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# BEYOND CAPITAL

## THE NEXT GENERATION OF SOCIAL ENTERPRISES

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**Module 1:**  
**Social enterprises, management and operation**

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## Module 1 - Social enterprises, management and operation

### Introduction

This module aims to provide social entrepreneurs with the general knowledge of what a Social Enterprise is through Europe, by exploring its definition and history. Moreover, this module offers new social entrepreneurs a chance to discover more about the topic of Benefit Corporations and the B-Corp certification. A key objective of this unit is to guide these new entrepreneurs in obtaining the certification. Through an analysis of the legislation on social enterprises in European countries, this Module wants to ensure the perception of the different typologies of Social Enterprises in Europe.

It is shown that it is important for new entrepreneurs not to focus just on their country, but to find new partners all around Europe through an accurate stakeholder analysis and a good business plan.

Finally, this Module wants to provide the reader with a *best-case practice* of a social enterprise that has been active for more than 15 years. This way new social entrepreneurs have the opportunity to develop the right competences needed for growth beyond the unknown.

### Learning objectives/ outcomes

This module aims to achieve these learning objectives:

- Be able to recognise a social enterprise
- Know the benefits of having B-Corp certification
- How to obtain B-Corp certification
- Know the legislation concerning social enterprises in various European countries
- Recognise the importance and advantages of being part of an international network
- Be able to interact with your stakeholders
- Be able to market your product
- How to measure social impact
- Be inspired by a successful social enterprise case study

## LEARNING OUTCOMES

### Knowledge

- Definition of a Social enterprise
- Understand what a Benefit Corporation is
- Having an overview of the European legislative system of social enterprises
- Connecting individuals and organization from across different communities and social enterprises
- Finding the right balance between social and economic dimension within social enterprises
- Knowing how to measure social impact

### Skills

- Being able to understand what a Social enterprise does
- Being able to understand the difference between Benefit Corporations
- Being able to get a B.Corp certificate
- Knowing the requirement essential for the creation of the social and economic dimension
- Knowing how to create a multi-stakeholders system
- Knowing how to map the European legislative system of social enterprises
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### Competences

- Learning to recognize a Social enterprise
- Making your company a Benefit Corporation
- Successfully acquire a B-Corp certificate
- Finding the right legislation in a specific country to define your social enterprise
- Creating a network and interacting with stakeholders
- Knowing how to exceed the social and economic dualism
- Being able to understand the role of stakeholders and how to create an enterprises socially valuable
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### Main Content

## 1. SOCIAL ENTERPRISE

### 1.1 INTRODUCTION

This module explores the concept of social enterprises. Social enterprises are operators in the social economy whose main objective is to have a social impact rather than make a profit for their owners / shareholders.

Social enterprises operate providing goods and services for the market in an entrepreneurial and innovative way and uses its profits primarily to achieve social objectives, it is managed in a responsible way involving employees, consumers and every stakeholder affected by its commercial activities,

Social enterprises focus on achieving wider social, environmental or community objectives.

### 1.2 DEFINITION OF SOCIAL ENTERPRISE

The concept of social enterprise is more complicated than it looks, every country has a different concept of social enterprise depending on their historical and cultural background.

The European Commission defines the social enterprise term to cover the different types of business:

- Business whose social or societal objective of the common good is the reason for the commercial activity, often in the form of a high level of social innovation;
- Business whose profits are mainly reinvested to achieve this social objective;
- Business where the method of organization or the ownership system reflects the enterprise's mission, using democratic or participatory principles or focusing on social justice.

Social enterprises mainly operate in 4 fields:

- Work integration - training and integration of people with disabilities and unemployed people;
- Personal social services - health, well-being and medical care, professional training, education, health services, childcare services, services for elderly people, or aid for disadvantaged people;

- Local development of disadvantaged areas - social enterprises in remote rural areas, neighbourhoods development/rehabilitation schemes in urban areas, development aid and development cooperation with third countries;
- Other - including recycling, environmental protection, sports, arts, culture or historical preservation, science, research and innovation, consumer protection and amateur sports.

