as well as a strength. For social enterprises, it may become increasingly preferable to scale capacity and impact through partnership rather than pursuing an organisational growth strategy. Collaboration, franchising, and replication will all come into sharper focus.

The last sentence of this quote is crucial. It highlights the need for collaboration – implicitly in place of competition; and the role of looking to replicate practices in another place.

However, there lies a danger in both of these: collaboration is difficult to foster when funding and investment are usually distributed through highly competitive structures. Similarly, replication is problematic due to varying contexts – what works in one place will not necessarily work in another, or certainly not in the same way.

Within the social economy, I believe, we should be doing enterprise differently and one example of this is that collaboration should be encouraged to replace overt competition. Admittedly, this is a controversial notion and difficult to achieve but it is central to working together for the common good.

Another area where we should be doing things differently in the disputed arena of 'social impact'.

Social and community enterprises trade in exchanging goods and services. They do this to achieve a central aim of improving people's lives; not adversely harming the environment; in changing behaviours or influencing cultural norms for the betterment and well-being of all.

So how do they know whether or not they are successful?

The Social Audit Network (SAN) has been working in this area of impact and subsequent accountability for a long time. It believes that social enterprises should report on their social and community achievements on a regular basis. At the same time, social enterprises should check on their internal aspects or social enterprise credentials.

In summary, these credentials are: being good to their staff and volunteers; being accountable through appropriate governance; not making individuals wealthy at the expense of the wider society; 'washing their face' financially; being environmentally responsible, and helping the local economy along…

SAN also believes that social reports should not be used primarily for marketing and that they should be subjected to some form of audit that checks facts and interpretations made in these reports.

Some form of social accounting and audit (SAA) is required urgently by the social enterprise movement. SAA is an alternative way of doing things – recognising that working towards social change is a different aim, and cannot be measured in financial terms or in terms of business growth.

Social accounting is not about money. It is, crucially, about how a social or community enterprise can be accountable – and importantly – held to account for what it is trying to do and what it is trying to be, in social, environmental and cultural terms.

In conclusion, I have always believed that in the end, the future of social and community enterprise will come down to how accurately they gauge their success and how they report this differently, but not entirely different, from traditional business.

We have to not only create a new way of seeing the world's economy (as referenced in Prosperity Without Growth), by getting in place more appropriate mechanisms that suit an alternative way of doing business. That includes social funding, social management, social accounting, social capital, social enterprise planning and so on…

So, ditch unqualified growth and get busy at doing things differently. A possible New Year's resolution?

18. Resurrecting A Positive Role For The Much-Maligned Notion Of 'Social Capital'

Social capital describes the networks together with shared norms, values and understandings that facilitate cooperation within or among groups' (OECD, 2001)

> I want to put out a call for the rehabilitation of what we understand by 'social capital'.

Recent criticism of the essential concept of social capital has caused people to cast it aside – considering it a redundant approach. Several influential academics on the left of the political spectrum have written books and articles criticising social capital. Their criticism became particularly virulent at a time when the World Bank formed a social capital strategy in their assistance to developing countries.

In short, the main thrust of the criticism was that the notion of social capital was being used as a substitute for not materially helping populations. Communities were being told that…we know you are poor, downtrodden and disadvantaged but you have 'social capital' and you should be using that more.

In a way, the academic left was right in criticising the World Bank's application of a social capital approach – especially if it was used as a reason for not providing material help. But I think that the criticism threw the proverbial baby out with the bath water. Although many of my sympathies align with a criticism of the World Bank, I have a different view.

I think we have to take a less theoretical position regarding social capital and believe that it is very important if viewed in practical and pragmatic terms. It is more usefully understood by people working in social enterprises and third sector organisations when it is pulled out of academia and translated into real situations.

So why am I calling for a rethink of social capital now? It is mainly because I have been part of the CommonHealth Research Programme* whose aim was to research the links between the activities of social enterprises and health and well-being within communities and amongst individuals. It is looking at addressing health inequalities and how social enterprises can positively influence the upstream determinants of health even when such entities say nothing about health in their mission statements. The main determinants of health being…family, friends and communities; housing; education and skills; good work; money and resources; physical surroundings (Keeping us well: How non-health charities address the social determinants of health; Boswell, K., Joy. I., Lamb, C., 2017, New Philanthropy Capital).

The results of the CommonHealth Research Programme are just beginning to emerge and I am struck that many of the findings would appear to be linked to what I have always understood as being 'social capital'. (More information on this research can be found in the Briefing Papers and journal articles.)

So, what are we talking about when we use the term?

I think that one of the best and most comprehensive definitions of social capital came from the CONSCISE Project (2000 -2003). This project defined it as…

"…resources within communities which are created through the presence of high levels of trust; reciprocity and mutuality; shared norms of behaviour (values); shared commitment and belonging; and both formal and informal social networks all of which may be used productively by individuals and groups to facilitate actions to benefit individuals, groups and community more generally."

This definition is more useful, in my view, as it emphasises that social capital is made up of a number of interlinking elements – not just one thing. The CONSCISE Project then goes on to argue that understanding and applying social capital in one's approach is heuristic – that is, you learn from doing, not by talking about what you think you are doing.

Returning to CommonHealth – the project's main hypothesis is: are social and community enterprises, by their nature, approach and activities, good and effective at improving health and well-being for individuals and communities – either directly or indirectly?

On the community level here are some of the emerging findings…

- Community enterprises can bring the community together through running a safe, community space as a focal point of the community, and something that offsets loneliness. In rural and remote areas, a community based social enterprise provides a hub or meeting place where local people can meet and expand their social networks. The more often they do this, relationships and friendships can deepen, strengthening trust between people make a more cohesive and stronger community.
- The 'good work' of the social enterprise, mainly working to benefit other people, further develops one's sense of belonging to an area and sharing concern for a particular locality.
- Sharing experiences and belief in what a social enterprise is trying to do strengthens the sense of belonging to an area and make the surroundings a better place to live and work.
- Social enterprises provide opportunities to volunteer locally around the principle of mutuality and helping each other.

On top of this social enterprises – particularly those that are community owned – can provide a vehicle for local social change and development in the area. They can provide the role as a geographical 'anchor organisation'. They may also boost the local economy through providing employment, helping with training and aspiring to be as self-sufficient as possible.

I feel there is currently a need to resurrect the role of social capital in our understanding around concepts such as community and individual health and well-being.

If we accept that there are correlations between elements of social capital and some of the emerging findings around the upstream determinants of health, then we are again confronted with the knotty problem of how do we account for, or 'measure', the changes in these elements.

I have argued in a previous blog that social enterprises should focus much more on the 'social' side of what they do. Their existence should be geared to benefit people at the same time as not adversely affecting the environment and using economic activity to achieve these ends.

If this is the case, I think that social enterprises should be looking seriously and overtly at the degree to which they contribute to social capital. This would mean putting in place how they build trust between people and organisations; how they encourage reciprocal working and mutuality; how they state and then live up to their values; how they support a commitment to a community and a sense of belonging; and how they actively create connectedness through informal and formal social networks.

I would also take this further and say that social enterprises could, and perhaps should, take a social capital approach. This might mean separating out the composite elements of social capital and examining how what social enterprises do and how they do it can contribute to strengthening social capital.

Lastly, rather than attack the notion of social capital and try and replace it with other less contested terms, such as community cohesion, connectedness, social inclusion, anti-loneliness, and so on, we should arguably be embracing social capital making it a central tenet of what social enterprises are all about.

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