### 1.3 ECOSYSTEMS IN EUROPE

Social enterprises nowadays are an important part of the European social structure, because of their recent proliferation and the rising interest they generate among policymakers, researchers and practitioners.

The European Commission launched two mapping studies as follow-ups to its 2011 communication on the Social Business Initiative (SBI).

The last mapping took into consideration: the historical background and conditions of the emergence of social enterprises; the evolution of the concept and the existing national policy and legal framework for social enterprise; the scale and characteristics of social enterprise activity; networks and mutual support mechanisms; research, education and skills development; the resources available to social enterprises.

National reports confirm that social enterprises have emerged and developed thanks to the interplay between bottom-up (mainly community-led) and top-down (mainly externally led) dynamics. While bottom-up dynamics have their roots in the longstanding tradition of the early forms of cooperatives and associations, top-down dynamics are strongly intertwined with the development of the welfare state systems. In countries distinguished by both a poor degree of coverage of general interest services and a strong civic commitment and/or cooperative tradition, social enterprises have been initially boosted spontaneously by groups of citizens with a view to filling gaps in welfare and general-interest service delivery.

The majority of EU Member States are distinguished by rather unbalanced ecosystems, overemphasising one component and underemphasizing others. In most instances, this implies the neglect of capacity building, networking and cooperation among social enterprises. In terms of available resources, country reports corroborate that ensuring access only to repayable resources, demand for which is, by the way, still limited, is not sufficient. A comprehensive ecosystem ought to also improve public procurement practices and encourage stabilisation of income-generating resources.

A social enterprise is an increasingly widespread phenomenon with great potential, which is still far from being fully harnessed. Social enterprises have a significant impact on income, employment and welfare, especially in those countries where they enjoy a longstanding history and have been largely acknowledged, both politically and legally.

As highlighted by the country reports, social enterprise is not a completely new trend. Rather than deriving from business models as it does in the United States, in Europe

and bordering countries social enterprise stems mainly from organisational models and values that have strong roots in European societies, including solidarity, self-help, participation, and inclusive and sustainable growth. As such, the social enterprise mainly results from a collective dynamic, and it is a collective entrepreneurial model.

In some cases, social enterprises can have a long history, Germany, for example, has a long tradition of nonprofit organisation that since the Mediaeval ages, supplied social services.

In fact, most social enterprises have their roots in the tradition of associations, mutual aid societies and cooperative and voluntary engagement that preceded the creation of the contemporary state bodies.

Nevertheless, in other countries the history and origin of social enterprises is closely linked to the characteristics and evolution of their welfare systems.

## 2 B-CORP AND HOW TO GET A CERTIFICATION

### 2.1 INTRODUCTION

This module explores the concept of Benefit corporations. Non-profits and governments cannot face society's most complex problems by themselves. Businesses and profit organizations can and will make the difference.

A benefit corporation is a business entity with a dual purpose: making a profit and promoting the public good. While a for-profit corporation's sole purpose is to make a profit for its shareholders, and a non-profit's purpose is to fulfil its mission or support its beneficiaries (such as promoting environmental sustainability or serving low-income individuals), a benefit corporation engages in both.

To be eligible as a benefit corporation, your company must have a public benefit purpose and commit to creating annual reports that show your progress towards your stated mission

Your formation documents must include a statement of one or more public benefit purposes, such as:

- serving low-income individuals or communities
- environmental sustainability
- promotion of arts or music
- sharing profits with charities
- contributions to scientific research
- advancement of public education, or
- a general public benefit purpose

### 2.2 WHAT ARE B-CORPS?

**Certified B-Corps** are those that work “toward reduced inequality, lower levels of poverty, a healthier environment, stronger communities, and the creation of more high-quality jobs with dignity and purpose”.

(<https://bcorporation.eu/about-b-corps>)

Business and profits are not the purpose of Benefit Corporations, they are instead the means to a greater end, that is the well-being of their employees, the communities and the environment around them.



B-Corps balance the interests of shareholders with the interests of workers, customers, communities and the environment.

The B-Corp movement was born in the USA in 2006 through the work of B-Lab, an NGO whose mission is to spread a new international culture based on the social impact and responsibility of any business around the world.

B-Corps can be considered an extension of the benefit corporation concept.

Following the global relevance of the B-Corp movement many governments are developing their own legislation in order to validate B-Corporations as legal subjects.

Benefit Corporations have acquired legal status in the following countries:

- Italy (“società Benefit”)
- France
- Colombia
- Ecuador
- USA (36 States)

The legalization process is furthermore taking place in 5 new US Countries and 12 further Countries around the world.

**B-Lab’s goal** is to build “a global community of Certified B Corporations who meet the highest standards of verified, overall social and environmental performance, public transparency and legal accountability.”

As explained before, being a B-Corp requires a certain standard; operating in a transparent, responsible and sustainable way brings ulterior costs to the company.

### **Why become a B-Corp?**

Becoming a B-Corp has numerous bright sides, B-Corp are more attractive to possible employees, according to Harvard Business Review, millennials, who represent about 50% of the global workforce, seek work that connects them to a larger purpose.

On the economic side being a B-Corp brings a remarkable return in terms of reputation, press and user review tend to take into consideration the social side of the enterprise.

B-Corps also have a competitive advantage due to bigger appeal for investors based on the major visibility and to the presence of favorable legislation in the majority of the countries.

## 2.3 B-IMPACT ASSESMENT

LoreB Lab developed the B-Impact Assessment, which is available for free for any company interested in measuring its level of commitment towards communities and environment.

Used by more than 150,000 businesses, the B-Impact Assessment can help measure, manage, and improve positive impact performance for environment, communities, customers, suppliers, employees, and shareholders; receiving a minimum verified score of 80 points on the assessment is also the first step towards B Corp Certification.

1. Take the test for free: <https://bimpactassessment.net/>
2. If your grade is 80/200 or higher, validate your results with B- Lab;
3. Subscribe the C-Corp Declaration of Interdependence!

The B Impact Assessment contains series of questions about company's practices and outputs across five categories: governance, workers, community, the environment, and customers.

## 2.4 CONTEXT

After a long journey the figure of the companies changed, the initial idea of a company that pursues the classic shareholder interest is replaced by a larger horizon that take into consideration all the stakeholders; on January 1st 2016, Italy became the first European state and the second country in the world creating a new legal status for companies, called "Società Benefit" (in the US, Benefit Corporation).

A "Società Benefit" is a company which combines the goal of profit with the purpose of creating a positive impact for society and the environment and which operates in a transparent, responsible and sustainable way.

## 3 MAPPING OF LEGISLATION IN DIFFERENT COUNTRIES ON SOCIAL ENTERPRISES

### 3.1 INTRODUCTION

This module explores the concept of social enterprises, in particular the Mapping of legislation in different countries.

Social enterprises are operators in the social economy whose main objective is to have a social impact rather than make a profit for their owners / shareholders.

Social enterprises in different countries have a different form due to the differences in both historical background and cultural environment, therefore there are several discrepancies between national social enterprises legislations.

### 3.2 SPAIN

The situation in Spain shows an emerging social enterprise ecosystem that evidences a contrast between institutionalisation and innovation.

Social enterprise networks are considered for their double mission, on one side they defend the collective and professional interests of social enterprises, and on the other they promote and enact all types of services that serve the interests and needs of social enterprises.

Spain presents basically two opposite approaches to the social enterprises, intended both in traditional forms of social economy and in new business models that balance economic and social aims, on one side see social enterprise as part of the social economy the other considers social enterprises as a new field.

### 3.3 ITALY

The history of social enterprise in Italy is closely linked to the characteristics and evolution of its welfare system.

It spans nearly 40 years, encompassing diverse trends across the various organisational types that make up the social enterprise spectrum. These are:

- Social cooperatives,
- Entrepreneurial associations and foundations,
- Limited liability companies,
- Traditional cooperatives and mutual aid societies.

Social enterprise has developed in different stages. In the first stage, voluntary organisations and social cooperatives were the crucial actors. Then, associations and foundations shifting towards a stronger entrepreneurial stance began to play an

increasingly relevant role. Finally, limited liability companies qualified as social enterprises because pursuing explicit social aims and adopting inclusive governance have come into play

Key changes have recently been introduced by Law 106/2016 reforming the "third sector" and Legislative Decrees 117/2017 and 112/2017. ). As stated by the government, the objective of Law 106/2016 was twofold: first, to provide a common framework for the sector with a view to overcoming its fragmentation from different perspectives, in terms of organisational types (induced by the various legal forms that had been introduced in the previous decades on voluntary associations, social promotion.

### 3.4 GERMANY

German social enterprises have strong roots in several traditions: from associative and philanthropic action, to cooperative, mutual and other group-self-help motives or work integration, communitarian and business-driven traditions.

Social enterprises currently active in Germany anchor themselves in several historic precursors. These include strong associative roots as well as cooperative, mutual and other group-self-help traditions.

None of the German conceptions emphasise the EU's dimensions of governance and inclusive ownership.

No specific legislation on social entrepreneurship exists in Germany, not even a formal definition and therefore public agencies still diverge in their understanding of the concept.

There appears to be no plans ready to introduce such acts in the near future.

### 3.5 CYPRUS

The legal regulation about social enterprise in Cyprus is quite recent, based on a 2019 law, approved in 2020, it establishes the legal framework outlining specific criteria that must be fulfilled by legal entities in order to be awarded social enterprise status.

The article 5 establishes two categories of social enterprises:

- General purpose social enterprise: its purpose is achieved through a social mission that promotes positive social and / or environmental actions with the interest of society, and provides services or goods on the basis of a business model. Most of the company's revenue comes from business, it invests at least 70% of its profits in promoting its social mission and achieving it.
- Social integration enterprise: has as its primary purpose operating a social mission through the employment of at least 40% of the workforce of its enterprise, by hiring people belonging to vulnerable groups of the population, it provides services or goods on the basis of a business model, and it is

managed in a business-like, accountable and transparent manner; in particular with the participation of members and / or employees and / or customers and / or other stakeholders affected from its business activities and does not constitute state enterprise.

### 3.6 MALTA

Malta is a small market economy with a long history and tradition of voluntary associations (VOs) and cooperatives. Before formal recognition, VOs fell under the freedom of association right, which is included in the country's constitution, but in Malta's Law there is no official definition of social enterprise, although there is a definition included in the Draft law on social enterprise (2015).

The Draft law on social enterprise defines two different type of social enterprise:

- social enterprise company, (restricted to limited liability companies)
- social enterprise organisation (envisaged for all other legal forms).

Both are aligned with the EU operational definition of SEs, except that there is no reference to stakeholders' participation. Social enterprise companies shall comply with additional criteria (e.g., limitations on wages and volunteers, specific requirements on the memorandum of association).

### 3.7 BELGIUM

In Belgium, there is no specific legislation fully embracing the social enterprise scope. There are, rather, a set of laws, decrees (at the regional level), and public provisions related to specific legal forms, sectors of activity, and social mission types. A large scope of policies and legal provisions potentially apply to social enterprises in various sectors and it is impossible to provide an exhaustive list of all these measures.

In the context of the Company Law the social purpose company framework was created in 1995. This framework was not, strictly speaking, a new legal form; in fact, all types of organisations could adopt the social purpose company status, provided that they were "not dedicated to the enrichment of their members", and their statutes complied with a series of conditions.

While strengthening the evolution of associations towards an entrepreneurial stance, recent legal changes have also acknowledged cooperatives' inclination to pursue general interest aims. Since 2019, only cooperatives can be accredited as social enterprises through a new accreditation scheme. There is a set of conditions that need to be met by a cooperative to be accredited as a "social enterprise".

## 4. HOW TO BUILD OR ACCESS A NETWORK AND INTERACT WITH YOUR STAKEHOLDER

### 4.1 WHY SOCIAL ENTERPRISE NETWORKING IS IMPORTANT?

Social enterprises have the main objective of creating social value in addition to economic value. This dual-purpose limits access to resources, because social enterprises result less attractive to external investors.

In general, six conditions play a fundamental role in initiating the activity of social enterprises: leadership, new knowledge, finance, talent, and support services., including networking.

For entrepreneurs it is essential to create a network of contacts to successfully enter the market and move on to the next phases of the corporate life course. Networks provide access to social capital and provide credibility to new companies that do not yet have a strong reputation on the market. It is important to find approval or association with actors and organizations that have some authority or work in the same field.

### 4.2 HOW TO BUILD A NETWORK

Social enterprise networks can connect individuals and organizations from across different communities, social enterprises and locations into supportive networks.

To join a network, you need to:

- find partners who share the same founding values;
- share information;
- give mutual support;
- promote business opportunities that benefit both.

The way in which the network is created changes according to the life phase of the company, as well as the stakeholders who are part of it. In this process, in fact, we move from "personal networks" to "professional networks".

In the initial stages of the company's life, the network serves to facilitate access to "tangible" resources, such as initial capital, tangible assets or commercial premises.

In the growth phase of companies, the importance of networks remains, but their use shifts from providing access to financial resources and credibility to providing access to advanced knowledge and new markets.

It becomes important to build a network with other social enterprises and create strategic partnerships, to share research and development costs or open access to new markets.

It is possible to create a local, regional, national or international network and the reason for the connection can be: geographic location, theme, social mission or a combination of these.

Joining a local network can help you network and connect with social enterprises and entrepreneurs in the same area. This process can help influence local decision makers, including political representatives, local councillors, city officials and local media, to make them aware of the successes, needs and ideas of social enterprises.

It is necessary to highlight the connections between social enterprise and community welfare.

Based on this connection, social enterprises can take part in events organised specifically for this type of entity in order to create new relationships or directly contact a company with which they are interested in creating a collaboration, thus expanding the network. To create a new network, it may be useful to organise networking events in your locality and invite organisations to participate.

These networking events can help organisations and entrepreneurs identify opportunities for collaboration or partnership and for example it can be important to have a ready presentation of your business to be able to find like-minded partners to be included in your network.

In this context it becomes important to keep a list of contacts so that communication is simpler and more immediate.

The lack of resources or time often limits the ability to participate in network events. One solution could be to organise online events to encourage the participation of more social enterprises.

#### 4.3 HOW TO INTERACT WITH STAKEHOLDERS

Firms cannot limit themselves to the activities of shareholders only and the maximisation of share value, but must satisfy the expectations of several subjects - that is, of those who influence a business - trying to satisfy the expectations of those who bring a useful contribution to the efficient development of economic activity. We therefore move to a multi-stakeholder perspective, that is an open governance system capable of reconciling the interests of the various stakeholders and affirming its social responsibility. This marks the transition from a mono-stakeholder perspective to a multi-stakeholder perspective.

The social enterprise is commonly considered as a **multi-stakeholder organisation**, with participatory governance, which provides for direct management participation, in order to ensure sharing and transparency of decisions.

The relationship with stakeholders can take different forms: **listening, consultation, co-planning, direct involvement** within the corporate base and the boards of directors. The common thread of the different forms and methods of relating with stakeholders is identified in the purpose of encouraging the innovation of the concept of governance, making it **open and participatory**.

The **involvement** of stakeholders is defined as the consultation or participation mechanism through which workers, users and other subjects directly interested in the activities are placed in a position to exert an influence on the decisions of the social enterprise, with particular reference to the issues that directly affect working conditions and the quality of goods or services.

It could be useful to carry out **periodic consultations** such as telematic ones (online consultation of users).

In addition to having to be periodic, the consultation must be carried out in a manner that makes it "effective" and functional to promote the participation of workers and users.

The consultation can find various declinations in the statutes or regulations, such as:

- the establishment of **committees**;
- the establishment of **special assemblies** representing workers or users;
- the participation of **representatives of the categories** involved in the assembly body, of
- administration and control;
- the adoption of **further procedures**.

#### 4.4 ADVANTAGES OF A MULTI-STAKEHOLDER SYSTEM





For social enterprises, the involvement of the various stakeholders in the governance of the organisation is an important element capable of generating significant competitive advantages:

- reduction of information gaps between the producer body and the users of the services
- increase in production efficiency and effectiveness
- increase in control capacity, in sectors where it is difficult to entrust responsibility to external parties
- stimulate learning, thanks to several points of view, with a greater capacity for innovation and reflection;
- ability to generate additional resources external to the organisation, through greater exchanges with the environment

By implementing stakeholder engagement policies and actions, strength factors can develop in the field of strategic management, such as more equitable and sustainable social development over time, more appropriate risk and reputation management, growth in trust in the company and its social legitimacy.

In order to apply this complex type of governance, social enterprises must be able to value the presence of various stakeholders, elaborate their stimuli and respect the expectations generated. The organisation must equip itself with strong flexibility, adaptability and a problem-solving ability to be up to the needs to be met.

## 5. SYNERGY AND BALANCE BETWEEN SOCIAL AND ECONOMIC OBJECTIVES/SERVICES – HOW TO MARKET YOUR PRODUCT

### 5.1 ECONOMIC AND SOCIAL DUALISM

Social Enterprise is a legal qualification that can be obtained by companies, associations and foundations and it's becoming exceedingly popular all-around Europe. The reasons behind this interest derive from the characteristics assumed by this business model: an organisation in which an entrepreneurial nature, aimed at the production and provision of products and services, and social activities, which are not driven by profit maximisation, but rather by the pursuit of social goals, manage to coexist.

This dualism can give rise to tensions in the management of social and economic goals, resulting in issues within the organisation. These sources of tension can be derived both from internal subgroups and from external stakeholders. Failure to strike a balance between the demand of these two objectives is associated with mission drift, a term given when social enterprise places more emphasis on either one of its dual objectives. Too much attention on the economic objectives might drive the organisation away from its social objectives whilst too much focus on the social objectives might affect the financial sustainability of the organisation eventually.

In this new and difficult scenario, Social Enterprises could represent an emerging response to economic and social problems, becoming promoters of change. They are able to provide solutions to the new needs of people and communities. They can design, develop and introduce transformations in the relations between individuals and institutions and, in this way, redefine the aims and priorities of socio-economic development.

The Social Enterprise is, therefore, an organisation that provides entrepreneurial responses to needs of a social nature and it is an entity that manages to combine the economic dimension, represented by the entrepreneurial approach, with the social dimension, relating to the resolution of problems that arise in specific social and territorial contexts.

### 5.2 ECONOMIC DIMENSION

What defines an enterprise as social is the objectives and the way in which production is carried out. The definition is articulated along two dimensions: the economic-entrepreneurial and the social one. The economic-entrepreneurial dimension requires the existence of four requirements:

- a production of goods and/or services in a continuous and professional form;
- a high degree of autonomy both in the establishment and in the management of the company;

- the assumption by the founders and owners of a significant level of economic risk;
- the presence, alongside volunteers or users, of a certain number of paid workers.

### 5.3 SOCIAL DIMENSION

The social dimension, on the other hand, requires the possession of the following characteristics:

- having as an explicit objective to produce benefits for the community as a whole or for disadvantaged groups
- be a collective initiative, promoted by a group of citizens
- have governance entrusted exclusively or predominantly to stakeholders other than the owners of the capital
- ensure broad participation in decision-making processes, capable of involving all or almost all the groups interested in the activity
- not provide for the distribution of profits, even indirectly, or at most a limited distribution.

This definition configures the social enterprise as a private legal entity, autonomous from the public administration, which carries out productive activities according to entrepreneurial criteria (continuity, sustainability, quality), but which pursues, unlike conventional enterprises, an explicit social purpose that translates into the production of direct benefits in favour of an entire community or of disadvantaged individuals. It is therefore a company that can involve several types of stakeholders (from volunteers to financiers) in its ownership and management, and that maintains strong ties with the territorial community in which it operates.

### 5.4 SOCIAL MARKETING

In order to achieve economic success, Social Enterprises must rely on communication, particularly on marketing, to spread and publicise their message and their own mission within society, so much so that in these cases we talk about social marketing.

The following criteria are the reference points for recognising marketing approaches that can legitimately fall under the label of social marketing:

- the objective of the marketing programme must be “voluntary behaviour change”;
- marketing projects must make consistent use of “audience research”;
- the programme proceeds with a careful segmentation of the target audience.

The central element of any influence strategy is the creation of attractive and motivating exchanges with the target audience. The marketing strategy seeks to utilise all 4Ps (product, price, promotion and place or distribution) of the traditional marketing mix. This criterion serves to ensure that the programme is not just advertising or communication.

The success of a campaign depends on the good development of the product, location, promotion, etc. Market yourself as a business first, and then use your social impact story to complement and amplify your marketing message. Do some market research, identify your target market. When defining your audience for social enterprises you have to both define your customer and the community you impact – a traditional company only needs to understand their customer. Both the revenue model and impact model are key to success.

In a research paper entitled 'Social Marketing: An Approach to Planned Social Change', Kotler and Gerald (1971) argued that specific social issues require innovative solutions and approaches to gain public attention and support and that such social causes can benefit from marketing thinking and planning. Meanwhile, however, they argued that there is a sufficient distinction between social marketing and commercial marketing.

Social marketing typically requires dealing with certain fundamental beliefs and values, whereas commercial marketing often deals with superficial preferences and opinions. The powers and limits of social marketing can only be learnt by applying other marketing tools and concepts to it. Finally, from the union of the elements analysed, we can come to the conclusion that, within the business process, it is important to find a key for meeting the different needs required by both the company and other external actors. In particular, it is essential to find a dual connection between the economic and social dimensions, which is crucial both for correct company management in order to achieve the objectives and for a correct relationship of interconnection with the stakeholders.

## 6. HOW TO MEASURE SOCIAL IMPACT

One of the tools used by stakeholders for the development of their own analyses is the sustainability report of a company.

The process of measuring the social impact of a company is necessary to analyse and redefine business objectives and strategies by stakeholders who in this way can have a complete view of the progress of the project.

### 6.1 PURPOSE OF MEASUREMENT

The measurement process has two purposes:

- **internal:** allows to identify more effective strategies for the projects that the company intends to develop
- **external:** allows you to inform stakeholders about the effectiveness of its interventions

To overcome the obstacles of the measurement process, it is proposed to adopt a common process, divided into several phases:

- **definition of the scope of analysis**
- **stakeholder engagement and involvement**
- **understanding the change process**
- **measurement and choice of indicators**
- **impact assessment**
- **communication of results**

The purpose of measurement also has three purposes:

- **decision making:** to continue a project or abandon it
- **learning:** how to modify or adapt a project to different needs
- **informing:** about the benefits that funders can derive from the project or programme

### 6.2 STAKEHOLDERS

Stakeholders are the subjects on which the activities of the company have an impact and an influence on the company itself. Their involvement is essential for two reasons: both to understand their needs and expectations about the project, and to measure social impact.

Stakeholder engagement is a transversal activity that follows the entire path of the measurement process:

- **in planning phase of a programme or project**
- **during the course of the project**
- **in the consecutive evaluation phase**

For measurement it is crucial to understand what to include in the measurement perimeter. There are cases in which it may be useful to conduct a materiality analysis, which allows you to understand what is important for both the organisation and stakeholders.

Once the stakeholders have been identified and the changes have been defined, it becomes appropriate to formulate a logical analysis that allows to adequately understand how the change has been or will be made by the organisation.

### 6.3 VALUE CHAIN

This methodology is called Impact value chain, which allows us to understand the different steps with which a project generates a change in people's lives.

The value chain is useful to determine what is the social impact that an intervention generates and understand why a change has occurred or not and finally establish what can be measured. Specifically, adopting this approach can help:

- understand how the identified objectives are achieved;
- reformulate the object of the assessment;
- understand the interactions between elements of the value chain, such as outputs and outcomes;
- identify possible unexpected consequences and potential risks;
- evaluate the effectiveness of an intervention, going to relate the costs incurred to the expected benefits.

### 6.4 APPROACH TO MEASUREMENT

Nowadays, as there is no methodology or tool for measuring social impact, three macro-categories can be reconstructed based on a different approach to measurement:

**Process methods:** These are the methods that monitor the efficiency and effectiveness of operational processes, measuring and comparing inputs, activities and outputs. They are not able to provide an absolute measure of social return, i.e. the desired final outcome.

**Impact methods:** These are the methods that identify and measure both the operational results (output) of an intervention and the social benefit deriving from it (outcome). The measurement then leads to the identification of the impacts produced by an initiative.

**Monetization methods:** These are the methods that provide for a final phase of monetization of the impacts generated. These methods, assigning a monetary value to the benefits generated, are among the most accredited for their effortless application in business and financial contexts.

However, the practical application of the various methodologies for measuring social impact has encountered some obstacles that have limited their dissemination, including:

- Poor regulation at national and international level
- Any evaluation suffers, by axioms underlying the model, the need to carry out a subjective evaluation
- The application of models, designed at a theoretical level, generates numerous difficulties in reality when it comes to translating the impact into synthetic quantitative indicators.
- The determination of the impact, in the measurement phase, often requires data that are not easily available or identifiable.

As far as the European Commission considers the issue of social impact measurement at European level, for a measurement to be effective, it must be:

- **relevant:** related to, and resulting from the results it is measuring;
- **useful:** in meeting the needs of stakeholders, both internal and external;
- **simple:** for how the measurement is conducted and presented;
- **natural:** resulting from the normal flow of activities in the direction of the result;
- **certain: for how** the measurement is obtained and for how it is presented;
- **understood and accepted:** by all interested parties involved;
- **transparent and well-stated:** so that the method by which the measurement is carried out and the way in which it relates to the services and results concerned are clear;
- **evidence-based:** so that it can be verified, validated and serves as a basis for continuous improvement.

Ultimately, we can conclude by stating that the measurement of the social impact of a company is an aspect to be taken into consideration, as a tool capable of understanding the different characteristics of the project, thus allowing us to identify the risk areas and to intervene for a change of strategy.

Measurement is an excellent tool to create a relationship with stakeholders who become able to understand the functioning of the project with the possibility of positively influencing the development of the project itself.

## 7 BEST CASE: INTERVIEW WITH CLOSE THE GAP

### 7.1 THE MISSION

Close the Gap is an international social enterprise that aims to bridge the digital divide by offering high-quality, pre-owned IT devices donated by European companies to educational, medical and social projects in developing and emerging countries.

### 7.2 ECONOMIC SIDE

Close the Gap is not a profit-oriented company, the economic goal of the company is sustainability.

Despite being a nonprofit, Close the Gap doesn't rely on donation, charity or state/European funds.

Close the Gap monetize its activity on the second-hand digital market, not every device recovered can fit the company mission and those who can't, after being reconditioned, are sold.

It's also important to underline that despite its social goal, the service provided by Close the Gap is not entirely free, the receiving entities pays for the second-hand hardware provided by close the gap, this has a double motive:

1. Economic sustainability
2. Testing the real interest of the recipient

### 7.3 LEGAL STATUS

Close the Gap is an international organization structured as a corporate group. The legal status of Close the Gap is various, the company was born as a nonprofit organization under Belgian law.

In other countries, for example Kenya, the nonprofit status is very limiting and therefore, when the company started its operation there, "Close the Gap Kenya" was created in the form of regular enterprise, but to still show its social goals, the company almost immediately began the process to be a B-Corp.

Close the Gap has multiple locations all over the world, therefore it can obtain different B-Corp certifications. Up until now, Close the Gap managed to obtain one for its Belgian legal entity and one in Kenya.



## Reflection / Self-Assessment

- 1) The goal of a social enterprise is to make a profit? **T F**
- 2) A company that wants to be a B-Corp has to be non-profit. **T F**
- 3) Which country doesn't have a definition of social enterprise in its legislation? **Cyprus Germany Malta**
- 4) Are social enterprises usually considered as multi-stakeholder organizations? **T F**
- 5) Marketing is less important for social enterprises than for regular enterprises **T F**
- 6) The purpose of social impact measurement is both internal and external. **T F**

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